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Before the House Utilities Committee
Michael R. Murray, Director of Governmental Affairs
HB 2019
January 28, 2003

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to comment on HB 2019, the SBC broadband regulatory parity bill. Sprint is opposed to passage of this legislation for a number of reasons.

Why move the goal posts?

SBC is says that deregulation of their broadband services and underlying facilities will provide them an incentive to deploy these services in their territory. Sprint is subject to the same regulatory requirements as SBC. Yet the bill provides no incentive for Sprint to further deploy DSL or broadband service in its 140 local exchanges in Kansas. However, in contrast to SBC, Sprint continues to deploy broadband service to its mostly rural customers. Sprint is not threatening to stop or slow its deployment if the rules are not changed in a way that limits competition.

Sprint provides local telephone service to 140,000 homes and businesses in mostly rural and sparsely populated areas of Kansas. Sprint has already deployed broadband service to about 13% of these homes and businesses, or 18,000 access lines. In 2003 that number is expected to increase to 38%, or 53,000 lines, and by the end of 2004, broadband should be available to 48%, or 65,000 access lines.

In 2002, Sprint invested nearly \$38 million in its local telephone network in Kansas to expand its capabilities which included the deployment of DSL in eight local exchanges.

We simply don't understand how the current rules impede the deployment of broadband services. Moving the goal posts to the advantage of SBC and to the disadvantage of everyone else, in our view, is not good public policy.

Circuit Switching to Packet Switching

As a local service provider Sprint is replacing its circuit switched network with a packet switched network which is a broadband data network. What this means is that all information carried on this network, whether voice or data, will be packets of data, and these packets of data will be transmitted at speeds greater than 150 kilobits per second. This isn't theory. It will happen in parts of Sprint's local network in Kansas this year. Sprint expects most local service providers, including SBC, to ultimately adopt this technology to provide all services, including basic local service. As this occurs, basic local service would be classified as a broadband service under the SBC proposal.

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As a result, deregulation of broadband services could result in the deregulation of basic local service. The KCC would have no authority over the rates for basic local service or even quality of service standards. This means that a telephone company providing local service over its data network can charge whatever it wants for basic service, and install or repair basic service at its convenience.

We understand the sentiment to somehow strike a compromise on HB 2019 by amending the bill to insure that deregulation applies only to broadband and not voice. The fact is that such an amendment is unworkable. All the information carried by the packet switched network is data. You simply can't legislate how technology works. With packet switching there will be only one network for everything – not one network for data and a separate network for voice. Even in today's circuit switched network, it makes little sense to have one high capacity fiber carry voice and a separate one carry data. Even though it might be technically feasible, where's the efficiency in that? And more to the point, there is nothing in HB 2019 that requires separate facilities be used, and we don't think it is good public policy to legislate how technology is to be used.

The companies opposing HB 2019, including Sprint, are not interested in providing just voice service in competition with SBC. They want to offer the full range of telecommunications services including voice with all its associated features, and high speed internet access. Preserving voice as a competitive service alone misses the mark. The market is for bundled services. That's what consumers want. That's the market we want to serve, and that's where it makes economic sense to compete.

Jobs, Jobs, Jobs.

Several thousand Sprint employees have been laid off over the past couple of years. Bell has claimed in newspaper accounts that its layoffs have been related to "outmoded regulation" and being "forced to offer competitors access to its networks at deep discounts". Sprint is also required to offer competitors access to its networks at discounted prices based on forward looking costs. But our workforce reductions have had nothing to do with our obligation to make parts of our network available to competitors at discounted rates.

Several factors have come together causing Sprint to reduce its workforce—the downturn in the US economy, the dotcoms which were all blow and no go, and companies which were cooking their books. The markets have punished the entire telecommunications industry. Bill Esrey, Sprint's Chairman, likens the situation to the "perfect storm."

And while we are on the subject of jobs, SBC promised the good people of Enid, Oklahoma that it would bring 500 jobs to that community if only the Legislature would pass its deregulatory bill. Well, the Legislature did, and SBC did not keep its promise to bring the jobs to Enid.