

Approved: 1-25-96
Date

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS.

The meeting was called to order by Chairperson Doug Lawrence at 1:35 p.m. on January 22, 1996 in Room 313-S of the Capitol.

All members were present except: Greg Packer - excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Richard Lawson, Vice Pres. Ks.- Sprint/United Telephone Co.
Malcolm Clarrissimeaux - Classic Communications
Kendall Mikesell, Manager - Southern Ks Telephone
Eva Powers, Local Counsel & Leg. Rep.- MCI
David Hollingsworth, Director of Finance - Ks. City FiberNet
Brian Lippold, Gen. Manager - Multimedia Hyperion Telecomm.
David Cunningham, Gen. Manager - Cunningham Tel. Co.
Michael P. Henry, Exec. Director - Community Access
Television of Salina

Others attending: See attached list

The meeting was called to order at 1:35 p.m. by Chairman Doug Lawrence.

The Chairman announced that the Directories (See Attachment 1) of all the people registered with the secretary were ready to be picked up and anyone that would like to have their name on the list may do so.

Chairman Lawrence made an announcement concerning bill introductions, they need to be in bill form by Friday, February 2, 1996 to be introduced to the committee. If anyone has a bill they would like to have introduced please contact the Chairman today. Also he announced that he has a confirmation from Mr. Joe Weber, the consultant that helped craft the Telecommunications Strategic Planning Committee report, he will make a presentation Wednesday, January 31, 1996 to the committee. He will take about fifteen minutes for his presentation and the remaining time will be used for questioning by the committee.

The Chairman had three bill requests, the first two were introduced, Rep. Carl Holmes made a motion they be passed, Rep. Carol Beggs seconded, motion passed. The third introduction was made by Chairman Lawrence, Rep. Carl Holmes made a motion it be passed, Rep. Carol Beggs seconded, motion passed.

The Chair recognized Richard D. Lawson, Vice President, Ks., Sprint/United Telephone Co. of Ks. Mr. Lawson introduced a bill, Rep. Holmes made a motion it be passed, Rep. Beggs seconded, motion passed.

The Chair recognized Malcolm Clarrissimeaux, Classic Communications. Mr. Clarrissimeaux introduced a bill, Rep. Holmes made a motion it be passed, Rep. Beggs seconded, motion passed.

The Chair recognized Kendall Mikesell, Manager, Southern Kansas Telephone Co. (See Attachment 2). Mr. Mikesell had a bill introduction, Rep. Holmes made a motion it be passed, Rep. Beggs seconded, motion passed.

Chairman Lawrence introduced conferees having comments concerning the Telecommunications Strategic Planning Committee report. The first conferee was Eva Powers, MCI. Ms. Powers presented testimony (See Attachment 3) Ms. Powers is the local counsel and legislative representative for MCI in Kansas.

CONTINUATION SHEET

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS, Room 313 -S
Statehouse, at 1:35 p.m. on January 22, 1996.

The Chair introduced David Hollingsworth, Director of Finance for K.C. FiberNet. Mr. Hollingsworth presented testimony to the committee (See Attachment 4).

The Chair recognized Richard Lawson, Vice President Ks, Sprint/United Telephone Co. Mr. Lawson testified before the committee (See Attachment 5).

The Chair introduced Brian Lippold, General Manager, Multimedia Hyperion Telecommunications. Mr. Lippold presented testimony (See Attachment 6).

Chairman Lawrence recognized David Cunningham, General Manager of Cunningham Telephone Co. Mr. Cunningham presented testimony (See Attachment 7).

The Chairman introduced Michael P. Henry, Exec. Director, Community Access Television of Salina. Mr. Henry presented testimony to the committee (See Attachment 8).

The Chairman announced that because of the lack of time committee members should save their questions for the conferees until tomorrow's meeting, which will be on the same subject, public comments on the Telecommunications Strategic Planning Committee report.

The meeting was adjourned at 3:18 p.m.

The next meeting is scheduled for January 23, 1996.

SELECT COMM. ON TELECOMMUNICATIONS
COMMITTEE GUEST LIST

DATE: 1-22-96

NAME	REPRESENTING
Harriet Lange	Ks Assn Broadcasters
John D. Pincus	SITA
DAVID M HOLCOMBSWORTH	KANSAS CITY FIBER NET
Nelson L. Krueger	Kansas City Fiber Net
Patrick Shirley	AT&T
Brenton M. Bartos	Ks Council on D. D.
Tom Bruce	Assoc Assoc.
Danny Amos	SELF
Bill Jance	BOEING
ROB WASHINGTON	SENATE MAJORITY LEADER
M. CHARRISSIMANUX	CLASSIE COMMUNICATIONS
Carroll O'Neil	AT&T
John Marshall	Mid-America WSNV Assn.
Drey Harris	TCI
Mariani Deyle	CURB
Walter Hendry	CURB
BRIAN LIPPOD	MULTIMEDIA HYPERION
Pat Hubbell	SWBT
Bill Drexel	SWBT

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*House Sel/Comm Telecomm.
1-22-1996
Attachment 1*

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HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS
(additions)

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PRESENTATION TO
HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS
BY
KENDALL S. MIKESELL
JANUARY 22, 1996

House Sel/comm Telecomm.
1-22-1996
Attachment 2

Mr. Chairman and Members of the Committee:

Thank you for giving me the opportunity to address you today.

My name is Kendall Mikesell. I manage Southern Kansas Telephone Company, headquartered in Clearwater, about 15 miles southwest of Wichita. My company has been owned and operated by the Mikesell family since 1940, and I represent the third generation of family management. I'm following in the footsteps of my grandfather, father, and uncle. We are certificated by the Kansas Corporation Commission to serve approximately 4,300 customers in and around 14 communities in south central Kansas.

We, like the other small telephone companies in Kansas, provide state-of-the-art telecommunications service at reasonable rates to our customers. We offer all-digital, one-party local exchange service, including advanced services on par with the urban areas of Kansas. In short, we have a long history of providing Universal Service to rural Kansas.

Additionally, I was fortunate to be chosen to participate in the Telecommunications Strategic Planning Committee (TSPC) process. Our 18 months of work, which you have already been briefed on, was completed in December. I am pleased with the work of the committee, and as I stated in a concurring report, the basic TSPC framework implementing competition, modified with an appropriate Universal Service and Infrastructure policy, can assure all Kansans of accessibility to advanced services at reasonable rates, thus putting the state on the leading edge of telecommunications technology.

I'm here to talk to you today about the ongoing provision of Universal Service in an emerging era of telecommunications competition. This is a topic of critical importance to all Kansans, but especially to rural Kansans.

Discussions on Universal Service have been going on for years. It is generally accepted that preserving Universal Service at reasonable rates in a high-cost area requires a system of shared responsibility. The dilemma of blending the benefits of competition in urban areas with a mechanism to assure state-of-the-art services for rural areas must be solved if we are to include everyone in the information age.

After much discussion over the last several months, thirty-four Kansas small telephone companies and Southwestern Bell (SWB) have formed the Kansas Telephone Coalition to assist the Legislature in solving the competition/Universal Service issue, and to allow Kansas to be on the leading edge of telecommunication technology statewide.

The Kansas Telephone Coalition believes the Kansas Legislature should set telecommunications policy for the state, to be carried out by the Kansas Corporation Commission.

To that end, I respectfully request introduction of a bill establishing policy to preserve Universal Service at affordable rates for rural Kansans and allowing for the ongoing investment in infrastructure required for the deployment of advanced services for rural Kansans.

