MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR

Seventy-Seventh Session
March 1, 2013

The Committee on Commerce and Labor was called to order by Chairman David P. Bobzien at 1:05 p.m. on Friday, March 1, 2013, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman David P. Bobzien, Chairman
Assemblywoman Marilyn K. Kirkpatrick, Vice Chairwoman
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblyman Skip Daly
Assemblywoman Olivia Diaz
Assemblyman John Ellison
Assemblyman Jason Frierson
Assemblyman Tom Grady
Assemblyman Ira Hansen
Assemblyman Cresent Hardy
Assemblyman James W. Healey
Assemblyman William C. Horne
Assemblyman Pete Livermore
Assemblyman James Ohrenschall

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Kelly Richard, Committee Policy Analyst
Matt Mundy, Committee Counsel
Leslie Danihel, Committee Manager
Katie Wilson, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Robert Ostrovsky, representing Cox Communications
Kami Dempsey-Goudie, Executive Director of Public Affairs, Cox Communications
Randy J. Brown, Director of Regulatory and Legislative Affairs, AT&T Nevada
Stephanie Tyler, President of External Affairs, AT&T Nevada
Randy Robison, Director, State Legislative Affairs, CenturyLink
Jeff Oberschelp, Vice President and General Manager, CenturyLink
Mike Eifert, Executive Director, Nevada Telecommunications Association
Michael D. Hillerby, representing Charter Communications
Robert L. Crowell, representing Charter Communications

Chairman Bobzien:
[Roll was called and protocol was explained.] Before we hear a few presentations by telecommunications utilities, we do have one Committee bill draft request (BDR) to introduce.

BDR 58-206 — Revises provisions governing the sale of electricity and provision of transmission service and distribution of service by the Colorado River Commission of Nevada. (Later introduced as Assembly Bill 199.)

ASSEMBLY OHRENSCHALL MOVED FOR COMMITTEE INTRODUCTION OF BDR 58-206.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYWOMAN KIRKPATRICK, ASSEMBLYMAN HORNE AND ASSEMBLYMAN ELLISON WERE ABSENT FOR THE VOTE.)

Chairman Bobzien:
We will be welcoming Cox Communications to the table to begin the telecommunications utilities presentations.

Robert Ostrovsky, representing Cox Communications:
We will be making a presentation (Exhibit C and Exhibit D) and we will try to limit the testimony so we can take some time to answer questions.

Kami Dempsey-Goudie, Executive Director of Public Affairs, Cox Communications:
The first slide you have in front of you tells you a little bit about Cox Communications as a company. I would really like to focus on Cox Communications in Las Vegas. You asked us today to discuss mostly telephone services in our community. However, in this day and age, Cox focuses on the customer experience, and it is about communication technology and connectivity. Our broadband services are what brings all of these units together. With Internet usage doubling every two years and the number of Internet-connected devices in home proliferating, consumers are relying on our services to connect their devices more than ever. Broadband access is not limited and is not free to provide. It takes a great amount of expense, capital and resources to build, operate, and maintain a quality network. I really want to focus on the last bullet on the slide (Exhibit C page 3.) We have spent over $100 million per year in capital improvements. We have about 1,400 employees at Cox Communications and pay about $30 million in state and local fees annually. We have nearly 400,000 residential customers that receive some sort of Cox services.

The reason why we need such reliable service is that we are the backbone for the Clark County School District (CCSD) Internet services. With the limited amount of time that students get in the classroom, reliability, speed, and being able to have that experience is important for the educational learning experience. Also, our fiber is the backbone to 90 percent of the entertainment venues in southern Nevada. For conventions and the tourist experience, it is very important to attract and maintain businesses coming to our area. They want to know that when they can have access to do their work.

We provide services to all areas of southern Nevada. This is important because Cox Communications does make a point to make sure all of our services are available to any community in southern Nevada, regardless of its economic status. Everyone has access to broadband and digital telephone. We also just launched in 2012, and will be implementing the third quarter of this year, our Connect2Compete program. We will be working with the CCSD to identify

families that are on the National School Lunch Program and to offer them discounted high-speed Internet service for up to 3 years. We believe this is really important. We are also in the process of launching our Cox Digital Telephone (CDT) as a Lifeline product.

On page 5 of the presentation, we have outlined a day in the life of Cox Communications. [Read from Exhibit C.]

Cox is extremely dedicated to not only its customers but also to Nevada and its communities. One of the things you will not see in this presentation is how wonderful our employees are. Last year, even in these challenging economic times, our employees were willing to donate their own money, and we were able to raise $150,000 to give to about 30 civic organizations in southern Nevada. That is money that employees contributed on their own. We also support programs through Cox Knowledge College which provides support to science, technology, engineering and math (STEM) efforts for children throughout the Valley. Lastly, our employees, contractors, and company pump over $384,000 into the economy each day.

