

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

February 25, 1997 Hearing Room H-170

8:30 A.M. Tapes 13 - 15

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:

Federal Telecommunications Act of 1996

HB 2143 - 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 13, A		
005	Chair Hill	Opens meeting at 8:37 A.M. Opens work session on HB 2143.
<u>HB 2143 - WORK SESSION</u>		
010	Neburka	Briefly summarizes the bill and explains amendments.
060	Neburka	Continues with explanation of amendments.
079	Rep. Wooten	Asks questions about the inclusion of hotels and motels.
081	Neburka	Answers questions regarding hotels and motels.
116		

	Rep. Adams	Asks about the motivation for opening exemptions to new businesses.
126	Chair Hill	Points out that the committee is in work session.
127	Rep. Adams	Suggests that the work session be closed, stating that he isn't prepared to vote.
138	Chair Hill	Asks if Rep. Adams is unsure about the -3 amendments.
139	Rep. Adams	Refers to several amendments and issues that are not clear.
149	Rep. Wooten	Asks staff for information regarding tax exemptions for Josephine County.
154	Neburka	Answers affirmatively.
158	Chair Hill	Closes work session on HB 2143.
<u>FEDERAL TELECOMMUNICATIONS ACT OF 1996</u>		
163	Rep. Adams	States that closing the work session isn't a negative reflection on the amendments.
167	Rep. Wooten	Expresses understanding of Baker County's needs. States that she does not support the inclusion of hotels and motels.
174	Chair Hill	Talks of an up-coming referral of a bill to the subcommittee. Admonishes members to prepare for a work session on the bill in order to move quickly. States that the subcommittee will be holding extra meetings this session, and asks members to find an appropriate time on their schedules.
211	Laura Imeson	AT&T Wireless. Submits written testimony (EXHIBIT A). Describes services provided by company. Talks about requirements instituted by the act.
261	Imeson	Continues presentation on the act, discussing facility sitings and interconnections (EXHIBIT A, p. 2).
285	Imeson	Concludes presentation.
287	Rep. Adams	Refers to Section 704 and asks if Oregon has experienced instances of "unreasonable discrimination."
292	Imeson	States that a local official could best answer the question.
302	Rep. Adams	Asks if PUC is moving effectively toward implementation.
310	Imeson	

		States that these are land-use issues and that they don't fall under the jurisdiction of the commission.
318	Rep. Adams	Notes that interconnections are not land-use issues.
322	Rep. Wooten	Talks about prohibitions against microwave powers.
330	Imeson	States the AT&T Wireless is not seeking legislation "prohibiting local government from restricting facilities."
333	Rep. Wooten	Notes news reports of AT&T Wireless' expansion. Asks what the company's market share is expected to be in the state, mentioning franchise fees and state regulation.
344	Imeson	Answers that she doesn't have details on the upcoming "test."
355	Chair Hill	Dismisses witness, calls new witness.
360	Rob McMillan	Public Policy Director for Electric Lightwave Inc. Submits written testimony (EXHIBIT B). Describes Electric Lightwave Inc. and its markets. Discusses the act and the role of the commission.
410	McMillan	Mentions parts of the act directly affecting the company, specifically those parts relating to interconnections and unbundled elements (EXHIBIT B, p. 2). Talks about the company's ambitions for expanding its markets.
460	McMillan	Discusses quick access to the internet and reselling services at wholesale rates.
TAPE 14, A		
041	McMillan	Talks of the role of OPUC and surrounding controversy. Opines that there will be a gradual transition towards competition and that disputes will need to be resolved, noting that the resolution of such disputes is the role of the commission.
090	Chair Hill	Asks if ELI has experienced difficulty with interconnections in Oregon.
093	McMillan	Answers yes, but notes that relationships in Oregon are the best in the nation. Mentions remaining impediments of interconnections. Mentions pending negotiations. Talks of putting onus on US West to report blocked calls in the interest of service quality. States that there is no definite agreement on any of the issues, but only interim agreements.
129	Rep. Wooten	

