

**Kentucky Chamber**  
*Uniting Business. Advancing Kentucky.*

**RECEIVED**

**APR 22 2010**

**PUBLIC SERVICE  
COMMISSION**

April 22, 2010

Dear Governor Beshear  
Dear Attorney General Conway  
Dear Senate President Williams  
Dear House Speaker Stumbo  
Dear KY PSC Chairman Armstrong  
Dear KY PSC Commissioner Gardner  
Dear KY PSC Commissioner Borders  
Dear KY PSC Executive Director Derouen

We are writing today to urge the Kentucky Public Service Commission to reform our state's outdated telecommunications access subsidy system in an effort to protect rural connectivity, encourage investment in high-speed networks, grow jobs for the 21<sup>st</sup> Century and ensure that all Kentuckians have access to next-generation technology.

In 1984, an access rate system was created to subsidize telephone service for rural communities. That system has worked well for the past 26 years, but its reliance on traditional long-distance phone calls to keep subsidies flowing is unsustainable, given today's technology trends. As consumers and businesses have moved on to wireless and broadband technologies to communicate, the vital subsidies that rural telecom providers receive are quickly declining. Moreover, the access rate subsidy system generates incentives that are not aligned with investment in 21<sup>st</sup> Century broadband infrastructures.

The Federal Communications Commission (FCC) recently made several correct observations about intercarrier compensation in its National Broadband Plan including:

- *"[t]he current per-minute [Inter-carrier Compensation] system was never designed to promote deployment of broadband networks" and that "[t]he current ICC system is not sustainable in an all-broadband Internet Protocol (IP) world."*

The FCC further established that:

- *"[b]ecause providers' [access] rates are above costs, the current [ICC] system creates disincentives to migrate to all IP-based networks. [...] While this may be in the short-term interest of a carrier seeking to retain ICC revenues, it actually hinders the transformation of America's networks to broadband," and "even rate-of-return carriers... acknowledge that the current system is 'not sustainable' and could lead to a 'death spiral...'"*

The Kentucky Public Service Commission has today an opportunity to reform such perverse disincentives to investment in 21<sup>st</sup> Century technologies. Such leadership would encourage new investment in the advanced broadband services that Kentucky needs to grow jobs and create the best environment possible for economic development in all of our communities.

According to the Communications Workers of America, every \$5 billion invested in broadband infrastructure can create 100,000 new jobs in the telecom and information broadband technology industries the same year. And according to Connected Nation, a seven percent increase in adoption nationwide would lead to the creation of 2.4 million new jobs per year, including 31,699 jobs in Kentucky.

In addition, increased investment in ultra-fast broadband networks will also provide Kentuckians greater access to innovative telemedicine options for improved healthcare and more opportunities to leverage online education options through universities and trade schools. Next-generation broadband access will also allow more of our citizens to telecommute and compete for jobs anywhere in the world.

Clearly, the FCC will address this issue at a national level, but any FCC action could take years to complete. In the meantime, Kentucky should show leadership in reforming the current unsustainable access subsidy system. Understanding what is at stake, other states have already taken action in reforming this system and encouraging investment. We have the opportunity today to create a modern access system that is transparent to consumers, fair to everyone and is sustainable given 21<sup>st</sup> century technology trends.

We need a new system that reflects the way consumers and businesses communicate today. We urge you to support access reform regulation that will bring new opportunity to Kentucky by protecting rural connectivity, encouraging investment in high-speed networks, growing jobs for the 21<sup>st</sup> Century and ensuring that all Kentuckians have access to next-generation technology.

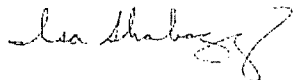
Sincerely,



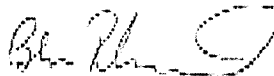
Dave Adkisson  
President and CEO  
Kentucky Chamber of Commerce



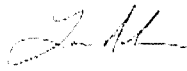
Joe Reagan  
President and CEO  
Greater Louisville Inc – The Metro Chamber of  
Commerce



Isa Shabazz  
State Director  
Communications Workers of America



Ben Richmond  
President and CEO  
Louisville Urban League



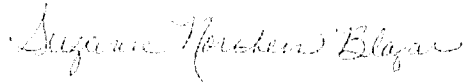
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Lance Allison  
Executive Director  
Murray-Calloway County Chamber of Commerce



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Jody Wassmer  
President  
Greater Owensboro Chamber of Commerce



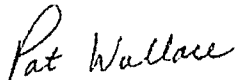
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Suzanne Northern Blazar  
Chairman of the Board  
Greater Owensboro Chamber of Commerce



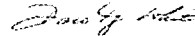
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Steve Stevens  
President  
Northern Kentucky Chamber of Commerce



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Pat Wallace  
Executive Director  
Henry County Chamber of Commerce



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Dorothy White  
Executive Director  
Bardstown-Nelson County Chamber of Commerce

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Carter Hendricks  
President and CEO  
Hopkinsville-Christian County Chamber of Commerce

