

**HOUSE COMMITTEE ON COMMERCE**

**SUBCOMMITTEE ON REGULATIONS**

March 24, 1999 Hearing Room 350

3:00 p.m. Tape 22 - 23

**MEMBERS PRESENT: Rep. Bill Witt, Chair**

**Rep. Jim Hill**

**Rep. Al King**

**Rep. Anita Rasmussen**

**Rep. Mark Simmons**

**STAFF PRESENT: Jason Cody, Administrator**

**Nancy Geisler, Administrative Support**

**MEASURE/ISSUES HEARD: SB 218A Work Session**

**HB 2579 Public Hearing and Work Session**

**HB 2588 Work Session**

**HB 2968 Public Hearing**

**HB 2665 Work Session**

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
<b>Tape 22, A</b>		
010	Chair Witt	Opens meeting at 3:15 p.m. Opens work session on SB 218A.
<b><u>SB 218A n WORK SESSION</u></b>		

033	Rep. Rasmussen	Asks if this meeting is on the internet.
035	Jason Cody	Administrator. Explains the committee meetings are always on the internet, and this committee is the first to try the process. Explains the ñ3 amendments to SB 218A.
037	Chair Witt	Clarifies the intent of the ñ3 amendments and asks for questions or objections.
040	Rep. Rasmussen	Inquires if these amendments come from the travel industry.
041	Chair Witt	Answers yes.
044	Cody	Explains the ñ3 amendments come from the travel industry in coordination with the Department of Consumer and Business Services.
<b>046</b>	<b>Rep. Rasmussen</b>	<b>MOTION: Moves to ADOPT SB 218A-3 amendments dated 03/22/99.</b>
<b>048</b>		<b>VOTE: 4-0</b>
	<b>Chair Witt</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
050	Cody	Explains ñ4 amendments to SB 218A.
052	Rep. Vicki Walker	District 41. Notes the ñ4 amendments to SB 218A are similar to HB 2818. States she has rolled HB 2818 into SB 218A.
057	Rep. King	Asks if the ñ4 amendments were drafted by Rep. Walker.
059	Rep. Walker	Replies they were drafted by Legislative Counsel at her request.
062	Rep. King	Clarifies that the Legislative Counsel drafted the ñ4 amendments at Rep. Walkerís direction.
064	Rep. Walker	Answers yes.
<b>066</b>	<b>Rep. King</b>	<b>MOTION: Moves to ADOPT SB 218A-4 amendments dated 03/22/99.</b>
<b>068</b>		<b>VOTE: 4-0</b>

	<b>Chair Witt</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
070	Rep. Walker	Asks if there are any questions about SB 218A.
072	Chair Witt	Answers no.
074	Rep. Walker	Responds SB 218A has been a personal labor on her part, and she appreciates the committee hearing it.
076	Chair Witt	Asks for discussion on SB 218.
<b>078</b>	<b>Rep. King</b>	<b>MOTION: Moves SB 218A to the full committee with a DO PASS AS AMENDED recommendation.</b>
<b>079</b>		<b>VOTE: 3-0</b> <b>AYE: In a roll call vote, all members present vote Aye.</b> <b>EXCUSED: 1 ñ Simmons</b>
	<b>Chair Witt</b>	<b>The motion CARRIES.</b>  <b>REP. WALKER will lead discussion on the floor.</b>
090	Chair Witt	Closes the work session on SB 218A and opens public hearing on HB 2579.
<b><u>HB 2579 ñ PUBLIC HEARING</u></b>		
108	John Glascock	American Association of Retired Persons (AARP). Presents testimony in opposition to HB 2579 ( <b>EXHIBIT A</b> ). Notes the AARP is opposed to HB 2579 because it will cost Oregon rate payers a great deal of money. Mentions residential customers have little choice concerning local service and, without competition for service, the possibility for affordable rates diminishes. Notes raising rates through statute is the same as raising rates through taxes. Adds they want to have choices in the future.
149	Michael Sheehan	Lawyer, represents residential telephone rate payers in Oregon. Testifies in opposition to HB 2579. Notes HB 2579 allows asset stripping. Explains how asset stripping operates. States if HB 2579 is passed, utilities will be allowed to transfer assets developed at rate payers' expense into non-regulated affiliates,