		Asks the witness to recommend legislation giving direction to the commission regarding access to unbundled loops.
140	McMillan	Answers that ELI wants nondiscriminatory access reflecting incremental costs and also co-location.
155	Rep. Wooten	Mentions talk with commissioners. Reports that there is no clear status on unbundled elements.
163	McMillan	Notes that the Public Utility Commission is relatively advanced in defining unbundled loops. Mentions the inferior status of other states.
181	Rep. Adams	Asks if ELI need give access to their switches.
188	McMillan	Answers yes regarding leasing, but no regarding unbundled elements
199	Rep. Adams	Asks if requests for unbundling addresses voice or copper pair.
212	McMillan	States that ELI can request unbundled elements capable of voice, digital, and numerous other capabilities.
224	Rep. Adams	Asks if the witness is referring to services and not hardware.
228	McMillan	Answers that two pair copper wire loop should be capable of digital services.
241	Rep. Adams	Mentions possibility of impairing US West's competitiveness by included copper pair in unbundled elements. Mentions the PUC and asks if it can "go all the way" before appeal process is finalized.
268	McMillan	Answers that the commission can act on sections not under appeal, but that it must wait for the court on sections under appeal.
281	Rep. Wooten	Asks staff to research question of what the commission can do. Notes that the legislature can preempt the work of the commission
292	Rep. Adams	Notes that the committee can't overrule the federal courts. Talks about ELI accessing business customers in remote areas. Asks if ELI is pursuing residential patronage in those areas.
315	McMillan	Answers in the negative due to the high costs.
320	Rep. Adams	Expresses concern for the residential customer.
328	McMillan	Notes that access to unbundled elements will help.
344	Chair Hill	Asks if anyone can become connected to ELI services in areas where ELI conducts business.

348	McMillan	Answers no, not without access to "underlying networks." Adds that ELI will end up paying into the universal service fund.
358	Rep. Wooten	Asks questions about the following issues in the act: * Electric Lightwave's barriers to entry * franchise fees * terms for accessing buildings with private ownership and if that is another barrier to entry. Asks for a definitive suggestion concerning accessibility of unbundled elements.
387	McMillan	Mentions concerns with "franchise and building entries."
394	Rep. Wooten	Asks for a report by March 10.
400	Chair Hill	Calls new witness.
408	Gail Garey	MCI Telecommunications Corporation. Submits testimony (EXHIBIT C). Cites MCI's continuing support for the Federal Act. Notes that implementation details are left up to the states. States that Oregon is "way ahead" of other states. Mentions that HB 2203 (1993) created competition by removing legal barriers.
458	Garey	Talks of Oregon's past work and present situation. Talks of MCI's recent gains on AT&T.
044	Garey	Talks about local exchange markets and the arguments against opening up competition. States that AT&T profits haven't declined since divestiture, because of a bigger overall "pie." Mentions consumer advantages.
081	Garey	Talks of resistance put up by local exchange carriers noting that they are monopolies protecting their interests.
093	Garey	Mentions key issues (EXHIBIT C, p. 5).
117	Garey	Discusses an interim interconnections order, and mentions MCI's success in forcing interconnections.
130	Chair Hill	Asks of possible inducements or penalties to require interconnections.
152	Garey	Cites entry into long-distance business as an inducement.
160	Chair Hill	

		Notes that a single interconnection isn't effective competition. Asks if there is something that will induce further interconnections.
168	Garey	States that the PUC cannot issue penalties. Suggests giving the commission such authority.
176	Rep. Wooten	Asks about the commission's current mindset regarding the entry of local exchange carriers into long distance markets.
186	Lisa Rackner	Lindsay, Hart, Neil, and Weigler. Gives logistics regarding requests for entry into long distance markets. States that the approval or disapproval of such requests could be used to induce compliance.
221	Chair Hill	Suggests that that inducement would only work with US West. Mentions other companies and asks what incentives are needed to establish thriving competition.
234	Garey	Cites possibility of issuing penalties.
236	Rackner	States MCI's position that the commission is "on the right track." Mentions the centrality of pricing unbundling elements and PUC 's central role in overseeing such pricing.
250	Rep. Adams	Declares a conflict of interest. Agrees that local exchange carriers are impeding rapid implementation of the act. Asks about "more and better services" in long distance.
274	Garey	Mentions faster traffic and quicker employment of fiber.
298	Rep. Adams	Mentions that importance of local exchange switches, e.g. eastern Oregon's "birdwire."
315	Garey	Responds that that is why MCI is installing local switches in rural areas.
324	Rep. Adams	Mentions "realities" concerning the profitability of long-distance services versus residential services.
339	Rep. Wooten	Asks staff for information from the PUC regarding its interconnection requirements and penalties.
348	Chair Hill	Mentions that the subcommittee will hear HB 2079 on March 6 dealing with service quality and PUC's ability to issue penalties.
356	Rep. Wooten	Asks staff for a definition of "thriving competition" among other states.
373	Chair Hill	Suggests that that is for the committee to define.
378	Neburka	Mentions indexes measuring industry concentration.
379	Chair Hill	Asks witnesses to produce like information.

