Speech for KTA Breakfast

May 15, 8:15 am

Good morning. It's a pleasure to be here again with you this year for the KTA annual conference. If memory serves, this is the third year I have been with you for the breakfast.

It's amazing to me to look back on the last three years I have served as Chairman of the PSC, and how the telecommunications landscape has changed in that time.

In the last three years, Regional Bell companies throughout the nation have begun offering expanded services following their approval of their 271 applications. In fact, our own BellSouth is now expanding and offering its options in the new marketplace available to it following its approval last year.

Another dramatic change happening in the last three years is the increase in the availability of broadband technology throughout the state. In my address to you last year, I commended each of you, particularly those of you who serve rural Kentucky, for your efforts to extend these services in your communities. Let me congratulate you again on your continued efforts in this important area. Broadband is an important economic development tool, and therefore important to Kentucky.

Last year, a significant number of telecommunications customers in Kentucky experienced a major change when Verizon sold its Kentucky properties to Alltel. With the sale and transition complete last summer, customers in Central Kentucky are settling into a relationship with a new and vibrant telecommunications company.

And this year, in perhaps one of the biggest changes in the last three years, the FCC announced its decision in its Triennial

Review. We are all, of course, still awaiting the final decision to be issued, and PSC staff is standing by to jump into action as soon as we receive a copy of that decision, whenever it may come. (The latest word we've heard is that it will come August 1st.)

But the theme of your conference this year does not suggest that we should dwell on the past, but that we should look toward the future. "The Road Ahead" is an appropriate theme for telecommunications professionals to be discussing when they get their heads together.

Although we are in an era of competition in this industry, we are going to have to embrace cooperation among service providers to some extent, or consumers will be the losers. Telecommunication services are entirely too important to customers, to businesses, to economic development, to our progress as a society to get

bogged down in short term obstacles while losing sight of the big picture.

(Overview of speech)

In order to successfully navigate the road ahead, we have to learn how to **read the road signs**. In order to navigate the road ahead, we have to be able to **read the maps**. And in order to navigate the road ahead, we must engage in responsible and innovative **route planning**.

(First point)

First, let's talk about reading the road signs. This industry is entirely too fast paced to regard any "STOP" signs – but perhaps Speed limit signs are of more use. You just can't talk about telecommunications services these days without talking about speed. Our world has become so fast paced -- faster is better, and anything that you have to wait on quickly becomes obsolete. People who get on the telecommunications highway say they want to be driving on the Autobahn, yet national take rates indicate that many of them are still choosing routes that are

moving more slowly. Some are sitting in the traffic waiting, experiencing delays due to construction, but others actively choose to go the slower route, even when a faster route is available to them. (We need an application that will convince residential customers that it is worth it to subscribe to broadband.)

This phenomenon is of interest to us at the PSC. Why are people still choosing slower technologies when faster connections are available? Do people really not see a need for faster connections or is the price point the issue? With all of this infrastructure being deployed, and the take rate remaining so low, perhaps we need to spend some time finding out what people see as the barriers to subscription to these services.

In my opinion, in Kentucky we can be proud of the broadband infrastructure that has already been deployed in our state. We need to capitalize on that, and find ways to make these services more accessible to more of our population. With all of our

infrastructure out there, wouldn't it be great to see people taking down the speed limit signs?

(Second Point)

Not only do we have to read the road signs to successfully navigate the road ahead. **We also have to be able to read the <u>MAP</u>.** Now, I'm sure you will agree with me that reading the map in this industry is easier said than done – particularly when the maps keep changing. The Telecommunications Act of 1996 was a great big new edition of the map, and I think everyone spent a good bit of time just learning the new map.

Since that time, many decisions from the FCC, from state utility commissions, from courts around the country, and legislation have all taken that new map, and given us their own interpretation of it, sometimes sending conflicting messages. In fact, the New York Times published an article just this week regarding the FCC's anticipated order on media ownership – it's on point to our

discussion that the headline on the article read “Give and Take FCC Aims to **REDRAW MEDIA MAP**.”

So how are we supposed to navigate the road ahead successfully when the map keeps changing? We hear a lot about regulatory uncertainty, particularly amidst the changes of the last seven years. But through all of that, one thing remains constant and certain – the customer.

You talk with your customers every day and know that they don’t care what map we’re using – they just want to be able to use their phone or fax or internet service, and they want to do it for a reasonable fee. That will never change. I know it is a challenge to deal with the quickly changing marketplace while trying to make your service appear seamless and smooth at the same time – but I know as well as you do that THAT is what customers expect.