		and the asset will be lost. Stresses that if the revenues from yellow pages are taken away, the utilities will be entitled to large rate increases to make up the revenue deficiency.
193	Sheehan	Remarks HB 2579 will result in rate increases in local telephone bills, and there is no public policy justification for doing this. Stresses the public gets nothing out of HB 2579, and it has nothing to do with competition.
233	Rep. Simmons	Concludes that the rate increases imply there is the same amount of value in the advertising in the yellow pages.
239	Sheehan	Answers yes.
240	Rep. Simmons	States the figure is hard to believe.
244	Sheehan	Explains the figures come from the Public Utilities Commission (PUC).
246	Rep. Simmons	States the increase would amount to \$48 per year per residential customer.
250	Sheehan	Acknowledges they are talking about a lot of money.
257	Chair Witt	Asks if the telecommunications companies were losing money in their yellow page directories or other unregulated businesses, would it be appropriate for those losses to be brought into rate structures to determine the regulated rate for services.
262	Sheehan	Remarks such cases exist.
267	Chair Witt	Inquires if it is correct to assume that the PUC should bring the losses from the yellow page directory into the rate structure and increase the rates because of the losses.
271	Sheehan	Remarks if the yellow pages were losing money, the PUC should determine whether the yellow pages are an essential service.
277	Rep. Simmons	Notes Sheehan believes that US West brought HB 2579 forward.
284	Sheehan	Answers that HB 2579 derives from telecommunications providers.
290	Joan Smith	Member, Public Utilities Commission. Presents testimony in opposition to HB 2579 ( <b>EXHIBIT B</b> ). Explains items in ( <b>EXHIBIT B</b> ). Addresses concerns about whether universal service will cover rate increases. Emphasizes universal service is related to affordability of service, and yellow page revenues are credited in rates and are not related to affordability of service.

340	Smith	Reports if there were no profits, the Commission would increase rates. Reports the PUC considers the assets from publishing the yellow pages are owned by the rate payers. Adds that giving yellow pages revenue back to shareholders under HB 2579 may violate laws against unjust taking of private property and could expose the state to financial liability.
390	Smith	Suggests the PUC be allowed to prescribe terms and conditions to compensate customers for allocating yellow pages revenue to shareholders.
430	Chair Witt	Asks why US West does not price their yellow page rates lower to prevent profits which are added to exchange rates. Inquires where the incentive is to run the business profitably.
440	Smith	Answers that only 50% of the revenues remain with the companies and their shareholders.
<b>TAPE 23, A</b>		
020	Chair Witt	Asks if the PUC, by taking profits from an unregulated business and adding them to the rates of a regulated business, thus lowering the pricing below the competitive price, is barring entry to other competitors into the local exchange market.
027	Smith	Answers that she disagrees.
029	Chair Witt	Asks if other businesses are barred from the local exchange market because the PUC is giving them a price that is below the market price, and they are dominant in the market.
032	Smith	Responds that dominant means 100%, especially at the residential level. Emphasizes that inclusion of yellow pages revenue in rates is not a barrier to competition.
037	Chair Witt	Asks if, because rates have been set up at the business level, there is no competition at the residential level because rates are below market rate, making it unprofitable for competitors.
040	Smith	Responds that residential rates are not below cost. Adds wherever the rates are at the residential level, there is no margin in that market for competitors because they are so close to cost. Compares this to the business market, where the rates are much higher than residential rates.
049	Virginia Lang	Lobbyist, US West Communications. Testifies in support of HB 2579. Emphasizes that HB 2579 is not brought forward by US West. Reports that Dex is an unregulated company owned by the shareholders of US West. States US West provides a white pages directory and sells telephone listings from this directory to many publishers, including Dex. Explains the revenue US West generates from selling telephone listings is included in their regulated revenues.

070	Rep. Rasmussen	Asks for clarification.
073	Lang	Responds that the revenues US West generates from selling the white pages listings is included in US West's regulated revenues. States the primary change in this issue has been the passage of the Federal Telecommunications Act of 1996. Explains that subsidies in the rate structure need to be explicit, and they believe imputation of yellow pages revenues into the rate system is an implicit subsidy.
090	Rep. Rasmussen	Asks if there is a charge to get a line listing in the yellow pages.
093	Lang	Answers that business customers of US West get both a white pages and yellow pages listing.
095	Rep. Rasmussen	Inquires if these customers get one listing or more than one listing.
097	Lang	Answers one listing in each the white and yellow pages.
099	Rep. Rasmussen	Asks if there is a charge for a second listing under a different section.
100	Lang	Responds that she believes there is.
102	Rep. Rasmussen	Asks how much a quarter-page ad might cost.
104	Lang	Indicates she does not know, and that it would depend on the type of ad being placed.
106	Rep. Simmons	Inquires who sells the advertising.
108	Lang	Answers that Dex has salespeople who sell advertising. Cites examples of other subsidiaries of US West whose revenues are not imputed.
116	Chair Witt	Inquires if the yellow page directory business is competitive.
117	Lang	Indicates they are.
119	Rep. Simmons	Asks what effect the major telephone companies have had on the market.
124	Lang	Reports she does not know the answer.
130	Chair Witt	Closes public hearing on HB 2579 and opens work session on HB 2579.

