

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Thank you Chairman Townsend and committee members. For the record, I am Lou Emmert, vice President and General Manager of sprint. With me this morning are Sylvia Samano and Laura Watts. Sprint is a telecommunications provider in the state of Nevada with approximately 1900 employees, 1400 of whom are represented by the IBEW. Sprint has invested over \$1 billion in its telecommunications infrastructure in southern Nevada over the past 10 years.

Thank you very much for the opportunity to come before you today to explain Senate Bill 400, and set forth the reasons why this Committee should approve this legislation. Today, Nevada business and residential consumers are demanding state-of-the-art telecommunications products and services. Today, Nevada's economy needs state-of-the-art telecommunications infrastructure, to fuel our development as a diverse, growing 21st century economy. Approval of S.B. 400 is necessary to achieve these goals.

Members of this Committee have participated in earlier legislative sessions, which have adopted legislation in recognition of the need to make gradual changes in the regulatory approach to telecommunications. The Nevada legislature began making changes to traditional rate-of-return regulation of telecommunications in the last 1980s, after the breakup of the Bell system. In 1995, the legislature adopted changes to NRS 704, which authorized the Public Utilities Commission to create the Plan of Alternative Regulation. Both Sprint and SBC have been operating under such plans for many years. However,

the time has now come to authorize the PUC to take the next logical steps to increase the flexibility of its regulation of Sprint and SBC.

You may hear from other witnesses today, that S.B. 400 is premature. This is simply not true, in view of the huge changes we have experienced in telecommunications since 1995. Let's think back now to 1995:

- In 1995, few of us used cell phones on a regular basis, and the people who did used phones that were large, and black, and didn't work in many areas.
- In 1995, most people had just one telephone line into their homes.
- In 1995, the Internet was still slow and expensive. None of our children were avoiding their homework by playing global combat computer games with children across the world, and none of our parents were getting pictures of the grandkids on PCs.
- In 1995, telephone companies were still just telephone companies; and cable TV companies just sold cable TV, not the high speed internet access services which the cable TV companies are providing today or the voice telecommunications services the cable companies are providing today in many areas and will soon be providing in Nevada.

Today, customers have raised the bar in their demands for telecommunications services. Residential customers demand high-speed access to the Internet, high quality voice telecommunications, and a wide range of custom calling features. Today, business customers believe that innovative high-speed voice and data services and electronics are key to the success of their own business strategies. Both residential and business

customers want to buy their telecommunications services in bundles, or packages, which reward them with price discounts for high volume and long-term purchases.

The current statutory framework does not give the Commission sufficient flexibility to allow companies like Sprint and SBC to offer the type of packages, with flexible pricing and term and volume discounts, which customers demand today. S.B. 400 is designed to fix these problems in the following ways:

- 1) S.B. 400 authorizes the PUC to allow Sprint and SBC to offer customers term and volume discounts.
- 2) S.B. 400 authorizes the PUC to allow Sprint and SBC to offer packages of services to both residential and business customers.
- 3) S.B. 400 authorizes the PUC to refrain from certain types of regulation of Sprint and SBC broadband facilities, while continuing to regulate the retail prices for telecommunications services provided utilizing these facilities.

S.B. 400 is simply the next logical step in authorizing the PUC to allow Sprint and SBC some more flexibility in the packages and prices of the services they provide to Nevada consumers.

You may hear later today, that S.B. 400 is too much regulatory change, too soon.

Nothing could be further from the truth. Today, more than 400 companies are authorized to provide telecommunications services in Nevada, and over 30 are actively marketing their services. Sprint has already lost significant market share in the provision

of business services in Southern Nevada. Many of these competitive losses are to traditional telephone companies. However, in the past few years, Sprint has lost bids for major local business customers to other types of companies, including a company which we used to think of as "only" a Cable TV company, and companies which used to be "only" equipment vendors. We are simply asking for more pricing flexibility, so we can compete fairly with these companies.

Let me explain why we need this pricing flexibility. Today our competitors can offer customers term and volume discounts, and packages of services and equipment. Existing regulatory requirements restrict our ability to offer innovative service packages, and the discounts that customers demand today. Our competitors are not subject to the same regulatory restrictions. As a result, customers pay higher prices. Continuing the pattern of loss of business market share will limit the Commission's ability to continue to require our company to keep basic local rates low in the future.

Enactment of this bill will help the Commission to continue to keep Nevada consumers' basic local rates low. The PUC will continue to set the basic R1 rate, with strong input from the Bureau of Consumer Protection. Current low Lifeline prices for low-income households also continue in effect. S.B. 400 protects the currently low basic residential rate.

In summary, Nevada consumers, businesses, and telecommunications companies need the legislature to approve S.B. 400. As Professor Jon Peha of Carnegie Mellon University has written: "The state of telecommunications in 2010 depends less on technical innovation, than on when policymakers recognize important changes in technology and business climate and how they react to it." Enactment of this bill is the correct next step to take now for Nevada telecommunications.