

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

February 13, 1997 Hearing Room H 170

8:45 A.M. Tapes 10 - 12

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

Work Session on House Measure 2144

Federal Telecommunication Act of 1996

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 10 , A		
004	Chair Hill	Opens work session on HB 2144 at 8:50
<u>WORK SESSION ON HB 2144</u>		
007	Neburka	Gives brief overview of the bill.
018	Rep. Adams	MOTION: Moves to ADOPT HB 2144-2 amendments (EXHIBIT A) dated 02/12/97.
	Chair	Hearing no objection, declares the motion CARRIED.
022	Rep. Hill	

		MOTION: Moves HB 2144-2 to the full committee with a DO PASS AS AMENDED recommendation.
	Chair	Hearing no objection, declares the motion CARRIED. REP. MONTGOMERY will lead discussion on the floor.
023	Chair Hill	Closes work session on HB 2144. Opens informational hearing.
<u>TELECOMMUNICATIONS ACT OF 1996</u>		
043	Gary Bauer	Oregon Independent Telephone Association. Gives brief history of the association.
055	Bauer	Begins presentation referring to the overhead. States that the number of choices for consumers are increasing.
072	Chair Hill	Admonishes the witness not to use acronyms.
075	Bauer	Demurs. Continues with presentation. Mentions situation pre-Federal Act vis-à-vis situation post-Federal Act. Refers to overhead showing areas served by various companies.
125	Bauer	Continues with presentation on the overhead. Mentions new companies and their associations.
145	Bauer	Discusses following issues associated with the Federal Act. * competition in rural areas * cost recoveries * PUC full regulation of 4 large companies; partial regulation of smaller companies * the amount of regulation mandated by act
185	Bauer	Concludes that the act sets up competition and rules for arbitration
192	Chair Hill	Thanks the witness. Mentions meeting on the 6th of March and the bills that are scheduled. Announces that Rep. Wooten will be late.
205	Chuck Lenard	US West. Submits written testimony (EXHIBIT B). States that main thrust of the act was to increase competition. Notes that old divisions dividing cable, local and long-distance telephone services no longer exist, which benefits consumers.

255	Lenard	Continues presentation on consumer benefits, e.g. "one-stop shopping." Cites big changes for competitors, especially for local exchange service providers. Notes that local services used to be monopolies. Gives suggestions for implementing the act.
305	Lenard	Discusses intent of the act. States that existing state statutes only address a single-provider environment. Notes that change will be more rapid in urban areas. Cites need for constructing transition plans.
340	Chair Hill	Asks for broad examples.
345	Lenard	Mentions: <ul style="list-style-type: none"> * flexibility * depreciation practices * limits on earning capacity * competitive parity * universal service requirement
TAPE 11, A		
004	Lenard	Presentation continues, including discussion on: <ul style="list-style-type: none"> * subsidies past and present * transition towards using market forces rather than regulation * customer guarantees * incentives for investment
055	Lenard	Presentation continues: <ul style="list-style-type: none"> * maximizing the benefits of the act to education, economic development, transportation, the environment, and state agencies * collective effort to develop policy * role of the OITA
093	Rep. Adams	Asks about possible incentives for investments in local loops.
105	Lenard	

		Concurs with Rep. Adam's statement that the company "doesn't make money providing a dial tone." Discusses the low costs of providing the loops.
123	Rep. Adams	Compares costs cited by various competitors for local loops. Notes that there aren't any incentives for competitors to provide local loops.
139	Lenard	Mentions ways of providing loop services to the customer, and the discounts associated with selling a loop to a competitor. States that there are different incentives for residential services as opposed to business services.
180	Rep. Adams	Asks about stranded costs.
187	Lenard	Discusses stranded costs and competition.
201	Rep. Wooten	Asks about the GTE-US West bill.
212	Chair Hill	Declares that the committee is having a general discussion, and defers the question until when the bill is in committee.
225	Lenard	Cites that it is not clear who is the sponsor of the bill. Refers to EXHIBIT B, p. 3, identifying non-competitive elements of the bill.
260	Rep. Wooten	Asks about US West's role in the transition period.
272	Lenard	Gives brief history of the break-up of the Bell System. Discusses local access transport areas or LATAs. Notes that the act allows US West to provide long-distance service, and allows competition in its current markets. Discusses the commission and the 14-point check list.
322	Chair Hill	Suggests that incumbents are pricing others out of the market.
342	Lenard	Mentions incentives for newcomers to provide loops, e.g., regulation of wholesale prices to make sure that they are cost-based.
374	Rep. Whelan	Asks for a description of the process of providing a loop.
380	Lenard	Mentions new services that would be provided with new loops, creating more quantity and more quality. Mentions tax credits for providing the infrastructure needed in rural areas.
430	Chair Hill	Thanks the witness.
435		State Director for Internal Affairs with GTE.