I have prepared bill language that I will give to the Chairman. To summarize the main points for you:

- The bill request begins with an opening statement on maintaining affordable Universal Service, for all Kansans, and calls for the KCC to establish a Universal Service funding mechanism with certain features, including:
 - 1) A Kansas Lifeline Service Fund (KLSF) designed to maintain basic local exchange service at affordable rates for low-income customers.
 - 2) A rural rate restructuring provision, calling for small telephone companies to bring their intrastate access charges into parity with their interstate rates. Any cost savings to long distance providers would be required to be passed through to end users in the form of lower toll rates, and the fundamental concept of geographically averaged toll rates statewide is preserved.
 - 3) A streamlined mechanism for small telephone companies seeking local rate relief from the KCC.
 - 4) The establishment, by the KCC, of a Kansas Universal Service Fund (KUSF), designed to provide support to companies serving high-cost areas so they can continue providing Universal Service to customers at reasonable rates. The fund initially would replace revenues lost in the access rate restructure.
 - 5) A methodology allowing for additional KUSF support in response to a variety of circumstances, including required investment in infrastructure to meet an evolving definition of Universal Service.
 - 6) A methodology for the elimination of KUSF support.
 - 7) A mechanism for funding the KUSF and KLSF through a per minute surcharge assessed to the providers of all intrastate retail-billed toll

minutes and similar services, such as wireless. This mechanism allows for the surcharge to be collected from the end user.

- 8) And finally, a methodology for KUSF and KLSF administration, including the use of a competitive bid process to select a neutral, bonded, third-party fund administrator.

For sake of time, I have been necessarily brief here. I will provide proposed bill language to the Chairman that speaks in detail to all the above points.

I would like to add that many would have you believe that telecommunications policy is too complicated for you to grasp, let alone legislate. We do not believe this. We will do everything we can to assist you in understanding the issues allowing you to legislate telecommunications policy that will benefit all Kansas, urban and rural.

In summary, on behalf of the Kansas Telephone Coalition, I urge you to enact this bill into law. The provisions we have proposed when coupled with the TSPC's Policy Framework will assure all Kansans of being participants in the information age.

Thank you for your time and attention.



**TESTIMONY OF MCI TELECOMMUNICATIONS CORPORATION
BEFORE THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS**

**EVA POWERS
JANUARY 22, 1996**

My name is Eva Powers. I am local counsel and legislative representative for MCI in Kansas. I want to commend the Telecommunications Strategic Planning Committee for the work it did in arriving at this report. I specifically commend Senator Salisbury for the superb job she did in chairing this committee.

MCI fully supports the Vision Statement for telecommunications in the state and agrees that it is appropriate to incorporate this Vision into a concurrent resolution. MCI also agrees with the recommendation to legislatively provide for a board to promote the Vision Statement and administer the Telecommunications End User Support Fund. MCI believes competitive provision of services will lead to advantages to Kansans in terms of choice, lower prices and rapid introduction of new services, but disagrees with the majority report in several respects.

The Kansas Corporation Commission filed Public Policy Comments which are attached to the report. The Strategic Planning Committee's members representing resellers, interexchange carriers and the cable industry filed a joint minority report. Neil Woerman filed Comments on behalf of residential end users. MCI believes these parties well express its concerns with the Policy Framework.

SCR 1627 established that "relaxed regulation of telecommunications services is desirable if it is accomplished in a systematic and logical manner based on accurate

*House Sel/Comm Telecom
1-22-1996
Attachment 3*

information, public analysis and debate." MCI strongly believes that the KCC is in the best position to assure that relaxation of regulation will be based on accurate information and public analysis and debate. The Commission has, as you have already been informed, begun the process and outlined its plan of action toward achieving relaxation of regulation and implementation of competition in the local exchange. The Commission has a staff with many years of experience in telecommunications, both in industry and at the Commission, and is well-equipped to continue the work necessary to ensure that decisions on these very complex issues are based on accurate information and subjected to public analysis and debate. The process used by the Commission which allows comments to be submitted, testimony to be filed and tested by cross-examination, hearings to be held with opportunity for public input and finally the right to appeal Commission decisions, assures that the mandates of SCR 1627 will be carried out in a systematic and logical manner.

MCI, as a regulated provider of interexchange services, has had many occasions to be involved in Commission proceedings, beginning at the time when MCI first sought authority to provide service in Kansas back in the early 1980s. MCI has never been able to obtain from the Commission all that it has wanted. Nevertheless MCI believes that the process works and should be allowed to continue to work.

I have already expressed MCI's support for the minority positions. Specifically, I would observe that when MCI first got into the telecommunications business it constructed a microwave transmission facility from St. Louis to Chicago. If MCI had not been able to resell, and that right was hard-won through many regulatory and

legal proceedings over many years, it could not have established itself in business as a competitor to AT&T and might still provide only point to point service. Any requirement to build facilities in order to enter the local exchange market as a competitor will make it prohibitively costly for competitors to enter that market in Kansas and at a minimum delay any significant competitive entry. By pricing services correctly and allowing resale, incumbent local exchange companies will remain profitable, just as AT&T did, and competitors will enter the market and provide Kansas consumers with a choice.

As you have already become aware, much Committee time was spent on whether cost studies should be required. The vote was close. The Policy Framework recommends that prices be set at current levels. As has already been pointed out by others in this forum, Southwestern Bell has been insulated from review of its costs since 1990. Much has happened since then which may affect those costs. There is no knowledge of what Southwestern Bell's costs for providing services are. Failure to establish some cost benchmark may require Kansas consumers to pay more for services than is justified. The Wall Street Journal of January 18, 1996 reported a 22% jump in net income for the fourth quarter for SBC Communications, Inc., Southwestern Bell's parent company, and that this jump in net income was "driven by strong core telephone service revenue and bumper sales of cellular services." This core telephone service revenue is precisely the revenue that Southwestern Bell generates from its current local exchange business as well as its intraLATA toll business. Cost benchmarks are necessary to protect consumers, not only with

respect to local exchange service rates, as long as that service continues to be a monopoly, but particularly with respect to establishment of any universal service support funds. Keep in mind that absent cost basis, those funds will not support just the necessary costs to provide the service, but replace any revenue earned by the companies, at this time, regardless of the company's earnings posture. -- You may recall testimony regarding significant overearnings in other Southwestern Bell states. Needless to say, even though telecommunications providers are the ones paying into universal service support funds the ultimate payer to that fund is the end user since all companies must get their revenues from the services they provide to their customers. If excessive cost is built into that fund, Kansas customers will pay more than justified.

MCI is not advocating a return to rate of return regulation, but a transition from regulation to competition in a "systematic, logical manner." The KCC is well on its way to establishing such a transition in accordance with SCR 1627, and I urge you to let that process continue. Absent oversight, competition may be delayed, maybe even stalled, and consumers may pay more for services and have fewer choices. Deregulation does not automatically result in competition.

**Remarks of David Hollingsworth
Director of Finance and Administration
Kansas City FiberNet**

to the

Select Committee on Telecommunications

**Honorable Doug Lawrence
Chairman**

**Old Supreme Courtroom
Kansas Statehouse**

1:30 P.M.

January 22, 1996

Topeka, Kansas

*House Sel/Comm Telecomm
1-22-1996
Attachment 4*

Thank you. It is a nice opportunity for me to come before this Select Committee on Telecommunications. The Leadership is to be commended for the vision in appointing such a committee and I compliment Chairman Lawrence and your committee for holding this session. I attended sessions of the Telecommunications Strategic Planning Committee this past year and watched many of the recommendations that are now part of the final report pass narrowly on a 7 to 6 vote. As often as not, a proposal that won approval in the morning was reversed in the afternoon after a frantic search for missing committee members who provided the additional votes to reverse the earlier consensus. It is important for me to know that you know how these "conclusions" were reached.

As you might suspect, I do not agree with many of the findings of, the TSPC and support most of the minority position paper. While I, along with others who were not on the committee tried to be heard, we were never given the opportunity to present our views. Again, thank you for this opportunity.