Cox is your friend in the digital age because we are committed to our customers, Nevada, and the community. We are going to keep investing our dollars and doing as much as we can to improve our services and make sure our community stays connected.

Bob Ostrovsky:
The message we are trying to deliver is that in the deregulated environment, which grew in the last 20 years, there are now a lot of platforms for people to make decisions about whether they are going to have copper wire, broadband service, or wireless service. There is an enormous competitive market environment. Our realm in that is broadband. When we say broadband we mean giving you a pipe that allows you to decide what portion will go to phone, Internet, other business data, or download information. You can do this wirelessly or through a Cox broadband connection. We live in a very competitive environment where consumers have choices and decisions to make. Cox believes that broadband is the basis in which most customers would like to compete. There are many wireless competitors but we are not in the wireless environment. When I say wireless, I really mean the cell phone environment. We are not all convinced about where we will be 10 years from now. Technology evolves and moves so fast in today's marketplace that if you ask me what product or services customers will demand down the road, I would not be sure. We try to be nimble; try to maintain that fiber throughout the entire community so we can respond to customers' needs.

Chairman Bobzien:
Are there any questions?

Assemblywoman Bustamante Adams:
My questions are on page 2 (Exhibit C). It states that Cox contributes over $100 million in-kind and direct cash contributions focused on youth and education initiatives. What percentage is that of the profit the company makes, and how much of that stays here locally, specifically the southern Nevada portion of those contributions?

Kami Dempsey-Goudie:
The first slides of this presentation actually reflect information about and contributions of Cox Communications, which is located in Atlanta. I do not have the information as to what percentage of that stays in Nevada, but I can get that for you.

Assemblyman Livermore:
The presentation also states that Cox Communications pays over $30 million in state and local fees annually. Can you describe what is considered as "fees" and is that something that consumers pay, like a franchise fee?

Bob Ostrovsky:
I do not have the breakdown of all the fees, but yes, some of it is a franchise fee. There is a 5 percent franchise fee, which is imposed by most southern Nevada local governments. A portion of the fees are from the modified business tax as well as sales tax. I can get you the breakdown, but the biggest piece, by far, is the franchise fee. This is the case for all of the utility companies. We are not a utility in the sense that we are regulated by the utilities commission, but we have been viewed as a utility in the franchise world.

Assemblyman Livermore:
I think it is only fair to understand what your company pays where another competitor may not have to pay. It is fair disclosure. We should know what the fees are and how you pay them.

Bob Ostrovsky:
The biggest direct competitor we have in our environment, for overall broadband, is satellite. Satellite has somewhere between 25 percent and 30 percent of the market in Clark County and pays no franchise fee. The only way you can provide a franchise fee to a satellite provider is if you had a statewide taxing system. This Legislature has looked at applying a tax to all

providers and then giving a credit to the current franchise fee payer. It is complicated, however.

Assemblywoman Carlton:
You had mentioned the changing environment in technology and a lot of households are making the change to new technologies. There are homes that are almost 30 years old, and it is difficult for them to upgrade to newer technologies with the older wiring. What is Cox doing to address some of the older service areas so that the connectivity is as good as the newer areas?

Kami Dempsey-Goudie:
This is something we look at during our annual maintenance reviews. We spent over a billion dollars over the past 10 years improving fiber and increasing broadband consistently to keep up with the data flow. There are areas that do not have the ability to have access to it. We do look at that and have a maintenance department that looks into these issues. We look at older neighborhoods that need it the most and go into those areas first. We have an opportunity with the schools to see who needs these services the most and we do what we can to pull the cables to priority areas. We are happy to review our policies on this and communicate with you our plans for this year.

Assemblywoman Bustamante Adams:
You mentioned your partnership with the CCSD for low-income households and giving them access to the services you provide. Can you expand on that and confirm if you were only speaking about CCSD, or is this a statewide initiative?

Kami Dempsey-Goudie:
It is a Cox program that is being launched out of Atlanta, but it is being implemented by all Cox Communications companies throughout the nation. It is called Connect2Compete. We believe that to make students competitive they have to have access to the Internet. They need to be able to understand the fast-paced community and how to compete in the educational realm. We have made a commitment to work with the CCSD to find those students who are on the National School Lunch Program and provide their families discounted Internet access over the course of three years. At the end of those three years, there is a process we would follow to review and determine if there was a need to extend discounted service for another three years. It is a new effort that will be announced nationally this month, and we will be launching it in the third quarter of this year. We have already had some schools identified through the CCSD and would be happy to provide that list.