388	Garey	Continues presentation, discussing resales. Gives MCI's history accessing the long-distance market. Cites MCI's strategy to enter local markets.
TAPE 14, B		
021	Garey	Continues presentation, discussing unbundled network elements and pricing. Mentions "built up inefficiencies."
047	Chair Hill	Asks if there is a guarantee in the act that companies will make a profit.
054	Garey	Answers that the act states that prices may include a reasonable profit, but that there is opposition on that issue, namely, that an unsuccessful company shouldn't be able to raise prices for unbundled elements.
069	Garey	Continues presentation, discussing universal service. States that universal service isn't incompatible with competition. Expresses respect for the work done in Oregon. Admonishes the committee to proceed with caution when changing statute.
093	Chair Hill	Asks if Oregon should go further.
098	Garey	Answers that there is a strong statutory framework, suggests that no major changes are necessary at this time.
112	Oren Floyd	Director of Government and Regulatory Affairs at Sprint's Northwest Office in Hood River. Announces that it is time to implement. Mentions Sprint's recent accomplishments, local infrastructure, wide breadth, and state-of-the-art technology.
162	Floyd	Lists the main points of the act. Submits written testimony (EXHIBIT D) and written materials (EXHIBIT E).
205	Floyd	Mentions definitions included in written testimony (EXHIBIT D).
220	Mike Dewey	Oregon Cable Telecommunications Association. Describes customer base in the state. Mentions different companies providing cable and telephone services. Talks about cable infrastructure in the ground. Talks of US West's role in the cable industry. Cites reasons for the lack of competition in local services.
270	Dewey	Notes a changing pricing structure. Notes that cable is a competitor for local providers but that costs are very high. Commends PUC on work done.

319	Dewey	Talks of interface and AT&T's efforts to provide dial tones for businesses. States that different interface entities make interconnection more difficult. Mentions difficulties associated with implementation. Discusses possible changes to the FCC rules.
371	Rep. Adams	Asks about the "choke points" of local loops and about different ways of accessing those loops.
395	Dewey	States that local exchange carriers have the loops and that cable is a one-way transmission. Talks about rebuilding to create digital capabilities and the potentialities with increased bandwidth.
002	Rep. Adams	Asks if digital is two-way.
003	Dewey	Answers affirmatively.
007	Sarah Hackett	League of Oregon Cities. Submits association's report on the Federal Act (EXHIBIT F). Talks about the role of local governments in implementing the act. Talks about contracts with utility providers. Notes that growth in the industry depicts the state's good atmosphere. States that a franchise is "rent for the [extraordinary] use of a right of way."
057	David Olson	Director of the City of Portland Office of Cable and Franchise Management. Submits written testimony(EXHIBIT G).
102	Olson	Supports increasing competition because it encourages new technologies. Cites burdens being placed on right of ways.
152	Olson	Continues with discussion on the authority given in the Federal Act to local and state governments. Notes the FCC's lack of authority over right of ways management.
202	Olson	Continues presentation. Admonishes the committee that local governments need to keep their "historic function." Cites that their authority has not impeded growth.
229	Greg Diloreto	Director of the Department of Environmental Services for the city of Gresham. Submits written testimony(EXHIBIT H). Mentions four points: local authority of public right of ways, cost of relocation of private utilities, recovery for life-cycle costs, and permitting.
247	Chair Hill	States that there is a floor session, asks the witness to summarize.
256	Diloreto	Continues presentation on four points.

280	Rep. Wooten	Asks about financial ramifications of changing from a franchise fee to a statewide business tax.
297	Olson	Cites work being done analyzing financial implications of various options, including providing wireless services on a fee basis.
320	Chair Hill	Thanks the witness. Mentions that the bill won't address franchise fee, but that there will be another bill to do that. Asks that the Oregonian article be made part of the record (EXHIBIT I). Adjourns meeting at 10:54 A.M.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Federal Telecommunications Act of 1996, written testimony, Laura Imeson, 2 pp.

B - Federal Telecommunications Act of 1996, written testimony, Rob McMillin, 3 pp.

C - Federal Telecommunications Act of 1996, written testimony, Gail Garey, 6 pp.

D - Federal Telecommunications Act of 1996, written testimony, Oren Floyd, 5 pp.

E - Federal Telecommunications Act of 1996, written materials, Oren Floyd, 24 pp.

F - Federal Telecommunications Act of 1996, booklet, Sarah Hackett, 40 pp.

G - Federal Telecommunications Act of 1996, written testimony, David Olson, 6 pp.

H - Federal Telecommunications Act of 1996, written testimony, Greg DiLoreto, 3 pp.

I - Federal Telecommunications Act of 1996, newspaper articles, staff, 3 pp.