I want this to be a positive presentation. I believe this presentation will show you how better services and more options can be made available to the citizens of Kansas. I am David Hollingsworth, Director of Finance and Administration for Kansas City FiberNet. Kansas City FiberNet is a partnership of American Cablevision and TCI. Kansas City FiberNet operates a 300 mile fiber-optic network

servicing commercial markets on both sides of the state line in the Kansas City Metropolitan area.

I have visited with some of you in the past and understand your sensitivity toward rural issues. Kansas City FiberNet is pleased that our government liaison, Nelson Krueger, is a member of the Board of Directors of the Huck Boyd Institute for Rural Development. The Board holds its quarterly meetings at Bob Dole Hall for Communications on the campus of Kansas State University in Manhattan. We want to work together with you to provide more and better options for telecommunication services for your constituents. I think what we at Kansas City FiberNet are endeavoring to do is important to your mission. We understand the concerns of both rural and urban areas and believe that in the future, many companies that currently do not provide local telecommunication services will become new providers of information services to the home and business.

At Kansas City FiberNet, we are beginning to provide competition to the traditional telephone companies. Those local providers -- local telephone companies -- have for decades enjoyed being "the only phone company in town." As monopolies in their respective communities, they have been historically regulated by having a guaranteed rate of return on their investments in return for providing

“universal service.” For customers it often meant selecting either to have phone service or not.

Technology advancements have changed the world of possibilities in telecommunication services. Kansas City FiberNet is one company that is part of this new world and has the capability of offering these advanced services. For individual customers and small to large businesses, we offer a different choice for telecommunication services that will allow them to shop for the best price and the service options they desire. Without competition, there is no choice for consumers, there is no safeguard against monopolistic pricing, and there is little or no incentive for the development of new and better products.

In a competitive market, companies will be able to have a backup, or redundant provider. Today, consumers are demanding this type of backup security. In the current business environment, telecommunications interruptions are unacceptable. If there is only one local provider, and the network fails, businesses are shut down--revenues and customers are lost.

Allowing Kansas City FiberNet to operate as a telecommunications company could be compared to starting a taxi company in a town that has only had a bus. We provide a different means of transportation to your destinations. We just acquired regulatory

approval to offer such service, and are now awaiting cooperation from the "bus owner" to drive up to the curb to pick up and leave off customers. We call it an interconnection agreement.

Until recently, no one was allowed to compete as a local provider for phone service. Without competition, the monopoly provider--not the customer--determines what services are provided. However, with competition, the decision for which services will be provided will be based upon customer demand. In this country we have proven time and time again that the only way to assure a variety of services, at the most affordable price, is to open the market to competition. When markets are open, competing providers will emerge offering new services, more choices, and lower prices.

In a closed market, if you want a different type of service, you are simply out of luck. "The bus" has a certain route and certain destinations. The company may not want to spend money developing new routes or services, and it will not have to - if it can keep competition out. One example of this is the late deployment of ISDN by SWBT in Kansas. As an attachment shows, while other states have had wide spread deployment of ISDN, it has had only lip service in Kansas. Even today, ISDN is nearly non existent in Kansas.

People do not like anyone, government or monopolies, keeping them from having services they know exist. That is why we are

pleased the Kansas Corporation Commission is advancing the competition docket as directed by this legislature in SCR 1627 of the 1994 Session. As you know, the KCC already has the authority to authorize new communications providers, which will create new opportunities for all Kansans. We hope you will allow the system to catch up with your previous directives charging the KCC to encourage the development of effective competition including the removal of existing barriers to competition.

In advancing that objective, just last month, Kansas City FiberNet became the second KCC certified competitive local telecommunications provider in Kansas. This certification will enable more Kansans to have better options for access to the telecommunications highways of the Information Age. As mentioned a moment ago, this was in keeping with the Legislature's 1994 directive in SCR 1627 to encourage the development of effective competition including the removal of existing barriers to competition. In essence, the Legislators reinforced the role of the KCC to regulate -- meaning to watch out for the good of the customer -- and wisely the Legislature took itself, and hopefully politics, out of the regulating business.

The certification Kansas City FiberNet received, however, is just the beginning. There are many hurdles to jump before we can implement what we are certified to do, and we expect the

incumbent monopoly provider to raise these hurdles wherever possible. It took one Kansas communications company more than three years to get from the certification stage to receipt of an implementation order for interconnection agreements. The incumbent monopoly injected more than twenty delays into the process. Perhaps the incumbent was hoping that by starving the upstart company, the budding competition would die for lack of revenue, and the interconnection agreements would never have to be implemented. That is why I am pleased the 1994 Legislature responded with its directive to the KCC to provide regulatory oversight and remove existing barriers to competition. When fair competition is not allowed to exist, customers are cheated. Those Kansas customers are your constituents--individuals, families, and businesses who could offer and have access to better products and services if new telecommunication options are allowed to exist.

Following the directive of the Legislature, on May 5, 1995, the KCC issued an Order that defined an orderly and timely process of transition to a competitive local exchange telecommunications market. That Order was one of the items that encouraged Kansas City FiberNet to continue to invest in the Kansas City area.

The KCC's granting Kansas City FiberNet and another company in western Kansas a certificate to provide local communications services was critical. This action opened the door to more

investment in the Kansas telecommunications infrastructure. Because companies are no longer locked out of the Kansas market, they will now be willing to risk capital--with no guarantees--just the opportunity to do business. In order to succeed in a competitive market, businesses must be innovative, efficient, and keep up with the times. Expanded telecommunications options attract businesses to all parts of Kansas. These options provide businesses access to the telecommunications services they need for success in the global market.

It was just a few short years ago when television, telephone, newspapers, and entertainment were separate industrial sectors. The lines between these industries are becoming indistinct. Today, all are part of a larger telecommunications industry with both wire and wireless transmission of voice (or sound), data, and video.

Cable television companies, telephone companies, newspapers, entertainment companies, broadcasters and a host of other telecommunications service providers want a line into your home or business. Local units of government and innovative businesspersons are already suggesting new forms of cooperation. Recent KCC action will make Kansas a leading attraction as companies decide where to place future investment.

However, hurdles remain.

As the KCC Staff Memorandum of December 15, 1995 so appropriately states, "local switched competition is being introduced across the nation, but effective local switched competition does not exist anywhere. Local switched competition will not be effective until nondiscriminatory interconnection agreements are in place and institutional barriers are eliminated or ameliorated to the extent possible." After addressing the need for interconnection agreements, the KCC staff Memo continues and cites one specific barrier, number portability. It simply states, "without local number portability, there can be no effective local switched competition."

We and the customers of Kansas are fortunate to have a staff of experts at the KCC who understand the inter-workings of the telecommunications business and who can take the issues out of the political realm. The KCC knows the many pieces which must fit before real competition exists, and they know how the existing monopoly providers can stymie competition in seemingly small, but lethal, ways.

In previous legislative proposals, the devil was in the details. One of the proposals advanced included revenue replacement schemes which were little more than "profit insurance." They suggested legislation that would have placed their competitive advantage into

statute. Wouldn't every business like to have its profit guaranteed by law? As you begin this legislative session, please be cautious and recognize the overwhelming market power of an entrenched monopoly. It is important to remember that this overwhelming market power was primarily financed by captive rate payers. Because of the massive competitive advantage SWBT currently enjoys, price regulation should not be removed until real competition has been allowed an opportunity to succeed. Another way of saying this is that there should not be regulatory parity until there is market parity. If competition is desired, it must be encouraged.

The KCC is enforcing the policy to establish fair, competitive markets by allowing companies to work out agreements in a timely manner. However, the KCC provides for action by stating that "if the parties can not agree on an interconnection agreement within 90 days, the Commission will resolve the issues." Such proactivity encourages companies like ours to invest and grow in Kansas.