Assemblyman Ohrenschall:
The traditional phone company has to provide some sort of basic service for those people who only want a home phone for emergencies. Does Cox provide that service?

Kami Dempsey-Goudie:
That is the CDT Lifeline product we are offering. We are actually working with Senator Kelvin Atkinson this session to become a part of the universal service.

Assemblyman Ohrenschall:
Would the customer who wants just a landline telephone be able to have that only as opposed to having cable television as well?

Kami Dempsey-Goudie:
Yes, they can. We provide that now, not as a discounted service, but just as a phone. To have Cox Communication services in your house, you can have all the services or any one of the services alone. You can pick and choose as many of our services as you are interested in.

Chairman Bobzien:
Are there any questions? [There were none.] I would like to call AT&T Nevada to the table.

Stephanie Tyler, President of External Affairs, AT&T Nevada:
We are going to take a slightly different tack than Cox did. I will be talking about AT&T, our background and how we got here. The lion's share of my presentation (Exhibit E) will be about the wireless industry. Some of the facts and statistics I will be using are industry wide. As we view the current communications landscape, it seems we should look at what has taken shape over the last 80 years, dating back to the Communications Act of 1934. It was a very different world; we were huddled around our radios listening to the news of the day. This was when the Bell Operating Companies started to form.

Sixty-five years later when Congress opened up all of the telecommunication markets with the passage of the Telecommunications Act of 1996, the entire market changed. Consumers were still at that point almost exclusively using landlines or "plain old telephone service" (POTS). Obviously things today are very different. Consumers can choose technologies, product services, and providers that meet their needs. Customers are more likely to communicate over wireless devices and/or Internet platforms and networks than traditional voice landline service. Consumers are now much more likely to communicate less by telephone voice service and more by text, tweet, email, or social media outlets. Think to yourself how many more texts, tweets, or emails you get as

communication every day than just traditional phone calls. The market has changed a great deal. There are many more households that have cut the cord and are only using wireless and do not have any POTS at all. The number of households served by interconnected Voice over Internet Protocol (VoIP) will soon surpass the level of phone service that is carried over a POTS network.

The environment today has changed, especially for companies like ours. We used to be the only game in town. Now we are subject to robust cross-platform competition with less than one-third of the households subscribing to POTS over a switched-circuit network. Fifteen years ago, "communications" just meant "voice" and local telephone service was a regulated monopoly. Today "communications" encompasses anything and everything that is enabled by an Internet Protocol (IP) platform. This means the monopoly is gone forever. The consumer-led transition away from POTS to alternative communications offers new and different opportunities for customers.

Every month we estimate that nationally over 100,000 customers cancel their traditional landline service in favor of wireless service or IP. One out of every three American homes is now only wireless. Nearly another one-third of those homes would use VoIP instead of POTS. From 2003 to 2012, Nevada incumbent local exchange carriers (ILECs) have lost 50 percent of their residential POTS lines. Again, that means 50 percent of our landlines have been lost in the last eight years. This is major transition. According to the Federal Communications Commission (FCC), from 2001 to 2011 there has been a 224 percent increase in wireless subscribers, a 2,276 percent increase in broadband subscribers, and a 44 percent decrease in landline subscribers.

I know as policymakers you are quite interested in the low-income household, senior, and rural markets. Each of these markets is also making the transition to wireless. Low-income Americans are switching to wireless. Lifeline customers receive a substantial discount on their service via a federal program. This allows them to sign up for either a landline or wireless service through the deeply discounted program. In 2012, 81 percent of Lifeline customers are taking their service over a wireless product versus 18 percent over landlines. If you go back only to 2009, those figures are almost inverted. We have seen a very dramatic change from Lifeline customers; when they can choose, they choose wireless.

Seniors are also taking advantage of all of the benefits of a wireless society. According to AARP nearly 90 percent of people aged 50 years or older use some type of mobile technology. Nationwide, 22 percent of senior households have cut the cord and are wireless.

Rural America has been an early adopter of new technologies. The farming community has been among the earliest and most aggressive adopters of wireless technology. This has a lot to do with the ranching lifestyle and how spread out the areas are. Telehealth provides rural communities with specialty services and access. Through distance learning, rural communities have benefited from high-speed IP networks. Rural students can now connect to advanced placement and other specialty courses so they do not always have to go to the physical classroom.

This next slide (page 10 of Exhibit E) which is the map of the United States, is a slide that we often use in the wireless industry to talk about highlights and statistics as an industry nationwide. The most important points are that 88 percent of households in the United States have a wireless phone and 29 percent of households are wireless only.

