

Approved: Jim Morrison

Date

2/24/2000

MINUTES OF THE SELECT COMMITTEE ON INFORMATION MANAGEMENT.

The meeting was called to order by Chairperson Jim Morrison at 3:30 p.m. on February 15, 2000 in Room 526-S of the Capitol.

All members were present except Representatives Dean and Farmer, who were excused.

Committee staff present:

Robert Nugent, Revisor of Statutes' Office
Gary Deeter, Committee Secretary

Conferees appearing before the committee:

Doug Lawrence, Consultant, Southwestern Bell Telephone
John Federico, Consultant, Kansas Cable Telecommunications Association

Others attending: See Attached List

The minutes for February 8, 2000, were unanimously approved as amended. (Motion, Representative McKinney, second, Representative Krehbiel.) The Chair announced that **HB 2743** had been separately rereferred to the Select Committee on Information Management and the House Appropriations Committee. The Chair again requested opponents of the bill to provide wording to make the bill more acceptable to them. The Chair noted a letter from Sprint stating insufficient demand for advanced services in their service area (Attachment 1) and a letter from Kansas Cable Telecommunications Association expressing reluctance

Members discussed Attachment 2, a summary by Southwestern Bell of Texas Senate Bill 560. Representative Krehbiel said the bill provides a strong policy statement of universal access to broadband services at a reasonable cost, directing the Texas Corporation Commission to assure availability of advanced telecommunications services to anyone within the state. Representative Holmes noted that the Kansas Telecommunications Act of 1996 stipulates similar access. He said the 1996 act allows the gatekeeping role of the Kansas Corporation Commission to expire July 1, 2001, but the mandate to provide advanced services does not expire.

Further discussion regarding **HB 2743** considered whether or not to make the term DSL (Digital Subscriber Line) more generic, such as "broadband." Doug Lawrence, Consultant for Southwestern Bell Telephone Company, noted that the term broadband is defined as 1.5 megabytes per second, which is above the threshold of ISDN lines. Members said **HB 2743** simply added DSL to the list of advanced services. Members agreed that the purpose of the bill is and should be to encourage wider and more timely deployment of all broadband services. Mr. Lawrence reminded members that Southwestern Bell (SWB) was committed to providing such services to 83% of their customers within 3 years. Members renewed their concern about SWB's seeming reluctance to provide access to all their customers in a more timely manner. Members noted SWB's parent company SBC spends billions on mergers but seems hesitant to invest more money in SWB's own service area.

CONTINUATION SHEET

Members discussed the potential of interconnectivity between cable television services and telephone lines. John Federico, consultant for cable services, said some cable companies are providing broadband services to schools and libraries, services which also have interconnects to small rural telephone companies. (Attachment 3) Members wondered why cable could not partner with Southwestern Bell or rural telephone companies to speed deployment of advanced services. Mr. Lawrence said that SWB is required to give access to its competitors.

Representative McKinney requested staff to prepare an amendment would encourage DSL or technology of equal or greater quality. He further noted that to date there have been no requests for funding from the Kansas Universal Service Fund for deployment of DSL or other advanced services. Representative Krehbiel noted that at the February 8 meeting the Chair requested opponents to provide amendments that would make the bill acceptable to them, and no amendments were presented at today's meeting.

The meeting was adjourned at 5:14 p.m. **The next meeting is scheduled for Tuesday, February 22 at 3:30 p.m. in Room 526-S. The Chair proposed further discussion on HB 2743.**

SELECT COMMITTEE ON INFORMATION MANAGEMENT
GUEST LIST

DATE: FEBRUARY 15 2000

NAME	REPRESENTING
Amy McDonald	K??-Staff
Kevin Barone	Hein/Weir chrt'd
Charles Clerk	SWBT
John Federico	KCTA
John Peterson	Ks Governmental Consulting



Michael R. Murray
Director
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February 15, 2000

Representative Jim Morrison
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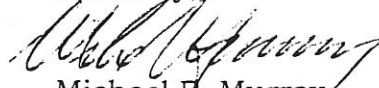
Dear Representative Morrison:

Sprint appreciates the desire of the Select Committee on Information Management to accelerate the deployment of advanced telecommunications services throughout Kansas. However, Sprint remains opposed to legislation that mandates investments in specific technologies and establishes deadlines for offering specific services or capabilities. As a general policy, Sprint believes that customer demand and other relevant business, economic and technological factors should drive such decisions. Therefore, Sprint continues to oppose House Bill No. 2743 and urges the Committee not to recommend the proposal to the House of Representatives.

As Sprint has already explained to the Committee, there is insufficient demand at this time in Sprint's local telephone exchanges to warrant the substantial investment that would be required to provide digital subscriber line service as broadly and as quickly as House Bill No. 2743 mandates. The legislation would force Sprint to invest, at a minimum, more than \$14 million in less than three years. In addition, the proposed legislation makes no provision for cost recovery for local exchange carriers subject to price cap regulation. Sprint would have to seek recovery of this uneconomic investment in one of two ways -- either from all its local exchange customers, regardless of whether they use the service, or from the Kansas Universal Service Fund.