It would be natural for an existing company, which enjoys its monopoly status, to resist competition. No one wants to give up market share or have to change its comfortable way of doing business without scrutiny by regulators or by the marketplace. However, the existing largest local exchange carrier, SWBT, is attempting to become the competitive access provider in three

other states (Maryland, New York, Illinois) and the District of Columbia. It would be ironic (but not unprecedented) to have SWBT argue against competition here in Kansas, and for competition elsewhere. SWBT will have to change its costume and face as it darts between battle fields.

These are exciting times. My company and I appreciate the expertise of the professional telecommunications staff of the Kansas Corporation Commission. We also appreciate that the Kansas Legislature has directed the KCC to encourage competition. As competitive services become available, we will see more and more ways for people to hook into the information networks of the world. The line into the home or business -- "the last mile" -- is the last fortress of the past. It is also the path to the future. As regulation catches up and allows deployment of what technology has already achieved, we will see many exciting developments. Possibilities for telecommunications, new businesses and jobs are endless. Kansas is fortunate to have a forward thinking Legislature that has already directed the KCC to encourage competition.

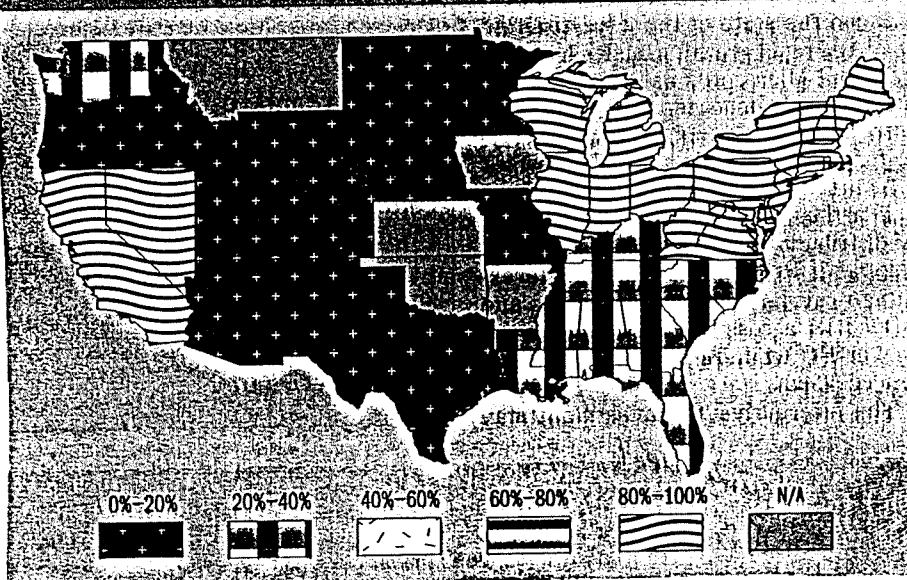
The telecommunications industries will continue to converge. Cable operators, telephone companies, broadcasters, newspapers, entertainment organizations, and who knows who else, will have new roles. Perhaps the most exciting potential lies in rural areas. New avenues through telecommunications to the information

networks of the world will open new markets. Those new markets will be only a few switches and keystrokes away from wherever you are. We at Kansas City FiberNet are spending time and resources working with local units of government and new business ventures ever mindful of the needs of rural and urban Kansas.

Thank you for this opportunity to make this presentation. In 1996, I think the right course of action is simple. Keep the responsibility for encouraging competition and for directing deregulation with the experts -- the KCC. Let's give the KCC a chance to fulfill the directives the Legislature has already given. Kansans can not afford to let special interest legislation halt and possibly reverse the great advances Kansas has recently achieved. I look forward to working with you in the future. If you have questions or comments, please send them my way.

ISDN COVERAGE

The much-bally-hooed ISDN is still mostly unavailable in the North and Midwest, where coverage is 80% to 100%. As a cheaper transport for ISDN, DSL has not yet arrived.



COMM WEEK 11-13-95

4-13

BEFORE THE SELECT COMMITTEE ON TELECOMMUNICATIONS

Comments of
Richard D. Lawson, Vice President - Kansas
Sprint/United Telephone Company of Kansas
January 22, 1996

Thank you Chairman Lawrence and members of this select committee for the opportunity to offer the views of United Telephone of Kansas, Sprint Long Distance, and Sprint Telecommunications Venture regarding telecommunications policy for the state of Kansas. My name is Richard Lawson. I am State Vice President for Sprint/United Telephone of Kansas.

The companies I represent are convinced that telecommunications can advance education, health care and economic development in Kansas if the state changes how local telephone companies are regulated and simultaneously creates an environment which encourages robust competition in the local telephone market.

Sprint brings a unique perspective to this debate. Our perspective is much larger than even the significant experience we have as a telecommunications provider in Kansas where United Telephone of Kansas serves more than 130,000 residences, businesses and public institutions. United of Kansas is but one of Sprint's local exchange carriers, which together serve nearly 6 million access lines in 19 states. Sprint Long Distance is the nation's third largest interexchange carrier, serving more than 8 million customers domestically and millions more locally. Sprint is a major partner in Sprint Telecommunications Venture, a company that intends to provide wire-line and wireless telephone services in competition with existing local telephone companies across America.

Sprint's diversity requires exhaustive internal debate on policy issues like the ones you are examining. For example, as a local exchange carrier, Sprint is an access

provider, and as an interexchange carrier, Sprint is an access customer. As a local exchange carrier, Sprint's goal is to preserve market share, but as a competitive local service provider, Sprint will attempt to capture market share from existing companies.

As you can imagine, the policy debates within Sprint are vigorous as we attempt to accommodate the legitimate interests of the various Sprint entities and to best serve our diverse customer base. As a result of our debates, our policy positions represent middle ground. Middle ground is what we are offering you today.

One of the key proposals before you is the "Policy Framework for Telecommunications" developed by the Telecommunications Strategic Planning Committee established by the Kansas Legislature in 1994. While Sprint did not have a company representative on the committee, we have carefully followed the committee's work and have let our views be known to Committee members through letters and personal contacts. It is the Committee's report that we will focus on today.

First, let me commend the Legislature for establishing the Committee and for the Committee's hard work. Their hours of study and deliberation have resulted in a report with many, many strong points. From my local carrier perspective, one of the strongest points is the call for price and service quality regulation, and recognition that local exchange carrier rates must be rebalanced if local carriers are to be viable players in the competitive local service market. Sprint has long held that price regulation is far superior to rate-of-return regulation under any circumstances. Price regulation offers local telephone companies the incentive to invest in their networks in order to become more efficient and to grow revenues by introducing new services. On the other hand, rate-of-return regulation represents a cost-plus way of doing business and creates incentives for local carriers to make uneconomic investments in infrastructure. In short, rate-of-return regulation discourages efficient pricing and cost reductions. Price and

service quality regulation is essential as competition is introduced to the local service market. Coupled with rules to rebalance rates, price and service quality regulation will enable Kansas telephone companies to respond to emerging competition and will prevent cross subsidization and abuse of market power. In addition, removing distortions in current prices for local and intrastate access services will reduce cost for interexchange carriers. As prices are driven toward these lower costs, which occurs in a competitive market, consumers will benefit and demand will be stimulated. The result is a win for end-users and the companies.

Also laudable is the Strategic Planning Committee's call for a state-specific universal service fund. The Committee gives this task to the Kansas Corporation Commission, which in our view, is precisely where the responsibility should reside. The Corporation Commission has already commenced a proceeding to determine what funding mechanism will best sustain universal service in an increasingly competitive marketplace. We have been active participants in this process. Our philosophy regarding universal service support is simple. Funds should be carefully targeted to ensure that customers in high-cost areas have basic services available to them at affordable rates. Also, universal service support should be targeted to customers who cannot afford even reasonable prices for these basic services. Finally, universal service support should be available to existing and new carriers if they invest in high cost areas or serve customers who need financial assistance. In this way, competition and investment can also be encouraged in the most rural areas of the state.