**HB 2579 n WORK SESSION**

132	Rep. Rasmussen	Indicates she will not support HB 2579.
134	Rep. Hill	<b>MOTION: Moves HB 2579 to the full committee with a DO PASS recommendation.</b>
136	Chair Witt	<b>VOTE: 4-1</b> <b>AYE: 4 n Hill, King, Simmons, Witt</b> <b>NAY: 1 n Rasmussen</b>
	Chair Witt	<b>The motion CARRIES.</b>  <b>REP. WITT will lead discussion in full committee.</b>
142	Chair Witt	Closes the work session on HB 2579 and opens the work session on HB 2588.

**HB 2588 n WORK SESSION**

151	Cody	Explains HB 2588.
170	Col. Mike Caldwell	Deputy Director, Oregon Military Department. Testifies in support of HB 2588. Expresses approval of HB 2588 and the amendments.
172	Rep. King	<b>MOTION: Moves to ADOPT HB 2588-2 amendments dated 03/17/99.</b>
174		<b>VOTE: 4-0</b>
	Chair Witt	<b>Hearing no objection, declares the motion CARRIED.</b>
178	Rep. Rasmussen	<b>MOTION: Moves HB 2588 to the full committee with a DO PASS AS AMENDED recommendation.</b>
180		<b>VOTE: 4-0</b> <b>AYE: In a roll call vote, all members present vote Aye.</b>

	Chair Witt	<b>The motion CARRIES.</b>  <b>REP. KING will lead discussion in full committee.</b>
200	Chair Witt	Closes work session on HB 2588 and opens public hearing on HB 2968.
<b><u>HB 2968 n PUBLIC HEARING</u></b>		
220	Cody	Explains HB 2968
235	Rep. Merkley	District 16. Testifies in support of HB 2968. Presents n1 amendments <b>(EXHIBIT C)</b> . Recognizes that gambling is an issue in Oregon, as is the way it is portrayed to citizens. Submits a cartoon referring to the lottery <b>(EXHIBIT D)</b> . Reports HB 2968 and <b>(EXHIBIT C)</b> try to stress being responsible while running the lottery.
290	Rep. Merkley	Explains <b>(EXHIBIT C, Section 1)</b> would add language informing players that the lottery is a game of chance. Adds that Section 1(3) adds language to specify the odds of winning and expected return from playing the lottery.
311	Rep. Merkley	Notes that Section 1(4) of <b>(EXHIBIT C)</b> addresses advertisements that pertain to other lottery advertisements rather than specific games. Addresses Section 1 (5), and explains a the requirements regarding the disclaimer.
337	Rep. Merkley	States the greatest challenge is inserting a disclaimer regarding the lottery. Comments that people believe the lottery is a way to get ahead in life, so the poor tend to play it more. Adds this means much of tax revenue brought in by the lottery comes from the poor.
377	Rep. Merkley	Notes that people need to be educated that there is no strategy to winning the lottery.
<b>TAPE 22, B</b>		
002	Chris Lyons	Director, Oregon State Lottery. Presents and reads testimony regarding HB 2968 <b>(EXHIBIT E)</b> . Expresses neutrality on HB 2968. Explains the Oregon Lottery supports disclosure, but has drafted proposed amendments. Suggests some changes in language of <b>(EXHIBIT C)</b> .
031	Chair Witt	Asks if the Oregon Lottery worked with Rep. Merkley to prepare <b>(EXHIBIT C)</b> .



033	Lyons	Answers yes. States they had an issue with the manner in which the investment message was sent.
035	Chair Witt	Asks if that issue is addressed in <b>(EXHIBIT C, line 21)</b> .
037	Lyons	Answers yes. Explains language the Oregon Lottery proposes to add to the disclaimer regarding the lottery.
044	Chair Witt	Clarifies the new language proposed by the Oregon Lottery.
046	Lyons	Repeats the new language and explains why the Oregon Lottery would like to include it in the disclaimer. Expresses concern about language in <b>(EXHIBIT C)</b> relating to sound investment of lottery earnings. Explains their proposed new language would work well with the message that people should play responsibly.
066	Rep. King	Inquires if they advertise the lottery with billboards.
069	Lyons	Answers yes, but they predominantly advertise about power ball, where the money goes, and the winner.
076	Rep. King	Notes there was no comment on billboards in <b>(EXHIBIT C)</b> and asks if this is done purposely.
083	Rep. Merkley	Explains there was no intention to exclude billboard advertising; and notes this is an oversight.
089	Rep. King	Inquires how a disclaimer on a billboard could be read if someone is driving at the speed limit, which may be raised to 75 miles per hour.
093	Rep. Merkley	Comments there should be an abbreviated statement for billboards.
102	Rep. Rasmussen	Asserts there are not many billboards on the 75-mile-an-hour stretch.
104	Chair Witt	Agrees HB 2968 does not provide for billboards. Adds the language on billboards will have to be brief in order to be read by motorists.
108	Rep. King	Emphasizes there is a good case made for the billboard issue.
112	Rep. Merkley	Reports the billboard issue could be dealt with very quickly.
115	Rep. King	Asks if HB 2968 could go forward to the full committee before the billboard issue is resolved.

