

Testimony of Hance Haney  
Energy and Technology Committee  
Connecticut General Assembly  
March 20, 2012

Re: S.B. No. 447 (Raised) An Act Modernizing the State's Telecommunications Laws

My name is Hance Haney. I am a senior fellow at the Seattle-based Discovery Institute, a non-profit think tank, where I direct the program on technology policy studies.

In 2006, Indiana legislators passed the most comprehensive set of regulatory reforms in the country. House Enrolled Act 1279 ended tariff filing requirements, permitted pricing flexibility, expressly provided that the Indiana Utility Regulatory Commission does not have jurisdiction to regulate competitive services such as Voice-over-Internet Protocol, streamlined provider of last resort requirements and assigned responsibility for consumer protection and broadband deployment to other state agencies.

According to one of the bill's co-authors, Rep. Eric Koch,

We have seen expansion of rural broadband, with AT&T, Verizon, and other providers expanding high-speed Internet access to over 100 additional rural communities. More than 2,150 new jobs have been created by Comcast, AT&T, and Verizon alone. Nearly \$1.5 billion has been invested in new telecommunication infrastructure by AT&T (over \$1 billion), Verizon (\$300 million), Embarq (\$18 million) and smaller telephone companies (over \$150 million). Robust new competition has resulted in more than 35 new state video franchises being issued to seven cable companies and 10 traditional telephone companies.(1)

Other states, including Alabama, Florida, Georgia, Illinois, North Carolina, Ohio, Tennessee and Wisconsin, have all recently revamped their telecommunications statutes. S.B. No. 447 includes several features common to these reform efforts and would put Connecticut in a strong position relative to other states in terms of creating a favorable business climate for private investment in advanced networks.

Utility regulation was appropriate at one time when telephone service was furnished by monopolies. In 1996, Congress removed legal barriers to competition, and wireless providers, cable operators and others now compete to provide voice service.(2) Only 16% of Connecticut voice connections were served by incumbent local exchange carriers (ILECs) subject to legacy utility regulation at the end of 2010, according to the Federal Communications Commission.(3)

By forcing providers to maintain single-purpose voice networks when voice can be delivered over multifunctional broadband platforms at lower cost, regulation of competitive ILEC services is actually harmful to consumers.

As it becomes increasingly costly to maintain a legacy telephone network to serve fewer and fewer subscribers due to high fixed costs, there is a danger that telephone service providers may be forced to subsidize legacy service from wireless and broadband revenues, which would be wasteful and inefficient. Forcing wireless and VoIP customers to subsidize legacy networks would penalize - and therefore diminish - investment and innovation in advanced new services.

For these reasons, the National Broadband Plan endorses a strategy for replacing the traditional circuit-switched telephone network with an IP-enabled network which includes the removal of legacy telephone regulation that could impede a smooth transition.(4)

At the end of 2010, 75% of Connecticut households had a broadband connection over 200 kbps in at least one direction, and 48% had a connection at least 3 mbps downstream and 768 kbps upstream, according to the FCC.(5) Nationwide, only 13% of households have a broadband connection of at least 100 mbps in both directions (state-level statistics not available).(6)

Connected Nation concluded in 2008 that a 7% increase in household broadband adoption in Connecticut would lead to nearly 30,000 jobs being created or saved.(7) These jobs were not only in telecommunications equipment and services, but also in manufacturing and service industries (especially finance, education and health care). Thousands more jobs can be created or sustained in Connecticut as more households subscribe to broadband and upgrade the service they receive.

By enacting regulatory reform so that all providers of voice services are subject to minimum regulation which does not discriminate on the basis of technology or history (just like virtually every other competitive market), legislators can expand customer choice and ignite the broadband expansion necessary for economic growth, technological progress and ultimately lower prices.

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(1) Rep. Eric Koch, "State Telecom Deregulation," *Inside ALEC* (Nov./Dec. 2009).

(2) Telecommunications Act of 1996, Pub. Law No. 104-104.

(3) "Local Telephone Competition: Status as of Dec. 31, 2010," *Federal Communications Commission* (Oct. 2011) available at [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2011/db1007/DOC-310264A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db1007/DOC-310264A1.pdf) at Tables 9, 17.

- (4) National Broadband Plan, *Federal Communications Commission* (Mar. 2010) available at <http://download.broadband.gov/plan/national-broadband-plan.pdf>, at p. 59.
- (5) Internet Access Services: Status as of Dec. 31, 2010, *Federal Communications Commission* (Oct. 2011) available at [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2011/db1011/DOC-310261A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db1011/DOC-310261A1.pdf), at Tables 15-16.
- (6) *Id.*, at Table 5.
- (7) "The Economic Impact of Stimulating Broadband Nationally," *Connected Nation* ( Feb. 2008) available at [http://www.connectednation.org/documents/connected\\_nation\\_eis\\_study\\_executive\\_summary\\_02212008.pdf](http://www.connectednation.org/documents/connected_nation_eis_study_executive_summary_02212008.pdf), at p. 9.