The competitive landscape in Nevada from a wireless standpoint is vast. There are 74 different wireless providers that have certificates to provide service in Nevada. Wireless data growth shows that in our spectrum, data is king. The global market data growth has been unbelievable. It has grown 70 percent since 2012 and last year's mobile data traffic was nearly 12 times the size of the entire global Internet. Some of these statistics, I find, are staggering in terms of growth and how fast it is moving.

I would also like to talk about how we are paying less for more minutes. There has been an 85 percent decline in the cost of wireless service since 1993. Average local monthly bills decrease about 2 percent year after year. This is again a light touch of regulation that is primarily handled at the federal level, and we have seen substantial growth that has come out of that.

The future of wireless is broadband. The National Broadband Plan is a national initiative that was adopted by the FCC back in 2010. In President Obama's 2011 State of the Union speech, he stated that the goal of the National Broadband Plan was to make high-speed wireless service available to 98 percent of all Americans in the next five years. This is a goal that we have worked towards within our Nevada Broadband Task Force. The National Broadband Plan does caution that regulations that would require continued investments in two separate networks could have a slowing effect on the speed in which broadband can be deployed to meet the goal of connecting 98 percent of all Americans. National Broadband Plan examined this and stated, "Regulations require certain carriers to maintain POTS—a requirement that is not sustainable—and lead to investments in assets that could be stranded... These regulations can have a number of unintended consequences, including siphoning investments away from new network services."

If you look at smartphones and mobile Internet devices such as GPS, notebooks, tablets, the dramatic growth we have seen in data in Nevada and across the nation through these devices has been huge. But the applications that people use them for every day and how they have become such a large part of their lives is startling. Wireless broadband, also referred to as mCommerce, is a topic we are focusing on more and more. Whether you are purchasing digital content, such as music, videos, or books online, mobile banking, or comparison shopping, this is something that many people do every day in hopes of making their lives more efficient. This has become an incredible benefit for consumers across the board.

The health care industry has dramatically benefited from broadband, most specifically wireless broadband. This can be used for pregnancy monitoring of fetal heartbeats with wearable sensors or diabetics who can check their blood sugar through wearable devices. The benefits that have occurred in health care due to wireless broadband have been extremely helpful, especially for seniors and those in more remote areas, which is very common in Nevada.

We are also going green with wireless. Smart grids are improving energy efficiency. For example, real traffic reporting reduces emissions and electronic documents reduce paper waste. Also, telecommuting reduces our carbon footprint and biodegradable devices and products are always preferable. The entire telecom industry has been an early adapter of using these "go green" initiatives because of some of the incredible efficiencies they have brought our industries.

Mobile broadband has been a very important part of our history and has touched many aspects of our lives. Consumers use it every day; who wakes up and does not check their cell phone as one of the first things they do? High-tech industry: there is no reason why there could not be an app developer in Ely, Nevada. Agribusiness: you can track your cattle through GPS and monitor your feed supplies. Education, simply put, is limitless and boundless. There are now electronic whiteboards in the classroom and they help find the best way to capture the imaginations of students. Public safety: it gives police the ability to have detailed records right at their fingertips. Energy: you can adjust your thermostat at home while you are sitting in your office. Transportation: you can move a fleet of cabs more efficiently and in a way we have never been able to do before. We have talked about health care quite a bit and the ability to monitor patients. Entrepreneurship: some of our future high-tech businesses can be in Elko or Las Vegas. Advanced manufacturing: bringing the best high-tech companies to the state and look at the broadband infrastructure.

As you deliberate and go forward with different pieces of legislation, I ask that you keep at the forefront of your mind the speed in which this industry continues to evolve and change. I know you are keenly aware that this is a biennial body, which puts additional pressure on you to look forward in your policymaking and to act quickly. I do not envy you your jobs; I respect you for your jobs. But I would also respectfully ask that you carefully look at these issues to make sure that Nevada is not left behind.

Assemblyman Hardy:
As you know, the Affordable Care Act will be starting next January and the Silver State Exchange has informed us that it will be difficult to service the rural areas. How far out into the rurals does your company's Telehealth care system reach right now?

Stephanie Tyler:
If you look at the entire industry, our coverage maps extend to most areas. I can get you the exact statistics. If you look at both wired broadband and wireless broadband, the penetration levels in Nevada are right around 95 percent. I would need to get you more specific information, especially if you are looking at particular communities. But in general, broadband is becoming more and more important for telemedicine.

Assemblyman Hardy:
I understand that for some of the medical procedures to occur they would need the 4G connection. Are we equipped to provide that?

Stephanie Tyler:
All of the wireless providers are fiercely competitive in terms of deploying 4G technologies. We announce city by city, in a very competitive back-and-forth. We have 4G in most of the major areas; Reno, Las Vegas, and potentially in some areas of Carson City. But again, as we continue to deploy 4G our plan is to cover the rurals.

