Study Shows Need for Long-Distance Phone Charge Reform, According to Connected Nation, Kentucky Chamber, and Kentucky Association of Economic Development

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UK Center for Business and Economic Research Study Shows Reform Would Benefit Consumers, Businesses

BOWLING GREEN, KY - Connected Nation, along with the Kentucky Chamber of Commerce and Kentucky Association of Economic Development, hailed the recent release of a research study by the University of Kentucky Center for Business and Economic Research that underscores the need for the reform of telephone long-distance access charges in the Commonwealth of Kentucky to benefit consumers.

The study follows a meeting of the Federal Communications Commission (FCC) on October 27, 2011, where the FCC voted to reform one element of telephone long-distance access charges as part of a larger reform of the federal Universal Service Fund. The FCC intends to transition the USF from a voice telephone subsidy program to support broadband deployment in the U.S.

Connected Nation, the Kentucky Chamber of Commerce, the Kentucky Association of Economic Development, the Communications Workers of America, the Louisville Urban League, and seventeen local Chambers of Commerce last year sent a letter to the Kentucky Public Service Commission (PSC), urging it to reform long-distance access charges to encourage investment and deployment of next-generation communications networks. Last year, the PSC initiated a review of access charges, but that review is still ongoing and no reforms have yet been implemented. Reform of telephone long-distance access charges was also included by the FCC in the National Broadband Plan.

“CBER’s research supports our belief that Kentucky should join its neighbors in reforming long-distance telephone access charges in order to help consumers, spur investment, and drive broadband availability,” said Brian Mefford, CEO of Connected Nation, Inc. “The FCC Chairman
recently stated that the current system is unfair to consumers and results in higher phone bills and the FCC is doing what it can to reform this system but there are still important things left up to Kentucky and its regulators to tackle. Connected Nation advocated last year, as part of a coalition of Kentucky-based organizations, for the PSC to enact access charge reform and UK’s white paper provides ample, data-driven support for the PSC to do just that.”

In a recent speech outlining the order, FCC Chairman Julius Genachowski stated that the, “current ICC system is unfair to consumers,” and inter-carrier compensation would “reduce the hidden subsidies paid by consumers across the country.”

The University of Kentucky’s major findings include:

• “Higher access charges lead to higher prices to consumers for intrastate long-distance services, as well as higher prices for goods whose production processes require intrastate long-distance communication.
• Inefficiently high access charges reduce competition in the intrastate long-distance market, and they lead to suboptimal investment in the present and the future.
• Each of the states bordering Kentucky has addressed intrastate access rate reform. Illinois, Indiana, Missouri, Ohio, Tennessee, Virginia, and West Virginia have individually implemented policy to decrease intrastate access charges. Several states have gone as far as requiring providers’ intrastate access rates to mirror their interstate access rates, which are governed by the FCC, while others have been less aggressive but still requiring providers to lower their rates. Kentucky has not revisited access reform since 1999 and is the only state in the region which has failed to address intrastate access reform.
• There are economically sound reasons why two products with similar functionality and similar costs—intrastate and interstate long-distance connection services to local exchanges—should have similar prices.
• A final economic inefficiency of the current access charge system is that it creates arbitrage opportunities by charging different prices for essentially the same product, resulting in wasteful spending that could be avoided.”

"The Kentucky Chamber participated in this study to look at the economic effects that access charges have on our telecommunications infrastructure and the associated costs to businesses and individuals," said Dave Adkisson, president and CEO. "We now have data that demonstrates the impact and points to the need to reform as our neighboring states have done."

“The link between broadband and jobs is undeniable, and economic growth in today’s economy has to include utilization of information technology. UK’s research shows us the many ways that our current system actually provides a dis-incentive for our telephone companies to invest in newer and more efficient systems; it also inhibits growth, increases the costs of doing business, and the Kentucky Association of Economic Development believes the Public Service Commission should act quickly to reform Kentucky’s outdated long-distance telephone access charge system,” said Mike Mangeot, executive director of the Kentucky Association of Economic Development.

The organizations praising this economic research study are long-time advocates of legislative and regulatory actions at all levels of government that will encourage investment, jobs, consumer benefits, and increased access to technology for all residents of the Commonwealth of Kentucky.
The Center for Business and Economic Research’s study was commissioned in order to determine if research data supported the assertion that an economic rationale exists for reform of the telephone long-distance access charge system in Kentucky.

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**About Connected Nation:** Connected Nation is a leading technology organization committed to bringing affordable high-speed Internet and broadband-enabled resources to all Americans. Connected Nation effectively raises the awareness of the value of broadband and related technologies by developing coalitions of influencers and enablers for improving technology access, adoption, and use. Connected Nation works with consumers, community leaders, states, technology providers and foundations, including the Bill & Melinda Gates Foundation, to develop and implement technology expansion programs with core competencies centered on a mission to improve digital inclusion for people and places previously underserved or overlooked. [www.connectednation.org](http://www.connectednation.org)