No matter what changes are thrown at us from the FCC, from Congress, from courts, in serving telecommunications customers, it is important to remember that at the end of the day, your company will be successful in the long run if you are providing the customers with the services they need at prices they believe are fair.

I think this is one of our strengths in Kentucky. All of you here today represent companies that place a high priority on customer satisfaction. I've spent time at each of your web sites, and it's evident with many of you that even though the map keeps changing, you are navigating the road ahead successfully, because you are using new tools, such as the web, to enhance the sharing of information with your customers.

As the map continues to change, and as competitive pressures increase, listening to your customers is a sure way to keep yourself on the right path, and on the road to continued success.

(Third point)

Finally, now that we've talked road signs and maps, let's talk about navigating the road ahead through successful route planning.

Every day in the press, we see new stories about those who are ahead of the curve – those innovators who maximize the technologies available to them. These people are "route planners," and if we pay attention to the ideas they have for traveling the road ahead, they will help us maximize our infrastructure and service offerings.

I have a few examples of these "route planners" that I'm talking about. A company called "Current Technologies" is currently doing a trial in cooperation with Potomac Electric Power Company that would carry Internet data over electric power lines. This new application of an old technology is an example of an attempt to

provide for customer needs in an easily accessible way. (regulated by FCC or FERC or both? Stranded costs?)

Gino Menchini, a former account manager at Cisco Systems has spearheaded an effort to make an all purpose information service available to New Yorkers by dialing 311. According to the New York Times, this service has translators in 170 tongues, and offers a human voice (rather than a computer) to deal with 7000 different scenarios for potential complaints or questions. His motto is “We know government so you don’t have to!” Once again, Mr. Menchini is a route planner – using the technology available to him in a way that brings a tangible benefit to consumers throughout New York City – meeting them at their point of need.

September 11 was devastating for any number of industries, but for companies with the technical expertise and knowledge to facilitate major communications efforts, video conferencing has

taken the place of more expensive and cumbersome national and international travel. According to TeleSpan Publishing, a market research company, all types of teleconferencing jumped more than 35% after Sept. 11. Route planners in the teleconferencing business are using these technologies to, once again, meet people at their point of need, in this case, providing security and convenience with an ability to conduct business as usual in unusual situations.

Darlene MacKinnon, who works for Dow Chemical, cut her business travel expenditures by more than a third in the first quarter of this year. Not only did a single video conference help her knock out trips to Brazil, Hong Kong, Switzerland, Italy, and Germany to meet with 25 staff members, but the video conference allowed her to meet with all 25 at the same time – the first time they had all met together. As an added bonus, the decreased travel allowed her to spend less time away from her two small children.

(Voice over internet, several states have open cases. Is this telephone or internet?)

These are all examples of individuals and companies that are embracing new technologies, maximizing their potential, translating those benefits into savings for their companies, and using them to achieve their goals, both personal and professional. Not only are these innovators realizing savings, they are providing enhanced benefits to customers, providing them with more options, information and service than they had before.

These are examples of successful route planners. Even with the changing maps, they are able to capitalize on what's available to them, and to see several steps ahead. They evaluate road conditions, look at where the road leads, and although the map may change, their destination always remains in sight. The ability to be at the head of the paradigm shift is critical to successfully

navigating the road ahead. Communication with innovators such as these – and they exist right here in Kentucky – is critical to staying ahead of the curve.

(Conclusion)

The Road Ahead can be daunting – particularly in an industry as fast paced as this one. But if we pay attention to the road signs, if we let customers be our map, and through a focus on their needs, we engage in careful route planning, the road ahead can be more manageable.

The last three years have been a roller coaster ride. I can hardly wait to see what the next three years bring. I'm confident though, that as you – our telecommunications providers in Kentucky - continue to place emphasis on your customers and continue to make their interests and needs a priority in your operations as you have so successfully done in the past, Kentucky is headed the right direction.

As you navigate the road ahead, please keep in mind that we at the PSC would love to hear from you about your experiences. Some of our telephone companies we see a lot at the PSC, and we are pretty informed about their projects and the challenges that they face as they implement new services. Others of you, I know have really exciting projects going on and great ideas, and even unique challenges that we would love to hear more about. If you can find the time to visit us for industry meetings at the PSC, we would welcome your input and information as well.

Thank you for having me again at this conference, and to provide for you my vision on The ROAD AHEAD.