118	Chair Witt	Inquires if Rep. Merkley could reach agreement with the language brought by the Oregon Lottery and the billboard issue.
122	Rep. Merkley	Answers yes.
124	Chair Witt	States he is inclined not to go into work session yet until the issues mentioned can be resolved.
130	Lyons	Comments on close approximation of the price pay-out on the back of lottery tickets. Explains how the price pay-out percentage works for different lottery games. Acknowledges concern about the language regarding pay-out percentages. Stresses they would have to specify a range for pay-out.
160	Chair Witt	Notes this is a good point and needs to be discussed.
167	Rep. Rasmussen	Discusses the Oregon Lottery not wanting to add a disclaimer on advertising promoting the lottery. Notes there needs to be a disclaimer stating the lottery is for entertainment, not investment
178	Lyons	Explains her issue is people becoming confusion about the word "investment" in the ads.
183	Chair Witt	Reports this is a fair point because people might interpret this language to refer to the proceeds received by the Oregon Lottery.
186	Lyons	Notes that because the ads are seen at glance, the wrong impression could easily be given.
188	Chair Witt	Agrees this is reasonable.
190	Rep. Rasmussen	Reiterates she still does not want the complete loss of a disclaimer.
192	Chair Witt	Replies that Rep. Merkley wants full disclosure that the lottery is not for investment purposes and that the odds are not good.
200	Chair Witt	Closes public hearing on HB 2968 and opens work session on HB 2665.
<b><u>HB 2665 n WORK SESSION</u></b>		
205	Cody	Explains HB 2665 and the n1 amendments.
222	Chair Witt	Reads language from the n1 amendments.

228	Rep. Simmons	Comments he agrees in concept with the ñ1 amendments. Stresses people should only be required to provide hookups for telephone lines in areas where service is available.
251	Rep. King	Recalls a discussion of the ñ1 amendments included what type of service was available and did not require hookups where none existed. Adds it also gave the ability to deal with changing technology.
261	Chair Witt	Reports the operative language is to establish viable standards for providing advance telecommunications and cable service technology.
265	Rep. Simmons	Asks how advanced telecommunications is defined.
272	Rep. King	States his memory of the discussion is that it did not require any hookup.
283	Rep. Rasmussen	Suggests HB 2665 could be moved to the full committee with a provision that it be returned to the subcommittee if it proves to be a hardship for people without service.
297	Rep. Simmons	States further discussion may be adequate. Adds he is concerned about providing certain site-specific flexibility.
315	Chair Witt	Asks if Rep. Simmons' concern is supporting standards in areas where the infrastructure is not in place.
320	Rep. Simmons	Answers yes. Adds he would like to see uniformity in available services throughout Oregon.
325	Rep. Rasmussen	Notes if a house is cabled for satellite, there is still only one spot to go into the house.
331	Chair Witt	States they can amend language in the full committee.
333	Rep. Simmons	Agrees with this.
335	Chair Witt	Suggests moving HB 2665 to the full committee and discuss the need for additional language there.
340	Rep. Rasmussen	<b>MOTION: Moves to ADOPT HB 2665-1 amendments dated 03/22/99.</b>
344		<b>VOTE: 4-0</b>

	Chair Witt	Hearing no objection, declares the motion CARRIED.
348	Rep. Rasmussen	MOTION: Moves HB 2665 to the full committee with a DO PASS AS AMENDED recommendation.
		VOTE: 4-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Witt	The motion CARRIES.  REP. RASMUSSEN will lead discussion in full committee.
379	Chair Witt	Closes work session on HB 2665. Adjourns meeting at 4:35 p.m.

Submitted By, Reviewed By,

Nancy Geisler, Jason Cody,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ HB 2579, written testimony, John Glascock, 1 p**

**B ñ HB 2579, informational packet, Joan Smith, 48 pp**

**C ñ HB 2968, ñ1 proposed amendments, Rep. Merkley, 3 pp**

**D ñ HB 2968, cartoon, Rep. Merkley, 1 p**

**E ñ HB 2968, written testimony, Chris Lyons, 1 p**