

NEVADA LEGISLATURE
LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY
TELECOMMUNICATION SERVICES IN NEVADA

(Assembly Concurrent Resolution No. 2

[File No. 10, *Statutes of Nevada 2003, 20th Special Session*])

SUMMARY MINUTES AND ACTION REPORT

The fourth meeting of the Legislative Commission's Subcommittee to Study Telecommunication Services in Nevada was held on Friday, July 9, 2004, at 9:30 a.m., in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. A copy of this set of "Summary Minutes and Action Report," including the "Meeting Notice and Agenda" ([Exhibit A](#)) and other substantive exhibits, is available on the Nevada Legislature's Web site at www.leg.state.nv.us/Session/72nd2003/Interim. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: publications@lcb.state.nv.us; telephone: 775/684-6835).

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman David R. Parks, Chairman
Senator Maggie Carlton
Senator Warren B. Hardy
Senator Randolph J. Townsend

SUBCOMMITTEE MEMBERS ABSENT:

Assemblyman David F. Brown
Assemblyman David E. Goldwater

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Diane C. Thornton, Senior Research Analyst, Research Division
William L. Keane, Principal Deputy Legislative Counsel, Legal Division
Ricka Benum, Senior Research Secretary, Research Division

OPENING REMARKS

Chairman Parks called the meeting to order and announced that on August 6, 2004, the Subcommittee would hold its final meeting and Work Session. He requested that interested parties submit recommendations for the Subcommittee's review and approval prior to the meeting.

PRESENTATION OF "INITIAL FINDINGS ON ADVANCED SERVICE AVAILABILITY IN NEVADA"

- Scott K. Kennedy, Senior Telecommunications Specialist, Gabel Communication, explained the data contained in his report was gathered from sources available to the public and one industry database company. The data was amassed at the state level to protect proprietary interest and confidentiality. Mr. Kennedy noted that aggregating data at the state level does account for disparities in distribution and population density. Please refer to [Exhibit B](#) for details of Mr. Kennedy's Microsoft PowerPoint presentation. For purposes of the data collection, reporting was required only from carriers with 10,000 or more service lines. Noting that the market was opened for competitive entry to competitive local exchange carriers (CLECs) in 1996, there are currently 14 service providers and independent operators throughout Nevada. Additional key topics discussed by Mr. Kennedy included:

1. The data provided on major Nevada service providers included comparisons from CLEC switch locations between 1997, 2000, and 2003. The data figures indicate that Nevada's growth rate for CLEC lines is very weak, with the existing growth rate at 4 percent versus a national rate of 71 percent. The Nevada carriers primarily serve large business customers, with only 21 percent serving residential or small business customers, compared to the national average of 63 percent.
2. Data indicates that in 1997 the location of advanced services and packet service availability was concentrated in the major population centers and portions of Elko and Humboldt counties. In 2000, a major increase occurred in switch service and packet capabilities primarily for Internet service providers offering dial-up access. During 2003, the large expansion of services was attributed to higher broadband capabilities with speeds greater than 56 kilobytes per second to accommodate large data transfers.
3. Nationwide data collected from the Federal Communications Commission (FCC) discerned according to zip code areas, the high-speed providers. These statistics indicate that Nevada has experienced little change in the number of providers since 2000. However, Nevada ranks well with the number of providers per zip code. Only 4 percent of the zip codes in the state have no high-speed access lines, opposed to the national average of 7 percent. The geographic distribution of the state's population is reflective of the urban areas and the figures do not necessarily illustrate actual rural area statistics.
4. From 1999 to 2003, Nevada showed a 952 percent increase in the number of high-speed lines, versus the nationwide average of 925 percent. The growth rate for high-speed lines slowed in 2001 and 2002, and increased again in 2003, exceeding the national average of 42 percent, with Nevada's 55 percent. The state's density of penetration is depicted in the ratio of households per high-speed line. Nevada ranks fairly high with three households per every one high-speed line. Again, these statistics are weighted toward the urban areas and may not hold true for rural portions of the state.
5. Cellular telephone service is equally distributed throughout the state, although the data provided only shows switching equipment that connects with the public switch network and is not indicative of "cell phone to cell phone" networks.
6. The data submitted indicates that broadband connectivity is widely available in urban areas, while only certain rural areas have access. Further, data relating to new high-tech services such as Voice Over Internet Protocol (VOIP), was not as readily available. (Voice Over service converts telephone calls into data, which is carried through a high-speed Internet connection.)

DISCUSSION ON "NEVADA TELECOMMUNICATIONS ASSOCIATION HISTORY AND MEMBER OVERVIEW"

- Karen Pearl, Executive Director, Nevada Telecommunications Association, outlined the origination of the Association which serves the entire state and is comprised of 13 telephone companies. A booklet was provided ([Exhibit C1](#)) which outlines the history and divestitures of the participating companies. Additionally, Ms. Pearl made available an Exchange Map ([Exhibit C2](#)) which indicates the county and service area of each company. Referring to a copy of the "Member Company Statistics 2004" ([Exhibit C3](#)), she reported on the aggregate statistics from 1984 to 2003. Her comments outlined local exchange carriers (LECs), Gross Plant Investments, access lines, exchanges served, and the number of total employees.

