

**SENATE COMMITTEE ON BUSINESS & CONSUMER AFFAIRS**

February 17, 1999 Hearing Room C

1:00 p.m. Tapes 39 - 41

**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:**

SB 218 Public Hearing and Work Session

SB 291 Public Hearing

SB 297 Public Hearing and Work Session

SB 142 and SB 143 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
TAPE 39, A		
003	Chair Nelson	Opens meeting at 1:04 p.m. Opens public hearing on SB 218.

**SB 218 PUBLIC HEARING**

015	Rep. Vicky Walker	House District 41, Eugene. Supports SB 218. Describes an incident when senior high school students went on a trip to Mazatlan, Mexico. Says the crew of the airplane exhibited behavior that was inappropriate towards the students including suggesting a "wet tee shirt" contest, inviting students into the cockpit, and offering students liquor. States that this travel company is duping the public. Explains that SB 218 would impose more disclosures by the travel industry. Says HB 2818 is being introduced in the House so that school districts can safe-guard student travel. Discusses the -2 amendments. Presents <b>(EXHIBITS A &amp; B)</b> .
095	Rep. Walker	Explains that the incident was not reported. Reports that investigations show that six children have lost their lives on trips with this company on "party" trains.
140	Chair Nelson	Asks what provisions were needed in the bill.
145	Rep. Walker	Responds that the amendments are agreeable to all parties.
150	Sen. Miller	Asks if legitimate sellers of travel were contacted and what their reaction was.
156	Rep. Walker	Says that legitimate sellers were outraged at a company conducting business that might be injurious to traveling students. Says that the bill is industry supported. The work group included travel industry representatives.
175	James Krueger	Division of Finance and Corporate Securities. Supports SB 218. Introduces work group members Marilyn Messer, Monty Montgomery, and Pete Shepherd, Department of Justice (DOJ). Explains SB 218 incorporates recommendations of a work group mandated by the 1997 Legislative Session. Presents <b>(EXHIBIT C)</b> .
209	Krueger	Says in 1993 legislation was begun to register sellers of travel. Says in 1995 the bill was amended and the surety bond lowered.
240	Krueger	Describes how the work group studied regulatory schemes to determine appropriate legislation. Explains the work group's recommendations called for a self-regulatory organization, recognized by the state of Oregon, and with consumer protection.
326	Monty Montgomery	Tivilli Travel, President, Oregon Chapter of Oregon Travel Agents, Eugene. Describes the regulation process of travel agents. Discusses negative incidents that have occurred and says that outsiders have been the cause of disruptive behavior. Says it is to the advantage of out of state agencies to register and qualify for Oregon's requirements.
<b>TAPE 40,A</b>		
012	Montgomery	Emphasizes that the industry wants to regulate their own people.

021	Chair Nelson	Asks if the internet is part of the regulation problem.
024	Montgomery	Says there is past legislation already in place that will enable the DOJ to act on violations.
031	Sen. Metsger	Asks if the bill would preclude the incidents related by Rep. Walker.
034	Montgomery	States that if the company came before the committee, they would not be permitted to do business in Oregon.
041	Pete Shepherd	DOJ. SB 218 would prevent circumstances described by Rep. Walker. DOJ would promote education programs to apprise schools of sellers' programs. Certification under the act would allow travel entities in the schools.
052	Sen. Metsger	Suggests, if there is no change in the status quo, anyone who was not part of the association could still operate a travel business.
060	Shepherd	Says those companies that would not participate in the program are still subject to the Oregon unlawful trade practices act which DOJ could address.
065	Chair Nelson	Asks for questions.
068	Montgomery	Describes how the American Society of Travel Agents (ASTA) would handle the company that was described.
076	Sen. Metsger	Refers to an exhibit, and in 1995, of the complaints listed, 52% were of out-of-state companies and more are shown for each succeeding year. Asks why these out-of-state sellers would join the ASTA group and be involved with the regulations.
090	Montgomery	Answers that the California association reports a dramatic increase in out-of-state joiners of the association. Says the state of California is administering their program.
112	Sen. Miller	Notifies that in 1998, 80% of complaints regarded out-of-state companies. Asks how effective SB 218 will be if it is beyond Oregon's jurisdiction.
118	Montgomery	Responds that the word gets out in the industry.
133	Shepherd	States that the unlawful trade practices act does apply to out-of-state businesses that market their services in Oregon. SB 218 would not change the legal tools for penalizing fraudulent behavior.
140	Sen. Miller	Comments that the problems reported are not generated among in-state