Even with its many strong points, the Strategic Planning Committee's report is seriously flawed. As I said at the beginning of my remarks, changing how local telephone companies are regulated is one of two critical ingredients in the formula that will produce advances in education, health care, and economic development through

the use of telecommunications services and technology. The other ingredient is robust competition for all such services, including local telephone service. The Committee's report does not go far enough to create an environment in which local service competition will have a real chance to take hold and grow.

The first shortfall is that the report actually erects barriers to local competition. For example, the Commission would require new local telephone companies to build their own networks to provide service. Such a requirement unreasonably restricts a company's ability to enter a local telephone service market. The ability to resell local telephone service facilitates competitive entry in advance of building a new network and allows a new entrant to provide ubiquitous coverage of a market area. Telecommunications services and functions should be provided without any restrictions on resale and sharing, provided that resale is of the same class of service, (e.g., a provider should not be able to repackage and resell local residential service as business services).

A second weakness of the Committee's report is that local telephone competition can be delayed by the actions or inactions of existing local telephone companies. Specifically, the Committee proposes that Southwestern Bell not be required to unbundle its network and sell discrete services and functions until Southwestern Bell is allowed to provide interLATA services. These antitrust issues are not within the state's purview and should not be the basis of a legal barrier to competitive entry in Kansas. In fact, unrestricted resale of all services is wholly consistent with federal legislation now nearing adoption by the U.S. Congress.

A third shortcoming is the issue of terms and prices for the interconnection of networks. Sprint agrees that the interconnecting parties should attempt to negotiate terms and prices for interconnection. We also think that 90 days is sufficient for such

negotiations before intervention by the Kansas Corporation Commission. However, the Committee's report does not set a deadline by which the Commission is to resolve outstanding issues. To prevent unnecessary delays in interconnection, the Commission should be required to settle these interconnection disputes within 90 days of having intervened. In other words, interconnection terms and prices should be settled within six months of a new entrant making a request for interconnection. However, during this six month period, new entrants should not be denied interconnection. Instead bill and keep should be the terms for interconnection until negotiations are successfully completed or until the Commission resolves disputes. Of course, the Commission may ultimately determine that bill and keep is the long-term solution for interconnection compensation. Also, the Commission should continue to have the authority to require long-run incremental cost studies to resolve unbundling and interconnection issues.

Further, incumbent local telephone companies should be required to unbundle their networks into loop, port and transport components in response to a new entrant's bona fide request to do so. Without such a requirement, a new market entrant may be forced to purchase services that it does not want in order to obtain essential telecommunications capabilities. The forced purchase of unnecessary services will make the competitive provision of local service uneconomical. Unbundling should be required at the outset, not left as an issue to be resolved in future debate before the Commission.

Consideration should be given to waiving these interconnection and unbundling requirements for rural telephone companies, consistent with such waiver provisions in federal legislation.

Another critical issue missing from the report is the principle that regulation should be a function of market power. I support the goal of regulatory parity. In a genuinely competitive environment, I should be regulated in exactly the same manner as my competitors. And in a genuinely competitive environment there should be little or no regulation for anyone. But common sense tells me there will not be genuine competition on the first day a new competitor enters the market or even in the first few months or the first few years that follow. Competition must be given a reasonable opportunity to develop, and until consumers have real choices they must be protected by the regulatory process. To ensure that this happens, any legislative proposal should state explicitly that as long as there is not parity in the marketplace, there should not be parity in regulation. Regulation of local telephone providers should be a function of market power as well as an incumbent local telephone company's ability to control essential network facilities. As long as the incumbent local telephone provider has substantially more market power than new entrants, the incumbent provider should be subject to greater regulatory oversight. As market power erodes so should regulatory oversight. However, as the incumbent local provider, I must always have the opportunity to demonstrate to the Corporation Commission that I am facing increased competition and that less or different regulation is warranted.

Finally, the Committee's report does not contain adequate safeguards against anticompetitive pricing. Any legislation or direction to the Corporation Commission should state explicitly that access rates should not be discounted to any one or class of carriers on any basis other than cost. Price flexibility is essential in an evolving local competitive market but just as essential are safeguards from anticompetitive pricing.

Encouraging local competition may seem a little odd coming from a representative of a local exchange carrier. Why would a local telephone company

encourage the introduction of competition in its exclusive territory? I have two words to answer that question.

The first word is "opportunity." Competition will undoubtedly introduce significant risks to our local service business, but it will also create opportunity. Experience has shown us that competition, through lower prices and the introduction of new services, stimulates demand. Because of competition, we may not have as big a piece of the pie, but the pie itself will be a whole lot bigger. We will also have an opportunity to explore markets outside our traditional local service boundaries.

The second word is "certainty." Local service competition is a matter of "when" and not a matter of "if." Technology now permits local competition, and the marketplace is responding. Local service competition is inevitable. Instead of fighting what is inevitable, we want to have a hand in seeing that local competition is introduced in a careful and rational manner. That's why I am here today.

Again, the Sprint companies indeed appreciate the opportunity to express their views about needed telecommunications reform for Kansas. We laud both this select Committee and the Strategic Planning Committee for tackling the thorny issues surrounding regulatory reform and the introduction of local service competition. "Balance" is the key. While regulation of existing local telephone companies must change dramatically, these changes must go hand-in-hand with laws and regulations to ensure that competition for all telecommunications services, including local service, has a chance to flourish. The broad legislative proposal that we have offered today represents such a balance.

The House of Representatives
Select Committee on Telecommunications
January 22, 1996

Testimony of
Brian Lippold
General Manager
Multimedia Hyperion Telecommunications

Introduction

Chairman Lawrence - Members of the Committee. My name is Brian Lippold and I'm General Manager of Multimedia Hyperion - a Competitive Access Provider located in Wichita and currently providing service in the greater Wichita area.

For those of you who don't know what a Competitive Access Provider is - we provide private line connections between business users and their long distance carrier. We also provide private line connections between different locations for multi-location customers such as banks, hospitals and governmental agencies.

The segment of the industry of which Multimedia Hyperion is a part (the Competitive Access Industry), was not directly represented on the TSPC Committee. Unfortunately, we did not realize until late in the process that the TSPC Committee would be suggesting policies and implementation issues which were counter to the Legislatures' directives to the KCC in Senate Concurrent Resolution 1627. Once we realized that the TSPC Committee was proposing changes which would abandon much of the time and effort which has been expended by the KCC and the industry since the passage of SCR 1627, we attempted to have our views be heard before the TSPC Committee. However, our efforts came too late. As such, I want to thank you for the opportunity to speak before this committee today and to provide my company's views.

SCR 1627

Multimedia Hyperion and its parent companies, Multimedia Cablevision and Hyperion Telecommunications, have spent millions of dollars on plant and equipment to build a state-of-the-art network in the greater Wichita area. Dollars I might add, which come from private risk capital, not captive ratepayer guaranteed profits. In 1994, when SWBT came to the legislature and received TeleKansas II and the continued freedom from earnings review in the form of HB 3039 and SCR 1627, my company was encouraged with the policy directives given to the KCC. So encouraged in fact, that we continued deploying a facilities based infrastructure, with the knowledge that the legislature had planted the seed for a sound, responsible transition to competition.