DISCUSSION OF THE "TELECOMMUNICATION SUBSIDIES IN NORTHERN NEVADA"

- Dan Jacobsen, Executive Director Regulatory, SBC Nevada, provided an overview of what has transpired in the telecommunication industry in recent years. Please refer to [Exhibit D1](#) for Mr. Jacobsen's summary of the industry's trends.

1933 - 1984 - The industry was focused on universal service, there was no competition, and prices remained low and sustainable. The excess revenue from toll calls was used to subsidize local telephone service, so costs remained affordable.

1984 - 1996 - The industry's focus changed to long-distance competition, with lower local costs and higher toll prices. The trend moved toward incumbent pricing and centered on high-margin pricing for additional features.

1996 - 2003 - Local competition became the focus of the telecommunication industry. In addition to high-market pricing for toll and business lines, CLECs entered the competition with low wholesale pricing, and collection of the Universal Service surcharge.

2004 + - The industry focus is on intermodal competition with rational local pricing, and while keeping toll prices low. Alternative competition has created difficulties for LECs to sustain high-margin pricing for additional services.

Please see [Exhibit D2](#) for details of Mr. Jacobsen's second Microsoft PowerPoint presentation. Additional subject matter discussed by Mr. Jacobsen included:

1. The increase of competitive companies entering the marketplace eroded the traditional mechanisms used to keep basic service affordable. The magnitude of subsidy burdens on the telecommunication industry will demand future price restructuring.
2. The number of Lifeline customers is increasing. In addition, subsidies are provided to rural and stand-alone customers. The volume of Lifeline customers increased by approximately 32 percent, and currently accounts for 9 percent of total residential lines.
3. The rural access lines serve remote high-cost areas, totaling over 48,000 square miles of Nevada, which includes 46,000 rural lines and 23 rural offices. The rural costs have experienced significant increases due to plant operations, transport costs, and travel time.
4. Although Nevada is one of the fastest growing states, the retail access lines are declining due to competition. Access lines decreased from 385,214 in 2001, to 372,633 in 2003. The SBC business lines have declined by 5 percent, from 140,080 in 2001, to 132,476 in 2003.

APPROVAL OF MINUTES OF THE APRIL 2, 2004, MEETING HELD IN LAS VEGAS, NEVADA

The Committee **APPROVED THE FOLLOWING ACTION:**

SENATOR HARDY MOVED TO APPROVE THE MINUTES OF THE APRIL 2, 2004, MEETING HELD IN LAS VEGAS, NEVADA. SENATOR TOWNSEND SECONDED THE MOTION WHICH CARRIED UNANIMOUSLY.

DISCUSSION OF AGENDA ITEMS FOR AUGUST 6, 2004, MEETING

Senator Townsend commented it would be helpful for the Subcommittee to become familiar with creative programs or procedures developed in other jurisdictions by policymakers, and suggested they be submitted with recommendations.

Chairman Parks requested that interested parties and business and industry representatives submit recommendations to the Subcommittee's staff by July 23, 2004, to facilitate the progress of the "Work Session Document."

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

There being no further business to come before the Subcommittee, the meeting was adjourned at 11:20 p.m.

Respectfully submitted,

Ricka Benum
Senior Research Secretary

Diane C. Thornton
Senior Research Analyst

APPROVED BY:

Assemblyman David R. Parks, Chairman

Date: _____

LIST OF EXHIBITS

[Exhibit A](#) is the “Meeting Notice and Agenda.”

[Exhibit B](#) is a copy of a Microsoft PowerPoint presentation, titled “Major Nevada Service Providers,” submitted by Scott K. Kennedy, Senior Telecommunications Specialist, Gabel Communication.

[Exhibit C1](#) is a booklet titled “Fence Post to Fiber: Histories of the Telephone Industry in Nevada 1887-1997” provided by Karen Pearl, Executive Director, Nevada Telecommunications Association.

[Exhibit C2](#) is an Exchange Map prepared by the Nevada Telecommunication Association, dated January 2001, submitted by Karen Pearl, Executive Director, Nevada Telecommunications Association.

[Exhibit C3](#) is a document titled “Nevada Telecommunications Association, Member Company Statistics 2004,” prepared by Karen Pearl, Executive Director, Nevada Telecommunications Association.

[Exhibit D1](#) is a Microsoft PowerPoint presentation, titled “Telecommunications: It’s a New World,” submitted by Dan Jacobsen, Executive Director Regulatory, SBC Nevada.

[Exhibit D2](#) is a copy of a Microsoft PowerPoint presentation, titled “Protecting Affordable Telephone Service and Encouraging New Investment,” prepared by Dan Jacobsen, Executive Director Regulatory, SBC Nevada, dated July 9, 2004.

This set of “Summary Minutes and Action Report” is supplied as an informational service. Exhibits in electronic format may not be complete. Copies of the complete exhibits, other materials distributed at the meeting, and the audio record are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. You may contact the Library online at www.leg.state.nv.us/lcb/research/library/feedbackmail.cfm or telephone: 775/684-6827.