Assemblywoman Diaz:
I want to refer back to page 15 of the presentation (Exhibit E) which discusses the National Broadband Plan. Is there anything that state policymakers can do to improve the utilization of broadband infrastructure and enable the development of broadband? I want to make sure we are in compliance with what the federal government says we need to do to help move forward.

Randy J. Brown, Director of Regulatory and Legislative Affairs, AT&T Nevada:
The Governor has established the Governor's Broadband Task Force and that organization is charged with reviewing both the availability and adoption

capabilities of Nevada. They have done significant work to identify the areas that are covered by broadband and at what speed; whether that is provided by a cable provider, a wireless provider, or a provider for an incumbent telephone company. The thing that you can do as policymakers is ensure that there are not roadblocks, regulations, or laws in place that would hinder investment in newer technologies. Every dollar that a provider is required to invest in a legacy network that is dying and becoming obsolete is a dollar that is not being invested in a newer, more advanced technology. Removing obstacles to letting companies like AT&T or Cox invest in what customers are wanting and buying will go a long way toward spurring investments.

Assemblyman Livermore:
A couple of weeks ago, AT&T lost service for about a day and a half. Without hardwired lines, how can the consumer protect themselves and make sure that if there is an emergency they will have service?

Randy Brown:
We will be making a full report to the Public Utilities Commission about what occurred a few weeks ago. What occurred was a once in a career experience. We provide a redundant network and what that means is that there are virtually two copies of every element in our network; there is a functioning element and a backup element. What happened in this instance is that not only did the functioning element have an issue, but the backup element had an issue that we were not aware of. I have never seen anything like it in my career, especially not for that duration.

There are a lot things that consumers can do to protect themselves. Plain old telephone services are about 99.99 percent reliable. We have backup generators that operate in our central offices, so should commercial power fail, we are able to provide our own power. But technology has come a long way. We have a product called a wireless home phone. The way that works is that you take your home phone and plug it into a small wireless device which uses our wireless network to communicate. That little device also has a battery backup in it. If for a period of time, you were not able to receive commercial power, you would still be able to use your phone through the wireless network. It is a unique situation, which we apologize deeply for and we are taking action to ensure that it does not happen again. But again, the service is highly reliable.

Assemblyman Grady:
For the younger members on the Committee, Stephanie Tyler used to be a senator here with us and we had a lot of fun. I want to welcome her back.

Assemblywoman Bustamante Adams:
Do you have a research and development team that helps business owners integrate broadband into their businesses?

Stephanie Tyler:
We do have the original Bell Labs, which is an incredible facility that is full of scientists and application developers who do nothing all day but think big thoughts. More patents come out of this operation per year than virtually any other institution in the world. The applications community is so broad and diverse; all across the world people are thinking of new and different ways of doing things. We have a more centralized system at AT&T, through Bell Labs, that thinks about these sort of things and figures out a way to bring them to market. You also have the independent application community that is developing applications to solve challenges and problems we see every day. The agricultural community is always cutting edge and an early adopter because necessity is the mother of invention. They are always looking for more efficiencies. Some of our best adoption products were brought out on behalf of the agricultural community.

Assemblyman Ohrenschall:
What are other jurisdictions doing to try to ease the transition from the old legacy service to the new broadband era, and is there something you think we need to do in Nevada?

Randy Brown:
There are other states that have passed legislation to remove some of the roadblocks we discussed earlier. We want to ensure that investments are made in the latest, greatest, emerging technologies, and investments are not wasted on technologies that are dying. There are about 25 states that have passed legislation related to VoIP, which is largely a technology that is regulated at the federal level. It is a very light regulatory touch. As you can see, it has been spurring a lot of innovation and growth in that sector. Stephanie mentioned earlier that the number of customers who subscribe to VoIP is going to exceed the number of customers who subscribe to POTS in this calendar year. When we go to the corporate headquarters every year and ask for capital dollars for the state of Nevada, we are competing against 50 other states. Our company looks at the regulations and laws that are in place and whether or not the state facilitates investment in these new technologies. If laws are in place in Nevada to facilitate investments, it will get a bigger slice of that pie.

Assemblyman Ohrenschall:
So are the roadblocks at the state level or federal level, or are there specific laws?

Randy Brown:
What we are trying to do is send the right message to our corporate headquarters. What is in place today are laws that require investment in technology that customers are no longer purchasing. When you have laws in place that require you to make an investment in a technology that the customer is not purchasing, it becomes a stranded investment, and it is an investment in technology that people do not want or use. To be brutally honest, the capital pie is a finite pie, and every dollar you spend on old technology is a dollar that cannot be spent somewhere else. These are not largely federal issues, they are mostly state issues. States are addressing them as we speak. Nine states have addressed it already, and many other states are addressing as we speak.

