

SENATE COMMITTEE ON BUSINESS & CONSUMER AFFAIRS

January 25, 1999 Hearing Room C

1:00 P.M. Tapes 13 - 14

MEMBERS PRESENT: Sen. David Nelson, Chair

Sen. Lee Beyer, Vice-Chair

Sen. Rick Metsger

Sen. Randy Miller

Sen. Charles Starr

MEMBER EXCUSED:

STAFF PRESENT: Y. Sherry Sheng, Administrator

Nancy Masee, Administrative Support

MEASURE/ISSUES HEARD:

Introduction of Committee Bill

SB 142 and SB 143--Informational Meeting

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
TAPE 13, A		
003	Chair Nelson	Opens meeting at 1:00 p.m. Presents LC 2071 for introduction. Asks for questions.
<u>INTRODUCTION OF COMMITTEE BILL</u>		
004	Sen. Nelson	MOTION: Moves LC 2071 BE INTRODUCED as a committee bill.

005		VOTE: 5-0
006	Chair Nelson	Hearing no objection, declares the motion CARRIED.
<u>SB 142 AND SB 143</u>INFORMATIONAL MEETING		
012	Chair Nelson	Introduces the discussion of SB 142 and SB 143 to be addressed by rural areasí needs. Asks what the needs, cost, and funding are predicted to be.
024	Wes Hare	City Manager, LaGrande. Speaks on the issue of competitive band width for rural communities. Says their ability to attract businesses depends on new technology and is dependent on their telecommunication system. Gives example of T-3 line required by prospective business. Presents (EXHIBIT A) .
058	Hare	States the cost of T-3 ranged from \$12,000 to \$46,000 a month. Comments that unemployment on the east side of the mountains is as high as 10 percent. Believes that Oregonís rural future depends on its ability to contribute to the economy.
070	Bill Maier	Superintendent of Schools, LaGrande. Compares metropolitan and rural areas as to technology access. Says replacing jobs in eastern Oregon has not happened. Explains declining revenues and enrollments cause layoffs of teachers. Says the quality of education is lowered because courses are not offered because of declining school staff. States that the use of telecommunications in education is a positive alternative to adding classes, however distance learning technology requires band width to transmit the instruction.
120	Maier	Explains that adequate infrastructure will help, but keeping families in the LaGrande community is needed. Believes that meeting the technology demands of new businesses is a main issue.
130	Cathy Britain	Manager, RODEO NET. Explains telecommunication service to reach people who have mental health problems in eastern Oregon. Says access to health care in the rural areas is not as prevalent as in urban areas. Explains problems of getting proper health care due to distances. States that children and the elderly could be significantly helped with health care via telecommunications, and that rural hospitals cannot keep open without access to technology. Explains funding is not available as well as sources to input infrastructure.
195	Britain	Continues presentation on need for telecommunications in rural areas to address health care needs. Suggests collaborative partnerships.
218	Chair Nelson	Asks what the specific costs for infrastructures are.
220	Britain	Says current data service cost is small; video transmittal is not available. States video is not available and the cost would be \$2,000 per month per site; nineteen

		sites are served from Britain's site. Video is the most important transmission for health care.
255	Chair Nelson	Asks if the cost is \$38,000 to reach people with mental health problems.
262	Britain	Answers it is.
264	Maier	Discusses schools' needs for telecommunications. (INAUDIBLE)
281	Hare	Businesses in LaGrande need \$1,800 a month to have a T-1 line; T-3 lines cost \$13,000 a month.
290	Chair Nelson	Asks if Britain was in interim work group.
300	Britain	States that the cost of aggregation to sites is not known. Says the private sector has not been included.
332	Chair Nelson	Asks how video was made for the recent Public Utility Commission (PUC) meeting.
347	Britain	Explains how video technology was employed for the PUC meeting. SB 142 and SB 143 were addressed at that regulatory meeting. Says collaborative environments have to be implemented.
387	Sen. Beyer	Asks what ideas need the legislature could help to develop in rural areas.
397	Britain	Responds that SB 142 and SB 143 are a good start as they remove barriers to implementing infrastructure.
412	Maier	Comments that equal education cannot be met in rural schools without the proper infrastructures in place.
TAPE 14, A		
028	Hare	Says separate funding for rural areas needs to be set up.
050	Jack Lawrence	Executive Vice President, Chambers Communications, Co-Chair, Southern Willamette Research Corridor Telecommunications Committee. Presents (EXHIBIT B) . Explains the work of the committee.
055	Lawrence	Discusses the following aspects of telecommunications: <ul style="list-style-type: none"> • What telecommunications are