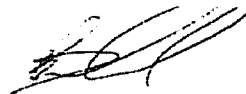
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Helen Sims  
Chair of the Board  
Paducah Area Chamber of Commerce



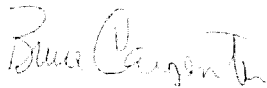
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David Richey  
President  
Greater Muhlenberg Chamber of Commerce



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Brad Schneider  
President  
Henderson-Henderson County Chamber of Commerce



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Bruce Carpenter  
Executive Director  
Southern Kentucky Chamber of Commerce



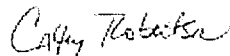
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Debra Boehmann  
President  
Ohio County Chamber of Commerce



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Mendi Goble  
Executive Director  
Richmond Chamber of Commerce



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Cathy Robertson  
Executive Director  
Lyndon Area Business Association



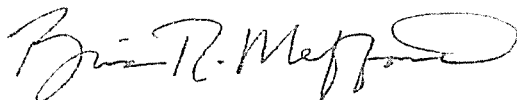
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Mike Perros  
President  
Danville-Boyle County Chamber of Commerce



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Nicholas Brake  
President  
Greater Owensboro Economic Development Corporation



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Brian Mefford  
Chief Executive Officer  
Connected Nation



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Hayward Spinks  
President  
Ohio County Industrial Foundation

cc: Members of the Kentucky General Assembly



**Kentucky Chamber**  
*Uniting Business. Advancing Kentucky.*

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**FOR IMMEDIATE RELEASE**  
**April 22, 2010**

## **Kentucky Chamber Urges Public Service Commission to Reform Outdated Telecom Rules and Encourage Investment in Next-Generation Technology**

*More Than 20 Leading Business, Labor and Consumer Groups Come Together to Sign Joint Letter to Gov. Beshear, Attorney General, Legislative Leaders and the Kentucky Public Service Commission*

**Frankfort, Ky. (April 22, 2010)** – The Kentucky Chamber of Commerce today joined the Communication Workers of America, Connected Nation, Greater Louisville Inc. and several other leading organizations representing the interests of Kentucky to advocate for reforms to the state's outdated telecom access subsidy system.

In a joint letter issued today to Gov. Beshear, the attorney general, state legislators and the Kentucky Public Service Commission, the Kentucky Chamber urged them to support telecom access rate reform. More than 20 other organizations from around the state signed the joint letter.

"At a time when Kentucky is competing so aggressively with other states, we need to be more proactive than ever if we intend to attract new investment and jobs," said Kentucky Chamber President David Adkisson. "The deployment of next-generation technology is critical to our endeavor and having the right regulatory environment is a key piece of that puzzle. Access rate reform is needed now to protect rural connectivity, encourage investment in high-speed networks and grow jobs for the 21<sup>st</sup> Century."

In 1984, an access rate system was created to subsidize telephone service for rural communities. But, that system relies on traditional long-distance phone calls to keep subsidies flowing. As consumers and businesses have moved on to wireless and broadband technologies to communicate, the subsidies that rural telecom providers receive are quickly declining.

"The Kentucky Public Service Commission has the opportunity to reform a system that is creating disincentives for investment in innovative broadband technologies," said Brian R. Mefford, chairman and chief executive officer of Connected Nation. "We've studied this issue and a seven percent increase in broadband adoption nationwide would lead to the creation of 2.4 million new jobs per year, including 31,699 jobs in Kentucky. So, access reform would be good for consumers, business owners and jobs."

"Access rate reform would be welcome news to working families across Kentucky," said Isa Shabazz, Kentucky state director at Communications Workers of America. "The opportunities are huge, since every \$5 billion invested in broadband infrastructure can create 100,000 new jobs in the telecom and information technology industries the same year."

In their joint letter, the various Chamber groups from around the state also pointed out how access rate reform would provide Kentuckians greater access to innovative telemedicine options for improved healthcare and more opportunities to leverage online education options through universities and trade schools. They said that next-generation broadband access would also allow more of our citizens to telecommute and compete for jobs anywhere in the world.

“The Federal Communications Commission is taking introductory steps to address this issue nationally, but action on that front could take a very long time to complete,” said Adkisson. “That’s why other states have already addressed this issue. If Kentucky acts now, we can make our state more attractive for new investment in the next-generation technologies our residents and businesses need to succeed.”

“We estimate that the current access system now puts \$38 million in hidden subsidies on Kentucky consumers every year,” said AT&T Kentucky President Mary Pat Regan. “The system isn’t fair to consumers and it also discourages new competitors from coming into communities to offer new choices. For those reasons and more, we decided to file a case with the Kentucky Public Service Commission this week that asks them to address access rate reform.”

Understanding what is at stake, other states have already taken action in reforming their access rate systems. Now, Kentucky has the opportunity to create a modern access system that is transparent to consumers, fair to everyone and is sustainable given 21<sup>st</sup> Century technology trends.

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