Assemblywoman Carlton:
I am concerned about the terms "wasted" and "stranded" being used in regards to these investments. We all have constituents and you have customers who use hardline service. If everyone walks away from that service, there will be a percentage of the population that will be stranded without service. How do we make sure that as we move forward with this new technology we are not leaving those constituents behind? There are people who still need hardline services, and the last thing I want to see happen is to have there be no competition, which will increase the price to provide the service. Where are these constituents going to go to get service?

Randy Brown:
If you are obligated to provide service to a customer today and you wanted to be relieved of that obligation, we would agree to not being relieved of that obligation unless the customer had another choice of service. There would be no occasion in which a customer would be left without service. Now, would that service be wired product to the house? It could be, through the cable provider. Or it may be a wireless solution. But, we would not propose to have a regulatory framework where customers would be left without service.

Assemblywoman Carlton:
I understand where you are going, but for some constituents it is not a choice. You are making them choose a wireless product or a VoIP system. I know of a couple of seniors who, for medical reasons, want a hardline phone. They want to be able to pick up the phone, press 1, and know that it will call the doctor, 911, or a child to come help them. They do not want a cellphone, and they do not want a system on a cable line because if their cable goes out they are left without service. They may also live in an older area of town where they may not be able to get new technology. You are saying there is another choice, but really there are no other choices as far as a hardline. It is difficult to get the companies to invest the capital, if we do not get rid of the older technologies,

but without that capital we cannot upgrade the older neighborhoods to support the new technologies.

Stephanie Tyler:
If an individual is concerned about having a landline experience, almost all the wireless providers do provide wireless home phones, and it is virtually impossible to tell the difference. The reliability on that service is also very strong, just as it is for VoIP. The reliability of VoIP and POTS are extremely similar. As these technologies come together and the reliability gets stronger, I think that will take us a long way toward fixing your concerns. However, the bottom line is that there is a finite amount of money in terms of investments. As we work towards things like the President's goal of having 98 percent of Americans being reached by broadband, there has to be a balance. Companies will invest based on these difficult decisions.

Randy Robison, Director, State Legislative Affairs, CenturyLink:
We would like to thank you for the opportunity to make our presentation this afternoon. The previous presenters talked about the level of competition, the pace and breadth of innovation, and it truly is the case that you must innovate or die. We face this every day. We will be discussing the kind of company CenturyLink is and the kind of situations we face on a daily basis with our competitors in the marketplace and the demand from our consumers.

Jeff Oberschelp, Vice President and General Manager, CenturyLink:
CenturyLink may be new to some of the members. There are four principal business segments we participate in: regional markets, enterprise networks, wholesale, and enterprise data centers. Regional markets are the consumer and small business markets in southern Nevada. We provide telephone, Internet and television services. We also work with enterprise networks which are data sales to large- and medium-size businesses. We have a very strong wholesale division, which I will discuss later in the presentation. Lastly, we are very active in the enterprise data centers, or the cloud space and cloud computing, which includes infrastructure as a service (IaaS), software as a service (SaaS), and platform as a service (PaaS).

As AT&T and Cox both mentioned, we are investing capital at a very rapid pace. This year the company nationally will invest somewhere between $2.8 billion and $3 billion. The overwhelming majority of that investment goes into four categories: IP networking, higher access speeds, cloud computing and data centers, and fiber to the cell towers. In southern Nevada, we are following the company's trend on investment in all categories with the exception of data centers. We have great data centers in Nevada, and CenturyLink has data

centers outside of the state which are connected by our IP backbone, and we are able to provide service to customers.

The other trend is the rapid decline in voice line services. As AT&T said, we see that as a result of both cable and wireless options, as well as VoIP options. Phone line loss is very real and the graph on page 4 (Exhibit F) tells that story. Typically people want to see a graph that goes up and to the right, not down and to the right. As you can see, there has been massive line loss over the last several years, and it is an unsustainable business model. There is a finite amount of capital, and we have to invest that capital where you have an opportunity to make a business that is going to survive. If we were in the phone business only, we would soon be out of business, as you can tell from this timeline. Every dollar we invest in an older technology is a dollar that cannot be spent in a newer technology.