		<ul style="list-style-type: none"> • What telecommunications are available in the region • What the regionsí needs are • What the legislature can do <p>Explains telecommunications as the movement and delivery of messages. Discusses what is available:</p> <ul style="list-style-type: none"> • Lifeline service • Basic telephone service • Advanced service in limited areas <p>Region needs to include non-profit organizations, academic institutions, private individuals</p>
085	Lawrence	Says business needs include an environment to encourage a competitive market, incentives to encourage new providers and regulatory policies to help new providers. Says no new regulations or long-delayed programs are needed. Federal, state, and local regulations need to be workable.
118	Lawrence	<p>Discusses what the legislature can do:</p> <ul style="list-style-type: none"> • Preserve the advantages that are in place • Provide funding for the incentive program to stimulate competition. <p>Discusses need for infrastructure. Describes Klamath Falls system, and says new businesses are now locating there.</p>
140	Lawrence	
160	Lawrence	Comments that the state should open all rights of way to providers and users, encourage competition, and promote long-term benefits; the state system should have these characteristics.
190	Chair Nelson	Asks about public and private partnerships.
208	Lawrence	Says community involvement is needed. Discusses partnering such as the education community has done.
223	Chair Nelson	Asks if the southern valley area is more urban or rural.
228	Lawrence	Answers it is both. Says the same issues exist within the state. States that being close to I-5 is an advantage, but installing off-ramps is costly. Gives example of costs of switches and fiber. Says the capital investment needed is very large.
260	Chair Nelson	Asks what the regulatory disincentives are.
264	Lawrence	States that some communities create barriers, while others may offer incentives and, of course, those with the fewest barriers will be chosen by providers.

274	Chair Nelson	Asks about a price cap or regulatory rate of return as incentives from the state level.
277	Lawrence	Responds that some suppliers cannot meet these requirements.
288	Sen. Metsger	Comments on the growing telecommunications market and asks if an existing infrastructure might drive the market forward.
321	Link Shadley	North Coast Telecommunications Consortium, Astoria. Relates how Astoria got internet access in Clatsop County.
370	Shadley	Explains how manufacturers use the internet in: machinery, prefabricated houses, and others sales. Says they have 11 internet providers. Says most jobs created in the area are related to technology. Says Astoria is running out of fish and timber and needs technology to carry on.
445	Shadley	Supports SB 142 and SB 143. Asks for the government to remove roadblocks, provide incentives, and to encourage equal access to technology.
TAPE 13, B		
017	Shadley	Asks the state to encourage carriers to invest and to provide incentives. States PUC should have some regulatory controls and incentives need to be stimulated by the state. Thanks the committee for including them.
050	Chair Nelson	Asks about costs.
042	Shadley	Responds that costs are not known at this time. Suggests state support for technology as promoting aggregate demand would keep costs down.
044	Chair Nelson	Asks for questions.
048	Robert Hodgson	Board member, Southern Oregon Telecommunications & Technology Council, serves Jackson and Josephine Counties. Explains the council's purpose is to promote integrated telecommunications. States in southern Oregon a broad view of telecommunications is sought. Describes problems existing in the area that apply to both areas. Presents (EXHIBIT C) .
100	Hodgson	Explains the need for redundancy so that lines have a backup in case of emergency and explains the need for competition. Describes the Ashland project and how it grew. Says opportunities and challenges exist.
176	Hodgson	Describes areas in which the legislature can assist: <ul style="list-style-type: none"> • Remove the regulatory road blocks