Through SCR 1627, the legislature provided direction to the KCC regarding how it wanted the transition to competition to proceed. Consequently, the same document defined the parameters under which the competitive telecommunications industry would be operating during the transition to competition. The direction came in the form of the following excerpts from SCR 1627, where the legislature directed the KCC to:

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... investigate the level of competition for each regulated or flexibly regulated telecommunications service under its jurisdiction. In addition, the Commission should:

- a) Periodically assess the level of competitiveness of such services and emerging services with the intent of encouraging development of effective competition for telecommunications services where feasible, including the removal of existing barriers to entry;
- b) establish a classification system for telecommunications services based on the degree of competition faced by providers of the particular service;
- c) establish standards and procedures by which the rates, terms and conditions of telecommunications services are regulated in accordance with their classification;
- d) ensure that regulated services will not subsidize competitive or unregulated services;
- e) define universal service, determine the extent to which it has been achieved in every region of the state and establish appropriate policies to insure universal service in high-cost areas of the state;
- f) define criteria for provision of "basic telephone service" and the availability and provision of such service in a competitive environment;
- g) develop a procedure for ensuring the quality of telecommunications services; and,
- h) define "lifeline telephone service" and specification as to the appropriate means of funding the provision of such service.

Implicit within these directives, is the requirement for the use of cost studies by the KCC, without which, competition cannot proceed as originally intended. As you have heard from the KCC, they are well on their way toward completing these tasks prior to the expiration of TeleKansas II.

The TSPC Report recommends elimination of many of these provisions. This cannot be allowed to occur. If this body finds it necessary to forward legislation, then these provisions of SCR 1627 must survive and be maintained.

Universal Service

It is assumed, that there are subsidies flowing from access charges to local service, and from business to residential, and from metro to rural areas. In theory, we don't argue with those assumptions; however, we must first validate and quantify those assumptions. The only way in which to validate and quantify those assumptions is to perform cost studies and have those cost studies examined by an independent party.

The TSPC Report lacks clarity in this regard and does not specifically give the KCC the direction and the tools regarding the use of appropriate cost studies in the development of a Universal Service Fund.

Interconnection

Both the TSPC Report and the KCC are recommending that Interconnection be negotiated with SWBT for a period of time. If unsuccessful, they recommend that the KCC become involved. We would recommend that the 90 day frustration period be eliminated and the issue be taken directly to the KCC. The KCC must then have access to appropriate cost studies to determine reasonable interconnection rates.

Our experience with interstate interconnection has been extremely painful. SWBT rates for interconnection are more than 400% higher than if we were able to provide the requisite equipment and facilities ourselves. So high in fact, that we have been unable to cost justify entering into an interstate interconnection agreement with SWBT and have lost the opportunity to provide services requested by our customers which utilize the interstate interconnection component. Fortunately, the FCC has been investigating SWBT's rates and we are hopeful that SWBT will be forced to offer the service on more reasonable terms.

It is for this reason, and past experiences with SWBT, that we believe that interconnection rates must be established by the KCC.

Resale of SWBT Services

The TSPC Report's prohibition against the resale of SWBT services until the removal of interLATA restrictions, will only delay the benefits of competition to the citizens of Kansas. SWBT has had the luxury of time (roughly 100 years) in which to construct their network. They have also had the luxury of having a guaranteed rate-of-return with which to fund that construction. Multimedia Hyperion has only had the last 2 and 1/2 years to construct our network and we have a long way to go to come close to having the facilities in place to compete on every level with SWBT. It takes time to bridge the gap. A long time. In order for my company to bridge the gap, we must be allowed to resale SWBT services. Implicit within this requirement is that the SWBT rates for those resold components be based upon costs which have been examined and determined to be reasonable by the KCC. Cost based pricing will allow us to gain market share and increase our revenues, so that we can continue to fund construction. Resale will also allow us to offer the benefits of competition to consumers at a much faster pace than in the absence of resale.

It is also important to note that resale should not be limited to use by facilities based competitors. Facilities are but only one component of many which go into providing telecommunications services. Switches, billing systems, advanced intelligent network components, marketing strategies and other value added components all combine to allow resellers to offer new and innovative features, services, and lower prices. The long distance industry is a perfect example of the reseller forces at work. Between 1984 and today, AT&T has lost approximately 40% of their market share, while their revenue has steadily increased. This is because competition by both facility based carriers and resellers has stimulated demand for services by lowering prices, increasing quality and offering value-added services. Kansas consumers deserve the same opportunity with local service.

In summary, deregulation in and of itself will not usher in an era of effective competition. Only with a structured transition toward deregulation, during which time competition is provided an opportunity to gain a foothold, can we be successful. We believe that the KCC, given the proper direction by the legislature, through SCR 1627 and other legislation if it is deemed necessary, can successfully develop a healthy and robust competitive telecommunications environment.

JANUARY 22, 1996

NAME: DAVID CUNNINGHAM
TITLE: GENERAL MANAGER
COMPANY: CUNNINGHAM TELEPHONE COMPANY
COMPANY PROFILE: SMALL FAMILY OWNED RURAL TELEPHONE
COMPANY LOCATED IN NORTHCENTRAL
KANSAS; SERVING SIX EXCHANGES;
APPROXIMATELY 1500 ACCESS LINES;
SUBSCRIBER DENSITY OF LESS THAN TWO
SUBSCRIBERS PER MILE OF BURIED CABLE

WE SUPPORT THE PRINCIPLE THAT THE TELECOMMUNICATION STRATEGIC PLANNING COMMITTEE'S(TSPC) REPORT SHOULD BE DRAFTED INTO LEGISLATION AS A POLICY FRAMEWORK TO BE USED AS THE ROADMAP FOR A STATE TELECOMMUNICATION PLAN, TO BE IMPLEMENTED, AND HAVE OVERSIGHT FROM THE KANSAS CORPORATION COMMISSION.

TO MANY HOURS OF HARD WORK, NOT TO MENTION THE HUNDREDS OF THOUSANDS OF TAXPAYER DOLLARS, HAVE GONE INTO THIS REPORT JUST TO SET ON A SHELF GATHERING DUST.

WE SUPPORT THIS DOCUMENT FROM THE PERSPECTIVE THAT IT PROVIDES A FRAMEWORK FROM WHICH A TELECOMMUNICATION PLAN CAN BE DEVELOPED THAT WOULD PUT KANSAS ON THE LEADING EDGE OF THE TECHNOLOGY REVOLUTION. A PLAN, THAT WITH SOME MODIFICATION, WOULD SECURE THE DEPLOYMENT OF ADVANCED TELECOMMUNICATION SERVICES THROUGHOUT THE STATE, TO BOTH URBAN AND RURAL CUSTOMERS ALIKE.

ONE SECTION THAT WE WOULD SEEK TO MORE CLEARLY DEFINE IS SECTION 3 OF THE TSPC DOCUMENT. WE WOULD ASK THAT THE LEGISLATURE, AS A POLICY ISSUE, DEVELOP A PROCESS FOR SUPPORTING UNIVERSAL SERVICE. UNIVERSAL SERVICE SUPPORT IS CRUCIAL IF CUSTOMERS IN HIGH COST RURAL AREAS ARE GOING TO BE ABLE TO CONTINUE TO RECEIVE AFFORDABLE TELEPHONE SERVICE.

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HIGH COST IS A DIRECT RESULT OF SUBSCRIBER DENSITY. NOT FROM SOMETHING YOU MAY HEAR DURING THE HEARING PROCESS REFERRED TO AS "GOLD PLATING". THE LAST THREE SWITCHES THAT OUR COMPANY INSTALLED WERE USED SWITCHES, BUT OUR LOOP COSTS ARE STILL DOUBLE THE NATIONAL AVERAGE; WHICH IS A DIRECT CORRELATION TO OUR DENSITY OF LESS THAN TWO SUBSCRIBERS PER MILE OF BURIED CABLE.

ANOTHER KEY POINT IN THE TSPC DOCUMENT THAT IS CRUCIAL TO RURAL TELEPHONY, BUT COULD SO EASILY BE LOST, OR OVERSHADOWED BY OTHER MAJOR ISSUES IS MAINTAINING GEOGRAPHICALLY AVERAGED TOLL RATES. IF GEOGRAPHICALLY AVERAGED TOLL RATES ARE NOT MAINTAINED STATEWIDE, RURAL COMMUNITIES WOULD BE DISADVANTAGED BY HAVING HIGHER TOLL RATES ON TOLL CALLS ORIGINATED FROM RURAL AREAS VERSUS URBAN ORIGINATED CALLS. WITH THE END RESULT BEING THE STIFLING OF RURAL ECONOMIC DEVELOPMENT.