We are seeing most investments go into data, broadband, and applications like Over the Top and next-generation Internet Protocol Television (IPTV). In these cases, entertainment choices are coming over an Internet or broadband connection. We do not know what the next big thing is going to be, but we do know that there is an innovation curve in our industry that is accelerating. I do not think any of us could have predicted that when Steve Jobs came out with the iPad or the iPhone that it would transform the way people consume information. As a result of that, portable devices and in-home devices are capable of taking video, data, and voice all through the same common pipe. There has been an explosion in this space. We are crushing the wireless networks because people are looking at video and other things over their wireless devices. What is happening is companies, like CenturyLink, are making investments in fiber technology to take to the wireless cell sites. The wireless call, wireless video, and wireless data gets to the cell site, gets transferred to terrestrial networks and over to another cell site. We do this because the spectrum is only so large and only has the capacity to carry a certain amount of data. This is a very big investment. A similar event in our nation's history, from the provider's perspective, is when Netflix started streaming online videos. There was a 25 percent increase in broadband consumption nationwide.

I want to discuss some of the current industry trends. Consumers like to bundle services because it typically provides people with savings. We have seen an increase in broadband consumption and people want faster speeds on all of their devices wherever they are. Wireless spectrums are being used up and that is why we have a fiber backbone. We are going to an IP Centric core which means all forms of information are being transferred over an IP platform and voice is moving to that platform as well. Cloud data centers, IaaS, SaaS, and PasS space is exploding. I would expect that most people have either seen or

used Facebook or some other social media which are all cloud-based applications. Most small-to-medium businesses run their businesses on cloud-based computing. There is a high need for broadband connectivity through that cloud data center. There is not a day that goes by that a conversation with a business is had and cyber security is not discussed. Businesses want to know how we are going to protect their data, their customers' information and records. This is a very real part of our business. Finally, as AT&T mentioned, we are making a limited investment in voice that is not IP related. We are, however, investing heavily on higher speeds to homes so we can provide home-based VoIP.

Lastly, I want to speak about Nevada's economic development. I am on the executive committee of the newly named Las Vegas Global Economic Alliance, formerly known as the Nevada Development Agency, and I can tell you that we get pulled in from time to time to discuss the recruiting of companies to Nevada. Invariably the conversations start with, Can we get the right types of employees here who can do the work that we have? Secondly, they talk about education. Third they talk about home prices. Next they talk about infrastructure. They discuss the airport access, rail capacities and highways. Finally they discuss data infrastructure and businesses want to know if they can get fiber to their building so they can connect to their other buildings, headquarters, or cloud. That is a very real part of every conversations we have.

From our point of view, much like the other presenters, our investment is in IP. Every dollar we spend on something that does not enable faster speeds, more broadband to homes, and a larger IP backbone, is a dollar that does not help grow business or provide better services for residents. There are a few ways your Committee can help. For example, you can eliminate investment requirements for provider of last resort (POLR). There has been a good discussion recently about other options that are available. We to believe that we should never strand a customer without an option, but a wireless or cable option may be suitable. Also, if you can foster investments in data networks and progressive technologies by limiting regulations and fees, I think you will help grow Nevada and our businesses.

Chairman Bobzien:
Are there any questions?

Assemblywoman Carlton:
The Legislature has, for a long time, tried to work through POLR issues. I can tell you that while the industry has evolved a lot, I personally know people who live in homes that are too old to upgrade. The wiring that they have is the wiring they are going to have until they decide to move. It would be a

significant investment to upgrade the home. When I hear, again, that a dollar invested in old technology is a dollar that is not going towards new technology, there are some people who do not have the choice to invest in the new. My concern lies with the fact that we will be walking away from people who will not have an option. I know you look at wireless as an option, as do many other people. But not everyone looks at wireless as an option.

Chairman Bobzien:
Are there any questions?

Mike Eifert, Executive Director, Nevada Telecommunications Association:
Rural Nevada telecommunication carriers find themselves in challenging times. Small providers are experiencing added competition, losing wireline customers to wireless and VoIP providers. In November 2011 the FCC approved significant changes to the regulations governing the federal support mechanisms that allow cost-effective service offerings in rural Nevada and America.

At a time when Nevada seeks to emerge from economic recession, rural telephone carriers are a vital element in the communities they serve. United States Department of Agriculture (USDA) Secretary Tom Vilsack recently sent a notice of ex parte to the FCC indicating broadband deployment in rural areas is not sustainable under the Universal Service Fund (USF) Transformation Order. Demand for rural utility services (RUS) funds dropped to 37 percent of the funds appropriated by Congress for 2012. According to the USDA, current and prospective RUS borrowers have communicated their hesitation to increase their outstanding debt and move forward with planned construction due to the recently implemented reductions in USF support and Intercarrier Compensation (ICC) payments. The uncertainty the order has caused has Nevada rural carriers reducing work force and eliminating construction schedules. This has a negative impact on job creation in the rural communities they serve. Normally this project work requires the companies to either hire or contract workforce to implement project plans. If there is no capital to support construction programs, the vendors that contract with the rural local exchange carriers (RLEC) are losing a source of income also. Without construction, there is no hiring.