		companies. Says he wonders if ASTA already has a code of ethics.
161	Montgomery	Answers they do. Says SB 218 asks for a code of ethics.
170	Sen. Miller	Says that consumers used to believe in the "good housekeeping seal of approval" type of security for consumers. Asks why government intervention is needed.
191	Montgomery	Explains how the Association of State Travel Agents (ASTA) is known among some consumer travelers as a seal of protection.
248	Sen. Miller	Says that the absence of the state's interference is sometimes better.
281	Shepherd	Describes the great expense to DOJ in dealing with these incidents. Suggests consumers ask the seller of travel if they are certified.
333	Marylin Messer	Travel Agency Owner, Travel Network, Salem. Member of the work group. Supports SB 218. Says it is a step toward professionalism.
355	Shepherd	Says DOJ supports amendments by Rep. Walker
359	Krueger	Says DCBS supports amendments also.
362	Chair Nelson	Closes public hearing on SB 218. Opens work session on SB 218.
<b><u>SB 218 WORK SESSION</u></b>		
363	Sen. Nelson	<b>MOTION: Moves to ADOPT SB 218-2 amendments dated 2/15/99.</b>
		<b>VOTE: 4-0</b> <b>EXCUSED: 1 - Sen. Beyer</b>
364	Chair Nelson	<b>Hearing no objection, declares the motion CARRIED.</b>
365	Sen. Nelson	<b>MOTION: Moves SB 218 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 4-0</b> <b>EXCUSED: 1 - Sen. Beyer</b>

366	Chair Nelson	Hearing no objection, declares the motion <b>CARRIED</b> .  <b>SEN. METSGER will lead discussion on the floor.</b>
367	Chair Nelson	Closes work session on SB 218. Opens public hearing on SB 291.
<b><u>SB 291 PUBLIC HEARING</u></b>		
372	Joan Smith	Member, Public Utility Commission (PUC). Supports SB 291 which was introduced at the request of the commission. Explains that there are some concerns among the wireless carriers and PUC wants to continue discussing issues with the interested parties.
<b>TAPE 39, B</b>		
004	Smith	Discusses what SB 291 does. Asks the committee to defer SB 291 until further discussion among carriers occurs. Presents ( <b>EXHIBIT D</b> ).
021	Chair Nelson	Closes public hearing on SB 291. Opens public hearing on SB 297.
<b><u>SB 297 PUBLIC HEARING</u></b>		
040	Vicki McLean	PUC. Explains SB 297 changes the eligibility criteria for the Oregon telephone assistance program to allow persons eligible in the past to continue to be eligible. Low income persons can receive low income telephone assistance, if they are receiving funds from state assistance program, for which eligibility is less than 135% of the federal poverty level. Presents ( <b>EXHIBIT E</b> ).
060	McLean	Describes an assistance program that provides a \$10.50 per month reduction in basic service for low income customers who meet the eligibility criteria. Explains the surcharge that finances the low income assistance. Says the bill refers to specific programs which have qualified individuals in the past.
092	Metsger	Asks if the law allows the commission to charge up to 35 cents.
100	McLean	Says ten cents is a spend down.
103	Metsger	Asks if changing eligibility will change the rate required to serve those people.
106	McLean	Says the rate will be increased because more individuals will be picked up.
115	Metsger	Asks if that is the cap.

116	Sen. Beyer	Asks if that covers all telephone lines in the state.
122	McLean	Says that includes everybody.
130	Sylvia Kaley	Oregon Law Center. Supports SB 297 to help low income people to obtain telephone service.
145	Chair Nelson	Asks about the biennium cost and if it is a fee-based raise or General Fund. Asks if there is a problem with the Ways and Means Committee.
150	Sherry Sheng	Committee Administrator. Says there is no subsequent referral.
152	Chair Nelson	Closes public hearing on SB 297. Opens work session on SB 297.
<b><u>SB 297 WORK SESSION</u></b>		
153	Sen. Metsger	<b>MOTION: Moves SB 297 to the floor with a DO PASS recommendation.</b>
154		<b>VOTE: 4-0</b> <b>EXCUSED: 1 - Sen. Miller</b>
155	Chair Nelson	<b>Hearing no objection, declares the motion CARRIED.</b>  <b>SEN. NELSON will lead discussion on the floor.</b>
156	Chair Nelson	Closes work session on SB 297. Opens work session on SB 142.
<b><u>SB 142 and SB 143 WORK SESSION</u></b>		
172	Terry Edvalson	Rural Oregon Telecommunications Consortium. Says he has not had time to study the latest draft of the amendments. Presents <b>(EXHIBIT F)</b> .
178	Sen. Nelson	<b>MOTION: Moves to ADOPT SB 142-4 amendments dated 2/17/99.</b>
179		<b>VOTE: 4-0</b> <b>EXCUSED: 1 - Sen. Miller</b>

