

Approved: February 24, 2000
Date

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 8, 2000 in Room 526-S of the Capitol.

All members were present except Representative Farmer, who was excused.

Committee staff present:

Robert Nugent, Revisor of Statutes' Office
Audrey Nogle, Kansas Legislative Research Department
Gary Deeter, Committee Secretary

Conferees appearing before the committee:

Janette Luehring, Chief of Telecommunications, Kansas Corporation Commission
Gary Shorman, President, Eagle Communications
Mike Murray, Director of Government Affairs, Sprint
Mike Reece, Government Affairs Consultant, AT&T
Doug Lawrence, Consultant, Southwestern Bell Telephone
Greg Reed, President, Wheat State Telephone

Others attending: See Attached List

The minutes for February 1, 2000, were unanimously approved. (Motion, Representative Dean, second, Representative McKinney.)

Staff briefed the Select Committee on **HB 2743**. The bill defines Digital Subscriber Lines (DSL) and adds DSL to the enhanced universal service deployment mandate of K.S.A. 66-2005.

Janette Luehring, Chief of Telecommunications, Kansas Corporation Commission (KCC), explained KCC regulations and limitations regarding "enhanced" or "advanced" telecommunications services, specifically DSL. (Attachments 1 and 2) She said **HB 2743** adds DSL to advanced or enhanced universal services to be deployed by July 1, 2003. She noted that advanced services fall into a grey area, since the Federal Communications Commission (FCC) retains jurisdiction over such services, but the KCC regulates telecommunications carriers who provide DSL. She said the KCC has studied and discussed DSL deployment but has taken no action to encourage or direct such deployment. Committee members expressed concern that the KCC lacked initiative and strongly encouraged the Commission to offer leadership in deploying advanced services, especially in rural and low-income urban areas. Asked how long after a firm customer order before the KCC would act to provide a DSL deployment plan, Ms. Luehring said 3 months must elapse. Ms. Luehring agreed with members that following a firm customer order for DSL, a local exchange carrier such as Southwestern Bell cannot deny access for such connection. Ms. Luehring assured members that the KCC would not oppose such connectivity.

Gary Shorman, President, Eagle Communications, spoke in opposition to **HB 2743**, saying the bill unfairly discriminates against cable companies and limits opportunities for them to provide broadband services. (Attachment 3) Answering questions, Mr. Shorman said he would change

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the bill to read "broadband services," a wider term which could include cable, wireless, and satellite services, rather than specifying DSL. He said most of Eagle's cable service is restricted to cities, not rural areas.

Mike Murray, Director of Governmental Affairs, Sprint, spoke in opposition to the bill, saying that technology is changing so fast that DSL could rapidly become obsolete, stranding Sprint's estimated \$14.3 million to make DSL available in Kansas. (Attachment 4) Further, he said Sprint finds insufficient demand for broadband services. If deployment of DSL is required, Mr. Murray said cost recovery would put an undue burden on all Sprint subscribers. Answering questions, Mr. Murray said DSL deployment would deplete the Kansas Universal Service Fund (KUSF).

Mike Reeht, Government Affairs Consultant, AT&T, opposed **HB 2743**, saying it is inappropriate to mandate a specific technology which may become obsolete and which, if deployed, may slow competition. (Attachment 5) He said the provision in the law allowing the Local Exchange Carriers (LECs) to recover costs from the KUSF would put other carriers at a competitive disadvantage. Representative Krehbiel noted that Valley Telephone deployed DSL to customers without resorting to cost recovery from the KUSF.

Doug Lawrence, Consultant, Southwestern Bell Telephone, spoke in opposition to **HB 2743**. He said the bill conflicts with federal law, would put undue pressure on the KUSF, and would hinder innovation and entrepreneurial investment. (Attachment 6) He noted that Southwestern Bell could not provide advanced services directly, but the parent company, SBC, had created a subsidiary, Advanced Solutions, Inc. (ASI) to provide such services. He said the proposed legislation seems to require 100% deployment, and he estimated a cost to Southwestern Bell of \$65 million. He said Southwestern Bell has already committed to deploying DSL to 83% of its customers within 2 years.

Greg Reed, President, Wheat State Telephone, spoke as a proponent. (Attachment 7) He said his company and other independent telephone companies are already providing DSL service to its customers without assistance from the KUSF. Representative Krehbiel noted that large telecommunications companies with huge resources are opposing **HB 2743**, while small rural telephone companies are supporting the bill. A member of the audience, Jim Dahmen, Columbus Telephone Company, said if Kansas want to save the rural areas, a broadband network is crucial. Representative Burroughs noted that blighted urban areas need broadband attention as well. The Division of Budget added a fiscal note for the Committee. (Attachment 8)

The Chair urged opponents to come forward at the next SCIM meeting with language that will enable them to support the bill. The meeting was adjourned at 5:40 p.m. **The next meeting is scheduled for Tuesday, February 15, 3:30 p.m., Room 526-S. The Chair announced the Committee will work HB 2743.**