Broadband is an essential component for growth in rural areas, fostering gross domestic product (GDP) growth, creating jobs, and stimulating innovation, while also enabling improvements in education, health care, and other social services. In order for rural Nevada to attract more businesses to our state, we need a modern communication infrastructure with a predictable and sustainable service plan.

The implementation and impact of the FCC Transformation Order is of great concern to all rural carriers and will unfold over time as the industry works with the FCC to establish a sustainable framework.

Another issue, of great importance to rural Nevada, is call completion. Although telecommunications services are vital to all Nevadans, many rural Nevada landline telephone customers no longer take the ability to make and receive telephone calls for granted. This is due to rural telephone companies and their customers experiencing what has become known nationally as "rural call completion" problems. These problems include calls not being connected, calls with incorrect or misleading caller ID information, garbled or poor sound quality, and dead air. This issue affects both long distance calls and wireless telephone calls.

These connection problems can cause significant harm to local businesses that may be missing incoming calls from their suppliers or losing business opportunities from their customers.

The problem appears to be occurring in rural areas where long distance carriers normally pay higher-than-average charges to the local telephone company to complete calls. To minimize these charges, some long-distance carriers use third party "least-cost routers", which attempt to connect calls to their destination at the lowest cost possible. Sometimes, however, the calls appear not to be connecting at all.

Back on February 6, 2012, the FCC adopted a declaratory ruling stating carriers that deliberately fail to complete calls to rural areas could face cease and desist orders, forfeiture, license revocations, and fines up to $1.5 million. To date, no perpetrator has been punished.

On February 11, 2013, the Public Utilities Commission of Nevada (PUCN) partnered with the National Association of Regulatory Utility Commissioners to demand enforcement action to eliminate rural call completion problems. The Nevada rural carriers appreciate the PUCN's interest and involvement in seeking a permanent resolution to rural call completion problems.

In conclusion, the rural carriers have done a great deal of work getting to the level of sophistication we now enjoy, but the world of telecommunications is quickly evolving. Copper time division multiplexing (TDM) networks are rapidly being replaced by fiber-IP networks. We must work together to foster an environment that provides the support and sustainability it will take to procure the rural networks of the future.

Chairman Bobzien:
Are there any questions?

Assemblyman Ohrenschall:
In the rurals right now are most customers using landline service, or have they switched to wireless or VoIP?

Mike Eifert:
Some of the very small carriers do not have wireless available. Some of the larger rural carriers in the state are experiencing the same technological changes, where wireline is being left behind for wireless. One of the concerns the rurals have today with legislation that has been proposed where the FCC mandates that we raise our floor rate, which is the basic monthly rate for POTS. None of the rural companies want to raise their floor rate. They are facing competition from wireless companies, and they certainly do not want to force their customers to pay more, giving them more incentive to move to a newer technology.

Chairman Bobzien:
Are there any additional questions?

Michael D. Hillerby, representing Charter Communications:
Charter Communications is based in St. Louis, Missouri and serves about 5.2 million customers in 25 states, including Nevada. They employ over 16,000 people. They have about 12 million homes that their network passes in front of and the investment in that is about 199,000 miles of the coaxial cables and about 57,000 miles of fiber-optic cable. We are moving more into fiber-optics and other ways to receive high-speeds that customers are demanding.

[Provided (Exhibit G).]

Robert L. Crowell, representing Charter Communications:
Charter Communications serves the northern part of the state. They employ approximately 300 employees and serve roughly 18 communities. They pass by about 320,000 homes and have about 104,000 residential and business relationships. Specifically in Nevada there are about 3,800 miles of coaxial cable and 1,400 miles of fiber-optic cable.

Charter is a proud provider of voice data and phone service in northern Nevada. They provide up to 30 megabytes upload speed on Internet or data. They also provide complimentary service to about 280 schools in the community through the Cable in the Classroom project.

Mike Hillerby:
On behalf of the Association of Cable Providers, there are about 50,000 customers in the state served by Baja Broadband, CMA Communications or others, and we would be happy to get industry representatives to speak about those companies as well if you like.

Chairman Bobzien:
Are there any questions? [There were none.] Is there anyone wishing to submit public comment? [There was no one.] Are there any issues to be brought up before the Committee by the members? [There were none.]

Meeting is adjourned [at 2:24 p.m.].

RESPECTFULLY SUBMITTED:

_____
Katie Wilson
Committee Secretary

APPROVED BY:

_____
Assemblyman David P. Bobzien, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Commerce and Labor

Date: March 1, 2013 **Time of Meeting: 1:05 p.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Cox Communications	Presentation
	D	Cox Communications	Southwest Region Fact Sheet
	E	AT&T	Presentation
	F	CenturyLink	Presentation
	G	Charter Communications	Fact Sheet