	Carol Rutgers	
TAPE 10, B		
001	Rutgers	Hands out testimony (EXHIBIT C). Notes the benefits of the act to customers, and that services will be determined by the customer and not by regulation. Mentions rural areas and related policy issues.
051	Rutgers	Continues discussing policy issues related to higher cost areas. Mentions Oregon's achievements with universal coverage. Mentions capital recovery in higher cost areas.
100	Rutgers	Continues discussing issue of recovering costs. Asks the committee to address what will be many difficult policy issues.
119	Chair Hill	Asks of spurring investments in local loops, thus insuring advanced services.
131	Rutgers	Notes that competition necessitates customer satisfaction. Mentions the need to cover costs, and suggests possible tax credits.
163	Rep. Wooten	Asks if GTE is opposed to unbundling costs.
168	Rutgers	Answers no.
173	Rep. Adams	Asks about duplicating local loops.
186	Rutgers	States that there would be incentives to duplicate loops because of a lack of facilities in a particular area.
197	Chair Hill	Reiterates Rep. Adams' question. States that he doesn't foresee duplication occurring. Expresses opposition to legislation limiting residential services.
221	Rutgers	Answers that legislation will most likely provide incentives for providers of residential services. Mentions new technologies like telecommuting driving the demand.
242	Rep. Adams	Mentions home-based companies in West Linn. Asks for a comparison of user-based rates versus flat rates.
259	Rutgers	Supports user-based rates. Notes a need to move in that direction.
285	Chair Hill	Mentions possible alternatives using different technologies.
301	Chair Hill	Thanks the witness.

309	Jeff Mayhook	Vice-President of Regulatory Affairs with GST Telecom. Announces the anniversary of the act and states that the issues are becoming more clear. Reports GST's geographic locations. Mentions the "one-stop shopping" mission statement of GST and GST's role as a "carrier of carriers."
359	Mayhook	States that the "core" of the act relates to cost recovery and the difficulty determining costs. Cites a history of monopolies. Cites GST's interest in rural areas.
TAPE 11, B		
009	Mayhook	Mentions GST's lack of infrastructure yet rapid growth. Cites "generations of embedded costs" and declares that competition is not coming but already here.
048	Mayhook	Speaks of GST's work in Idaho and Hawaii and Hawaii's submarine fiber optic network. States that GST had no need for incentives to reach the rural areas in Hawaii. States that delay is bad for competition, and gives examples of impeded competition. Mentions the importance of the investor for the business. Lists states without competition.
100	Mayhook	Notes that there is greater demand for data than for voice. Predicts that with open competition investment will take care of itself. Emphasizes that all that is needed is an open market. Declares that tax incentives are ridiculous. Mentions the franchise fees and right-of-ways in other states, holding up Washington and California as models to follow.
147	Mayhook	Discusses crossing city lines. Discusses rights-of-way and the six percent cap on franchise fees. Notes that there is some protectionism at the local level. Reports that GST has been subject to discrimination.
194	Rep. Adams	Declares that residential telephone service is the key issue.
220	Pat Hickey	AT&T. Hands out testimony (EXHIBIT D). Describes Oregon legislation from past sessions. Mentions unbundling elements. Cautions that the process of deregulation is full of pitfalls. Describes some difficulties that the commission will face in implementing the federal act.
323	Chair Hill	Asks for a suggestion on how to implement the federal act.
325	Hickey	

		Mentions that it is a unfunded act. Discusses cost determinations and the absence of the customer's perspective.
350	Rep. Adams	Asks if there is need for further legislation.
365	Hickey	Notes that Oregon is at a more advanced stage than the majority of states. States that there has been a lot already accomplished.
403	Chair Hill	Asks how the committee is to respond to the complaints regarding obtaining certificates.
407	Hickey	Mentions that if the commission can be obviated, local exchange carriers will benefit. Notes that there is a lot of money at stake, and that markets are growing rapidly.
TAPE 12, A		
033	Rep. Wooten	Asks for recommendations regarding franchises.
036	Hickey	States that there are no franchises.
048	Chair Hill	Notes that the members will be in full committee next week. Adjourns meeting at 10:44 A.M.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2144, L.C. amendment, staff, 2 pp.

B - Federal Telecommunications Act, written testimony, Charles Lenard, 6 pp.

C - Federal Telecommunications Act, written testimony, Carol Rutgers, 3 pp.

D - Federal Telecommunications Act, written testimony, Pat Hickey, 7 pp.