		<ul style="list-style-type: none"> • Streamline PUC • Promote introduction of new technology • Increase infrastructures • Manage disincentives on local levels • Create opportunities to use the infrastructure to help economic development • Promote competition
227	Hodgson	Says proprietary resources need to be known. Says incentives for companies need to be provided. Suggests building various types of infrastructure, working towards the goals of having all the interconnections required, and meeting the demands of the market.
260	Chair Nelson	Asks about removing present regulatory roadblocks.
262	Hodgson	Responds if telecommunications systems are opened up, multiple providers will come in.
263	Chair Nelson	Thanks speaker. Asks Raeburn to speak.
293	Lee Raeburn	Chief Information, Central Oregon Community College, member of Central Oregon Telecommunications Task Force. Says the task force has no stand on SB 142 and SB 143 as yet; the task force is still considering those bills.
320	Raeburn	<p>Describes Bend telecommunications. Describes changes in the community due to the enterprise network:</p> <ul style="list-style-type: none"> • More high tech industries • Fragmented interest in throughout the geographical area • Point of presence installed to the state backbone • Cable provider now actively installing fiber optic cable • Redmond is being connected to the network • Competition is growing in high speed services
370	Raeburn	<p>Continues discussion on fiber optic provisions in Bend.</p> <ul style="list-style-type: none"> • Education and government roles being connected to statewide enterprise network • Private and public entities are forming aggregations • An on-ramp being provided
TAPE 14, B		
045	Raeburn	Comments on the unmet needs in rural areas surrounding Bend. Says the task force is optimistic.
046	Chair Nelson	Asks for questions, and asks the task force to take a position on SB 142 and SB 143 by February 5 when a public hearing is scheduled.

055	Ben Dody	Central Lincoln PUD, Telecommunications Manager. Serves with other telecommunication associations.
120	Dody	States that he does not see a business case for two providers in rural communities. Says the council promotes infrastructure to rural Oregon. Describes a fiber "island" of infra structure available on the coast. Says the problem is isolation. There are needs for T-1 lines for businesses as lines are now in demand. Explains inability in the area to establish the line. Says it is due to state regulations and high cost. Supports partnerships as the best mechanism for the community, but there needs some kind of contracting ability.
146	Chair Nelson	Asks if a bigger universal service fund would be an aid.
143	Dody	Says universal service is one way to meet this need. States in most rural areas there is not enough business to support service.
150	Sen. Beyer	Suggests that part of the answer is a cooperative for the small rural communities. Asks what exactly is in the way of getting to the larger bands in the valley.
157	Dody	Responds that PUDs have a limited range of services such as electricity, water, and drainage. Says they are limited by the cost of a T-1 band out of the area. Says cooperatives are a good answer for an agency that has the authority to do it.
189	Sen. Beyer	Asks if the limitation on the PUD is state or federal.
190	Dody	Answers it is state.
186	Sen. Beyer	Ask if the PUD has the ability to create a subsidiary that would qualify.
194	Dody	Responds he has not been able to get that question answered. Says the attorneys say no it would not.
291	Chair Nelson	Thanks Dody. Asks Commissioner McClure to speak.
292	Steve McClure	Union County Commissioner. Comments on the changing needs of the community and the needs for a basic infrastructure. Makes an analogy to the implementation of electricity in rural America. States the need for competition. States that SB 142 and SB 143 have generated discussion. Emphasizes telecommunication is a complex issue.
251	Chair Nelson	Asks for questions. Says Wednesday's meeting will be informational from the agencies. The committee will proceed on SB 142 and SB 143. Thanks witnesses for appearing. Says February 3 rd meeting will be on the prison siting issue, with two meetings that day. February 5 th will be another public hearing on SB 142 and SB 143. Adjourns meeting at 2:45 p.m.

Submitted By, Reviewed By,

Nancy Masee, Y. Sherry Sheng,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 142 and SB 143, Written testimony,

Terry Edvalson, Wes Hare, Bill Maier, Cathy Britain, 10 pp

B - SB 142 and SB 143, Written testimony, Jack Lawrence, 1 p

C - SB 142 and SB 143, Written testimony, Robert Hodgson, 1 p