Sprint respectfully submits that prescribing service levels (e.g., Universal Service and Enhanced Universal Service) is best left to the Kansas Corporation Commission as called for in K.S.A. 66-2002, subsection (k). The Commission can make adjustments to these definitions at any time, based on advances in technology and services and taking into account customer demand and cost recovery issues.

Sincerely,



Michael R. Murray

Attachment 1
SCIM 2-15-00

SENATE BILL 560

- No rate case – incentive regulation lasts as long as legislature leaves it in place.
- Switched access rate reductions: 1¢ on September 1, 1999; 2¢ at earlier of interLATA entry or July 1, 2000.
After these reductions, SWBT's switched access rate will be approx. 6.5¢ on a combined originating and terminating basis, and PUC cannot require SWBT to reduce rates further. CLECs are prohibited from charging more for switched access than the prevailing rate of the ILEC in whose territory a call originates or terminates.
- SWBT receives more pricing flexibility than currently available – see attached chart. However, there are restrictions on some forms of pricing flexibility for certain services until specific dates. (For example, SWBT cannot use customer-specific pricing for residential and business flat-rate services until earlier of a 40% market share loss or Sept. 1, 2003.)
- An affiliate of SWBT may obtain a competitive certificate to provide local service in SWBT's incumbent territory, but the CLEC affiliate would be subject to the same pricing flexibility restrictions as SWBT, for the same duration.
- On September 1, 1999, SWBT can introduce new services at any price above cost on 10 days' informational notice to the PUC.
- PUC cannot adopt any rule or order with respect to affiliate transactions or joint marketing that is more burdensome than federal law or FCC rules.
- SWBT, GTE, and CLECs are required, beginning September 1, 2001, to provide advance services in rural areas within 15 months of a bona fide request, on comparable terms as provided in urban areas.
- Beginning March 1, 2000, local service providers are prohibited from discontinuing local service for nonpayment of long distance.
- Beginning March 1, 2000, local providers are required to provide simplified bills.
- Telecommunications utilities are required to file reports with the PUC concerning initiatives relating to workforce diversity and contracting with small and historically-underutilized businesses.
- S.B. 560 attempts to require long distance providers to pass through reductions in switched access charges to customers.

Attachment 2

SCIM 2-15-00

SB 560 is Good for Texas

SB 560 has many consumer benefits:

- Continues to keep local telephone rates among the lowest in the nation by capping basic residence and business local telephone rates until 2005.
- Caps prices of many of consumers' favorite telephone services such as Call Waiting and Caller ID.
- Saves Texans at least \$300 million in long-distance charges through access charge reductions.
- Gives customers an opportunity to save money on telephone bills through pricing and promotional savings plans.
- Provides rural and low-income Texans access to advanced telecommunications services that compare reasonably in price and type to those available in urban areas.
- Prohibits telephone companies from cutting off customers' local telephone service for non-payment of their long-distance bill.
- Simplifies telephone bills as requested by consumers.

SB 560 not only benefits urban and rural consumers, it benefits new competitive local telephone companies and long-distance companies as well, and gives them continuing incentive to both invest and compete in a growing Texas market.

SB 560 received the support of many companies and organizations:

- The Texas Telephone Association, whose members total 58 local exchange companies and member-owned cooperatives employing almost 41,000 people.
- GTE and SBC, who together employ more than 50,000 people and invest more than \$2 billion annually in new capital in Texas.
- MCI and Sprint, two of the three largest long-distance companies.
- Labor, which recognizes its potential to bring more jobs to Texas.
- Vast majority of House members, with 5 bill sponsors and 85 co-sponsors.
 - The bill passed out of the House Committee on State Affairs by a vote of 15 to 0.
 - The bill passed in the House and Senate on a unanimous voice vote.

PUC Chairman Pat Wood said of the bill:

While the bill is not a "showstopper for either side," the measure continues the intent of laws passed in 1995 to deregulate telephone services in Texas.

Fort Worth Star-Telegram, 5/25/99



Memorandum

To: The Honorable Jim Morrison
From: John J. Federico
On Behalf of the KCTA
Date: February 9, 2000
Re: HB 2743

As promised, I wanted to get back to you with regards to the Kansas Cable Telecommunications Association's suggested changes for HB 2743. Although we respect and understand your desire to have the same technological opportunities as other, more metropolitan cities in Kansas, we renew our concerns about the legislation.

We remain concerned about using consumer/state dollars (KUSF) to support the efforts of our competitors to bring competing technology into various communities. As you are aware, cable companies across the state are investing millions of private capital dollars to upgrade systems in an effort to stay competitive and deliver the latest technology to their customers.

The only way to make the bill "fair" to all parties is to allow the cable industry to share in KUSF dollars for particular technology upgrades in certain Kansas locations. As attractive as that sounds, it is impossible to achieve. A cable television provider is neither a "common carrier" nor a local exchange carrier, and is thus ineligible to share in the KUSF. As a matter of fact, federal law prohibits a cable provider from being considered any of the above.

Again, I apologize that we are not able to support this bill. In spite of this, the cable industry remains proud of the fact that they are working extremely hard meet the needs of their customers and stand committed to their pledge to deliver the best technology, provide the best customer service to an ever increasing number of communities across Kansas.

JJF:nh
Hand Delivered