THESE ISSUES ARE NOT ABOUT THE SURVIVABILITY OF CUNNINGHAM TELEPHONE, SOUTHERN KANSAS TELEPHONE, OR MOUNDRIDGE TELEPHONE; THAT IS NOT THE ISSUE. IT DOESN'T MAKE ANY DIFFERENCE WHO SERVES THESE HIGH COST AREAS, IT IS ABOUT THE CUSTOMERS WHO LIVE IN THESE AREAS, AND THEIR ABILITY TO CONTINUE TO AFFORD TELEPHONE SERVICE.

THANK YOU AGAIN FOR ALLOWING ME THIS OPPORTUNITY TO SAY A FEW WORDS ON BEHALF OF RURAL TELEPHONY.

Community Access Television
of Salina, Inc.

Comments in the matter of
The Telecommunications Strategic Planning Committee
Final Report

To the Governor, The 1996 Legislature, and
the Kansas Corporation Commission

January 22, 1996

Universal Service and the Future.

I would like to take a few moments to introduce myself and our constituents. Community Access is the first nonprofit, Public, Education and Government Access facility in the State of Kansas, incorporated in April 1992. Our mission is to provide the Tools, Training and Transmission for telecommunication among and between nonprofit organizations, healthcare, government agencies, libraries, educational organizations and the general public. Our philosophy that open, responsible communication can help build communities. We are funded in part through our city franchise ordinance. The city receives 5% of gross revenues from our cable company and distributes 40% of the franchise fee to the Access Center. We have contracted with our cable company, TCI to provide telecommunications training and equipment to the community in exchange for a 60¢ per month "Pass Through" amount, which appears on the cable subscribers bill. We write grants and encourage underwriting to further our ability to provide equipment and training, to promote communication for and by Salinans.

Our franchise includes a provision for a community-wide fiber optic network, routed through the Access Center. Our fiber optic network now serves 35 community sites, to provide a Token Ring, Wide-Area-Network for U.S.D. 305; live transmission of community forums and governmental meetings from a variety of locations and the development of distance learning opportunities.

We have launched a community-wide information free network called SALNET. The system was built through a partnership of local businesses, healthcare, nonprofits and Community Access. SALNET is currently available to those with a computer and modem. In addition, we have a growing number of public access sites for those without a computer. The Salina Educational Foundation, area computer stores, Salina Area Chamber of Commerce and Community Access have started a program to redistribute older computers from area businesses to homes of children without computers. We have already seen evidence that TV viewing time decreases, literacy and communication skills increase. SALNET also includes free access to Internet E-Mail for small businesses, nonprofits, schools and citizens in Salina.

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We hope to expand SALNET to include development of digital community-wide information using the coaxial cable, high speed multi-media information on the fiber optic system and broad band, full internet access for our community.

I represent over 600 volunteers at Community Access in Salina, where television programs, radio programs and data forums are produced by and for our community. Volunteers produce community service programs for three television channels: Public, Education and Government Access. We have logged over 12,000 volunteer hours in one year. We have created over 2,000 titles for our community video library, and provide 47 hours of local programming a week, in a town where local commercial television doesn't exist.

So you can see, although we have only been in existence for a little over three years, we have been very busy providing access to communication technology, with the goal of building community through media.

I am here to speak to our unique perspective as a nonprofit Telecommunications Service provider, with a mission tied directly to the idea of Universal Service. I would like to take a moment to review the principals that motivate us to support and enhance the idea of universal service in this changing telecommunications environment.

Since we have been involved in the Telecommunication hearings at the KCC and involved in the formation of the Telecommunications Strategic Plans, under the leadership of Sen. Salsbury, I would like to turn your attention to the TSPC final report: The definition of universal service in the report is often ambiguous, confusing and contradictory.

The DCI and Weber Temin & Company report to the TSPC, specifically defined universal service as "plain voice only service." The suggestion was made that voice only service may have been necessary when the term universal service was defined in 1934, but that broadband, high speed telecommunication services are very quickly becoming necessary for commerce and community communications.

The Strategic Planning Committee replaced the word telephone to telecommunication services in the description of universal service in the vision statement. Following a debate, regarding the possibility of urban end-users subsidizing the access needs of rural and poor end-users, the concept of including telecommunication services in the description of universal service was adopted. However, Chapter VIII, Section B, on page 31 of the report, defines universal service as just plain telephone, similar to what we are using today. I submit that this description will create a system of "information haves and information have nots." High speed interactive data and video are fast becoming a tool for commerce. Small businesses and rural communities will not have access to these services unless there is a clear direction to the KCC to include telecommunication services in the definition of universal service.

Our highway system was designed to centralize resources and provide efficient exchange of goods. It was a boon to urban centers, while it was the beginning of the end for most of our smaller communities. The highway infrastructure had the power to shape the future of our communities. We are once again reshaping our communities. There is no doubt that this expanding electronic infrastructure will have a profound effect on the shape and configuration of our cities and towns.

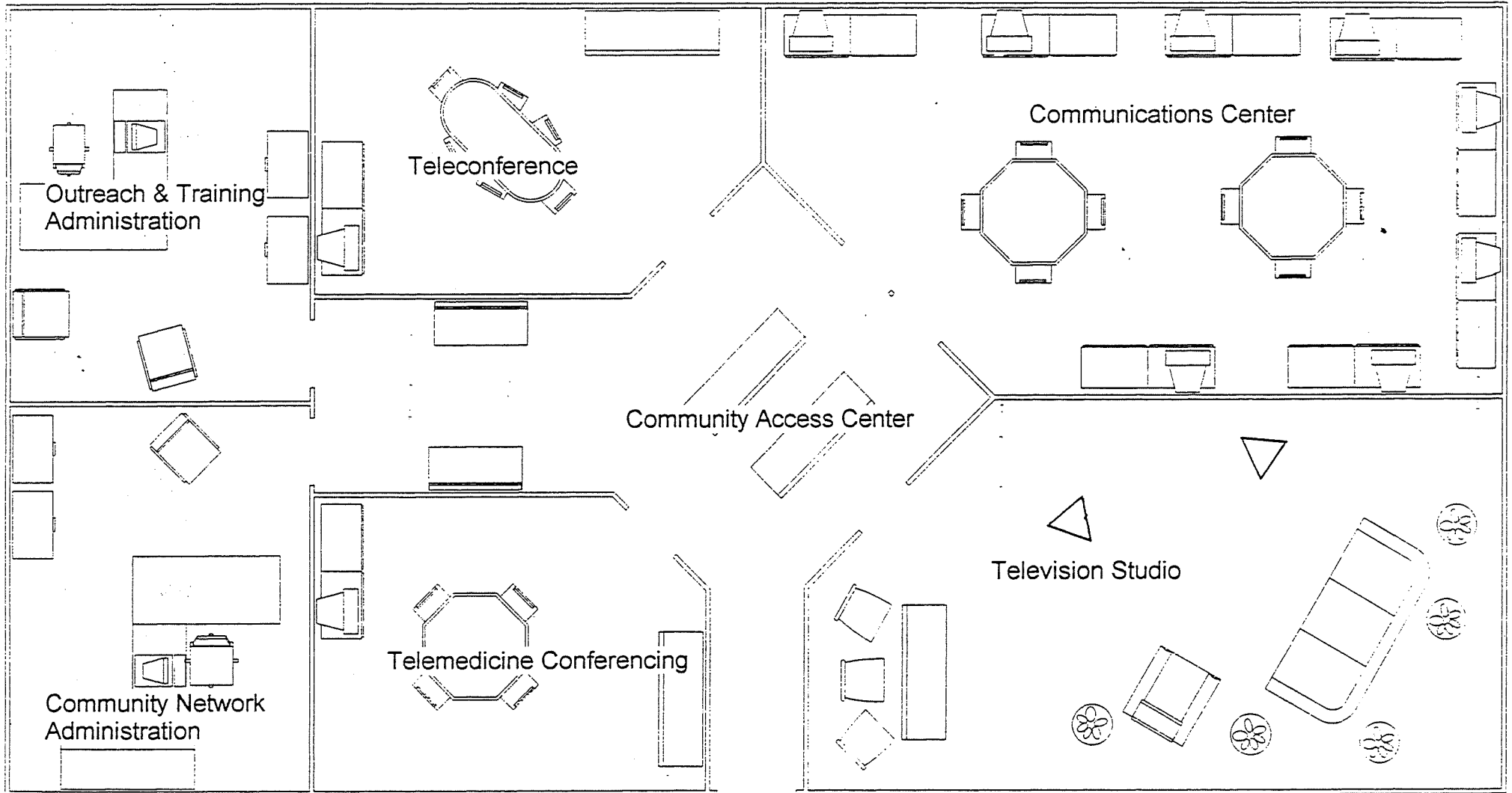
Kansas has a history of independent thinkers. We have traditionally rejected governmental control of our lives and communities. Some claim that government should stay out of the development of the information superhighway. "Let it develop without the shackles of governmental control." But why should we accept corporate control of our information? Why should Kansans be shackled by consumerism?

