



Testimony of Steve Hahn, President - AT&T Kansas
HB 2326
House Committee on Commerce, Labor & Economic Development
February 18, 2013

Good afternoon, Mr. Chairman and members of the Committee. My name is Steve Hahn. I am the President of AT&T Kansas and I am here in support of HB 2326.

We have all observed and been affected by the extraordinary changes in the communications market. A little over fifteen years ago, "communications" meant "voice," and local voice telephone service was a regulated monopoly service. Today, communications is anything and everything enabled by highly competitive IP-based broadband and wireless services. IP stands for Internet Protocol and it is the common "language" that enables seamless communication of voice, data, and Internet applications among various devices (smartphones, tablets, laptops, and TVs).

- Since 2000, AT&T Kansas' traditional wireline telephone subscriptions have dropped 77%.
- During the same timeframe, broadband subscriptions in Kansas have risen more than 1800%.ⁱ
- Today, there are nearly as many wireless subscriptions in Kansas as there are people in the state.ⁱⁱ

The development and expansion of wireless IP-based broadband networks, including VoIP services, have had an immensely positive impact on consumers and communities, while also driving massive investment and job growth. As native Kansan and current Federal Communications Commissioner Ajit Pai has noted in several of his speeches, "studies estimate that every \$1 billion the private sector spends on fiber deployment will create between 15,000 and 20,000 new jobs."ⁱⁱⁱ

Consumer and business demand for wireless and IP-based broadband services has directed where companies are – and should be – investing.

- Between 2002 and 2010, capital spending in the wireless industry exceeded \$185 billion,^{iv} creating approximately 420,000 jobs throughout the economy.^v
- Nearly 1.6 million jobs were created by the national shift from 2G to 3G wireless network technology between April 2007 and June 2011. Similarly, the transition from 3G to 4G technology is predicted to create more than 231,000 additional jobs within a year.^{vi}
- From 2009 - 2012, AT&T invested more than \$725 million in its Kansas wireless and wireline networks, creating jobs, fueling economic growth and bringing advanced services to our customers.

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- Last fall, AT&T announced a three-year, \$14 billion capital investment plan – Project VIP, which will significantly expand access to our advanced wireless and wireline IP broadband networks throughout the country.

Which brings me to HB 2326. What can policymakers do to best facilitate and accelerate the investment in and deployment of IP-based broadband networks and services? The answer is very simple and straight-forward.

HB 2326 Provides a 21st-century Policy Framework for 21st-century Services

This bill makes sure that Kansas policy continues to encourage the deployment of IP-based broadband infrastructure by preempting state regulation of IP-based services.

The success of the Internet is largely due to the fact that, in stark contrast to the legacy telephone system, it operates in a highly competitive environment with no comfortable incumbent service providers and without burdensome regulation. Yet, Kansas law does not specifically protect the Internet or IP-based services from unnecessary regulation.

HB 2326 Encourages Investment and Job Growth in Advanced, IP-based Services that Consumers Demand

Companies consider many factors when determining where and when to invest capital. An important factor is the certainty and stability of the regulatory environment in which they'll operate. This legislation ensures that investments in IP-enabled services will not be compromised by the threat of monopoly-era telephone regulation or other burdensome regulations.

HB 2326 Models Preemption of IP-based Services on the Proven Success of the Wireless Market

Take, for example, the overwhelming success of the wireless industry. In the early days of wireless, a conscious decision was made to keep the fledgling industry largely unregulated. It was believed that a light regulatory touch would encourage innovation and investment. In the 1980s, the Kansas legislature exempted wireless carriers and their services from KCC jurisdiction (KSA 66-104a). This move ensured that monopoly-era state regulation would not be applied to wireless services.

HB 2326 follows the same approach for IP-based services.

HB 2326 Would Result in Kansas Joining a Majority of States Protecting IP-based Services from Regulation

Currently, no state applies monopoly-era telephone regulations to IP-enabled services. In fact, 26 states have adopted legislation similar to this bill to promote the expansion of and investment in IP broadband networks, and other states are considering similar bills in current legislative sessions.

Essentially, this bill ensures that the Kansas legislature determines Internet policy within the state's borders and it prevents unelected regulators or others from overturning the Internet's proven model of light-touch regulation.

HB 2326 Is Designed to Ensure That Any National Rules are Followed in Kansas

HB 2326 acknowledges the Federal Communications Commission's (FCC) current regulatory authority over the Internet and IP-based services and recognizes that a state-by-state patchwork of rules and regulations does not make sense in an industry that serves national and international markets. HB 2326 is very clearly designed to ensure that any national rules are followed in Kansas.

CONCLUSION: HB 2326 Offers Regulatory Certainty Which Will Spur Investment, Job Creation and Technological Innovation

By codifying the Internet's light-touch regulatory framework, we can ensure that companies continue to invest in the 21st-century communications infrastructure that Kansas consumers demand, without the risk of costly and unnecessary regulation.

Building and deploying these advanced, IP-based networks will spur capital investment, create jobs and broaden the platform on which Kansas businesses can grow.

This legislation is the right step forward for Kansas and for the future of IP-based broadband and services in our state. I urge your support and would be happy to stand for questions at the appropriate time.

ⁱ FCC Local Telephone Competition Report and FCC Internet Access Service Report (12/31/2001 and 12/31/2011)

ⁱⁱ U.S. Census Bureau and National Health Statistics Wireless Substitution Report, October 2011

ⁱⁱⁱ FCC Commissioner Ajit Pai Remarks at the Communications Liberty and Innovation Project's Internet Transformation Panel, Washington DC, October 16, 2012; <http://www.fcc.gov/document/commissioner-pai-opening-remarks-internet-transformation-panel>

^{iv} David W Sosa, Ph.D. and Marc Van Audenrode, Ph.D., Analysis Group, *Private Sector Investment and Employment Impacts of Reassigning Spectrum to Mobile Broadband in the United States*, August 2011;

<http://www.mobilefuture.org/page/-/spectrum-impact-study.pdf?/spectrumjobs>

^v David W Sosa, Ph.D. and Marc Van Audenrode, Ph.D., Analysis Group, *Private Sector Investment and Employment Impacts of Reassigning Spectrum to Mobile Broadband in the United States*, August 2011;

<http://www.mobilefuture.org/page/-/spectrum-impact-study.pdf?/spectrumjobs>

^{vi} Robert Shapiro and Kevin Hassett, NDN Study, "The Employment Effects of Advances in Internet and Wireless Technology: Evaluating the Transitions from 2G to 3G and from 3G to 4G," January 2012;

http://ndn.org/sites/default/files/blog_files/The%20Employment%20Effects%20of%20Advances%20In%20Internet%20and%20Wireless%20Technology_1.pdf