180	<b>Chair Nelson</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
197	Chair Nelson	Asks if the committee has any comments on SB 142.
198	Sen. Metsger	Says when the amendments are incorporated it will be clearer.
199	Edvalson	Says development charges and taxpayer costs are being compiled for the committee.
219	Chair Nelson	Emphasizes the need for infrastructure and adds that there are at least six major interested parties. Summarizes the issues to address are improving telecommunication infrastructure state-wide in the fields of economic development, education, health care, and public service. Acknowledges the need to change the regulatory climate. Indicates the committee's work will continue studying the complexities of this bill.
236	Sen. Beyer	Emphasizes the issue is supplying advanced service in telecommunications. Comments on the issue of covering rural areas not covered by the incumbent.
266	Chair Nelson	Asks for comments. Asks Joan Smith to speak.
273	Joan Smith	Commissioner, PUC. Responds to Sen. Beyer saying PUC has no authority in the TCI- AT&T dealings because that is a municipal/FCC encounter. It is a cable operator. Explains the state's position in deploying advanced services. Says the major issue is who can carry advanced services and where can they carry them.
340	Sen. Beyer	Asks about advanced services and how all the services can be combined.
360	Smith	Replies that interconnecting networks are under the authority of PUC in overseeing agreements between the parties.
370	Sen. Beyer	Asks if PUC has the authority to mandate interconnections.
373	Smith	Responds that it was set up as a bilateral agreement between two companies who needed to connect or to make services available.
<b>TAPE 40, B</b>		
005	Smith	Explains how services are sold among providers. Says finding a fair price has not been resolved. Says as decisions are made in courts, procedures will be established.

038	Sen. Beyer	Asks about issues across states.
042	Smith	Replies that where long distance carriers wanted to connect with incumbent carriers, a point of presence (POP) was set up. Long distance carriers paid the incumbent an access fee. The present problem is connecting the competitors and the final switch to the customer's house. The cost of the interconnecting is the last barrier.
060	Smith	Explains a lot of capital is needed until investments get cash flowing. Incumbents must commit significant capital and be willing to experience business risks. Oregon has enough law, technically, to make the connections work. Federal district courts are being appealed to for answers.
102	Sen. Beyer	Asks if PUC currently has authority over cable.
112	Smith	Replies PUC has no regulation over cable franchises, but that would change if they got into the phone business. Federal Communications Commission (FCC) has regulatory authority over cable, but PUC does not.
141	Sen. Metsger	Asks for Smith's opinion on the need for telecommunications. Asks if PUC has been unwilling to address the need.
169	Smith	Asks what area is being questioned: the need for an access fund, infrastructure needs, or the regulatory issues. Says the geographical areas are diverse and cannot be described merely as one "rural" area. There are some parts where money can be made, but other areas need government intervention. The question is where the money is to get to the areas that are in need. Asks how a big enough incentive can be provided for a company to want to invest.
211	Smith	Emphasizes that alternatives to regulation of incumbent monopolies need to be implemented. Says the question is how can we make sure that a company with customers who have no other options do not take advantage of those customers.
265	Smith	Says the servers bounce back and forth between authorities. Feels the state should make the broad policy.
320	Smith	States there need to be changes to regulation. States that PUC's goal is to encourage innovation by balancing competition and regulation, which is their guiding principle.
343	Sen. Metsger	Asks if the committee needs to provide guidance and encouragement to PUC.
345	Smith	Replies it does not.
350	Beyer	Asks if PUC had authority to enforce inter-ties, why they do not have a state-wide residential rate.



355	Smith	States they cannot have a state-wide rate because there are 30 incumbent companies, each with different cost structures.
377	Sen. Beyer	Asks about the basic service cost of about \$15 per month.
399	Smith	Responds some places it is \$5. Says package services are where policy is moving. Says business customers get good deals.
<b>TAPE 41, A</b>		
008	Sen. Beyer	Asks if the fear is setting a top rate.
011	Smith	Answers a top rate may be too much. A competitor could see that was a way to get in.

018	Beyer	Asks if PUC could set a top rate.
020	Smith	Responds they could not.
023	Chair Nelson	Asks for questions. Recesses work session on SB 142. Adjourns meeting at 2:50 p.m.

Submitted By, Reviewed By,

Nancy Massee, Y. Sherry Sheng,  
Administrative Support Administrator

#### **EXHIBIT SUMMARY**

**A ñ SB 218, Written testimony, Vicky Walker, 2 pp.**

**B ñ SB 218, -2 amendments, Vicky Walker, 2 pp.**

**C ñ SB 218, Written testimony, James Krueger, 57 pp.**

**D ñ SB 291, Written testimony, Joan Smith, 1 p.**

**E ñ SB 297, Written testimony, Vicki McLean, 2 pp.**

**F ñ SB 142, -4 amendments, Terry Edvalson, 9 pp.**