At Community Access, we have been involved in the development of new electronic information services, to help ensure public understanding of the potential gain and the potential loss. We have held a number of community meetings to determine needs and concerns. Universal Service, Reserved Space for public, education and government communication and Open-Interactive Communication are a way to develop this Infrastructure to support and build communities.

Michael P. Henry
Executive Director
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Proposed Community Access Center (through Library, Community Center, Nonprofit)

- Community video for Schools, nonprofits, government and community service.
- Community data communication, Internet and community wide data transfer and E-Mail.
- Provide free or low cost access to communication equipment, training and transmission



Community Access Center funding (Contract between a nonprofit and the franchise authority)

- Free or Incremental fee schedule for data transmission
- A portion of the Local Exchange franchise fee.
- A portion of the Cable television provider franchise fee.
- A "pass-through" support for local access on the telephone/cable subscriber bill. (.10)
- An affordable user fee, with provisions for volunteer time for those who can not afford it.
- The nonprofit will apply for grants and other community funding sources.

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**POLICY ISSUES AND QUESTIONS
ASSOCIATED WITH APPLICATIONS**

General Questions

1. *What are the critical issues necessary to be resolved to meet your telecommunications vision?*

It was clear from testimony at the Strategic Planning committee that the most valuable issue to be resolved is COOPERATION. It was astounding how many networks have sprung up independent of each other. Yet the whole idea behind a network is interoperability and connectivity. On the other hand, we need an organization that is not tied disproportionately, to any one of the players, (i.e. schools, hospitals, libraries, civic groups, city government, state government or private businesses). Part of the problem is that these organizations are not cooperating with each other to provide community networks.

We need an identified community resource for community networking. Local organizations would be able to coordinate efforts through a Model Universal Access facility. A model facility may include public access and institutional access for video, data, distance learning and telemedicine. The model facility would coordinate resources, generate additional income, outreach to unserved individuals and groups, train individuals and organizations how to effectively use telecommunications and provide shared equipment. Connections to local, statewide and international networks can be effectively provided through connections to the TeleKansas II network for video and data transmission.

2. *Do you envision a special need for funding you applications? If so, do you have any recommendations?*

Franchise fees are collected for the "rent" of public rights of way for telecommunications services, (cable television, phone, etc.). Some of these resources are being used by communities for local access facilities.

Universal "access" fees, similar to flat Interstate Access Charges or some assessment on all customers, could also be used to support the infrastructure to help build local community facilities. These funds could act as seed money to provide local nonprofit organizations the stability to do additional fundraising and contracting for services on a local level.

3. *What actions do you recommend for this committee to consider in its report to the Legislature?*

DISC and KANSAN are developing into an important community statewide network. To help DISC expand on the local community level, I believe funds should be set aside for the purpose of contracting with local nonprofit organizations to provide local access to this important communication resource. DISC should be identified on the statewide level as the noncommercial network management authority. Likewise, local nonprofits can be identified as the local noncommercial network management authority.

4. *Are there any regulatory policy changes that should be made to assist in developing service applications?*

Since there are now many telecommunication providers, including cable television companies, cellular providers, local and long distance providers, it is important to level the playing field AND insure community access.

To level the playing field, regulation will need to be written to provide opportunities for new entrants. At the same time, all providers should play by the same rules. We need to remember our heritage of using Interstate access charges, universal service funds and Rural Electric Development funds to bring telecommunication services to ALL of Kansas. All new and existing service providers should pay into these universal "access" funds.

5. *What entity do you recommend be responsible for directing and coordinating these efforts?*

There are significant barriers to information and communication technology. Economic barriers, geographic barriers, physical barriers and cultural barriers can result in a society of "information haves" and "information have nots." Insuring access for all Kansans can help build productivity and effectiveness of the entire communications network.

At the state level, DISC has grown to become a noncommercial telecommunication leader. We need local connections to that organization; local DISC providers. But rather than creating a huge state bureaucracy, DISC can contract with local community providers, like schools, libraries, hospitals and local nonprofit access centers to do the necessary outreach, training and coordination at the local level.

Salnet Accessibility Project

Economic

- Accessing Community Technology Program (computer donation)
- Computer/modem lending
- Public Access computer sites
 - Post Office
 - City/County Building
 - City Library
 - Kansas State Univ.
 - Kansas Wesleyan Univ.
 - Community Access Center
- Public Access Sites at Local Businesses
 - Radio Shack Central Mall
 - Radio Shack Sunset Mall
 - Computer Connection
 - Pronto Print Elmore Center

Physical

- Mouse Speller for individuals who need keyboard assistance.
- Braille Reader - to convert ASCII text to braille
- Screen Reader - audio translation of ASCII screen text.
- Touch Screen monitors at public access sites.
- ADA improvements to the Community Access Center.
- Intra-agency support and outreach, equipment data base and adaptive equipment lending library (OCCK)

Cultural

- Cooperative community support:
 - Intergenerational support
 - Interdisability support
 - Intercultural support
- Spanish language translation
- Vietnamese translation
- Arts on Line Project
 - Outreach to cultural organizations
 - Assist local artist connection & involvement
- Adult Education support
- On-Line Tutor program
- Interactive Video Bulletin Board on the cable television system - for access to on-line information without a computer.
- K-12 outreach/training/safety

Geographic

- Bridge the long distance gap
 - Local Internet Gateway
 - Free E-Mail and file attachment ability.
- Serve entire county with dial-up access to Salnet and the Internet Gateway
- Cooperative coordination and connection to other Kansas data community and educational networks.
- 10 Mbs Community-Wide Ethernet on the coaxial cable television system

Salnet

- Free Community-Wide Information Network
- Serves Salina and Saline County
- Interactive Information Network via Telephone and Modem
- On-Line Community Questionnaires
- Comprehensive Community Calendar
- Community Partnership
- Connect Healthcare Organizations
- Promote Community Involvement in Government
- Provide Government Documents on-line
- Discover small business applications for on-line services
- Supports RIP Graphics - ANSI Graphics - ASCII
- Operated by Community Access Television of Salina, Inc. - a nonprofit corporation designated as the access management entity by the City of Salina
- Community Access seeks to facilitate community electronic communications through Public, Education and Government Access Television and data communication through SALNET