

**MINUTES OF THE  
GOVERNMENT COMPETITION AND PRIVATIZATION SUBCOMMITTEE**  
Thursday, September 6, 2007 – 9:00 a.m. – Room W125 House Building

**Members Present:**

Sen. Howard A. Stephenson, Senate Chair  
Rep. Craig A. Frank, House Chair  
Sen. Brent H. Goodfellow  
Sen. Wayne L. Niederhauser  
Rep. Tim M. Cosgrove  
Rep. Carl W. Duckworth  
Rep. Kevin S. Garn  
Rep. Michael T. Morley

**Members Absent:**

Rep. Mark W. Walker

**Staff Present:**

Mr. Leif G. Elder, Research Analyst  
Ms. Patricia Owen, Associate General Counsel  
Ms. Amanda Majers, Legislative Secretary

**Note:** A list of others present, a copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Subcommittee Business**

Chair Stephenson called the meeting to order at 9:08 a.m.

**MOTION:** Rep. Garn moved to approve the minutes of the July 31, 2007 meeting. The motion passed unanimously with Sen. Niederhauser and Rep. Morley absent for the vote.

**2. Telecommunications**

Mr. Steven Titch, Senior Fellow, Heartland Institute, asserted that allowing state and local governments to become key players in broadband is a bad idea because it places government entities in competition with private sector companies that are currently providing a comparable service. He further explained that municipal systems fail, because governments underestimate cost and overestimate consumer uptake. Mr. Titch argued that broadband is not a utility as it requires continued investments and technology improvements. Mr. Titch recommended a moratorium on expanding municipal broadband because it uses tax dollars to compete with the private sector.

**3. Municipalities and Utilities**

Ms. Owen distributed and discussed, "Background Municipalities and Public Utilities."

**A. Broadband**

Mr. Roger Tew, Representative of the Utah League of Cities and Towns and UTOPIA (Utah Telecommunications Open Infrastructure Agency), contended that it is a municipality's responsibility to oversee the integrity and quality of a municipality's infrastructure, and it is that municipality's choice as to how it provides that infrastructure.

Mr. David Shaw, Legal Counsel, UTOPIA, explained that entities like UTOPIA are needed to promote economic development and quality of life to local communities. He argued that businesses may not establish themselves in an area if that area does not provide high quality broadband. Mr. Shaw explained the belief that Utah entities that join the UTOPIA network do so because UTOPIA is willing to provide broadband infrastructure in anticipation of future business. He also explained how UTOPIA is funded. Finally, Mr. Shaw stated that UTOPIA believes it is fulfilling the proper role of municipal government by

installing the core infrastructure needed to provide broadband to communities, and UTOPIA is staying within those confines by facilitating the private sector in providing the end-user service.

Subcommittee members requested that UTOPIA provide its projected budgetary break-even point, the cost and time frame of its total build out of ubiquitous service to pledging communities, UTOPIA's initial and current projections of cost and revenue for the pledging cities, and UTOPIA's founding document.

Mr. Ben Gould, President and CEO, Mstar, described broadband's function as an infrastructure for businesses. He advocated for government involvement in providing infrastructure in the field of telecommunications.

Mr. Wayne Parker, Chief Administrative Officer, Provo City, stressed that iProvo has not completed its business model and emphasized that it is premature to make judgements about success or failure of iProvo's business venture. Mr. Parker further spoke to the importance of direct broadband connection to a municipality's economic development.

Mr. Kevin Garlick, Telecommunications Director, Provo City, emphasized iProvo's focus on providing the infrastructure of broadband while not providing the retail services. Mr. Garlick outlined the history of iProvo's inception, and detailed municipal broadband's future uses in such areas as distance learning and telemedicine.

Mr. Steve Proper, Franchising and Government Affairs Director, Comcast, distributed a packet of information about Comcast's services. Mr. Proper emphasized that Comcast, as part of the private sector, has and will provide services and infrastructure for broadband. He further noted Comcast's expansion of its services and technology on its video side, as well as Comcast's significant increase in its broadband speed and internet services. Mr. Proper asserted that competition is good for all broadband service providers, but competitors must exist on a level playing field. Mr. Proper stated that a level playing field does not exist when municipalities enter the telecommunications market, because difficulties arise when competing against the governing body that regulates your business.

Mr. Jerry Fenn, President, Qwest Communications for Utah, stated that Qwest is opposed to the use of public money to invest in competition with the private sector when there has not been an industry deficit in telecommunication services to the community. Mr. Fenn stated that no economic deficit exists in municipalities that rely on private sector services as opposed to publicly provided broadband infrastructure. He further argued that there could be public/private partnerships to provide for areas that are not economically feasible to develop, such as small rural communities. Mr. Fenn warned that fiber may not be the prominent or most cost effective technology in the future, and that installing a public infrastructure that uses fiber may demand continual changes in that infrastructure as the technology changes.

Mr. Jesse Harris, a private citizen living in White City Township, advocated the community's need for entities like UTOPIA.

## **B. Municipal Power Systems**

Mr. Roger Tew, representing municipal power systems, and Mr. Leon Pexton, General Manager, Utah Municipal Power Agency, stated that municipal power systems are not an area where municipal agencies and the private sector generally compete. Mr. Tew said that municipalities have a responsibility to serve their constituencies by providing municipal power or by contracting out to a company like Rocky Mountain Power.

Mr. Tew and Mr. Pexton answered questions posed by the Subcommittee.

## **4. Waste Disposal Services**

Mr. Paul Rogers, representing Allied Waste, and Mr. Gordon Raymond, Community Affairs Manager, Allied Waste, distributed and discussed "Impacts of Flow Control." Mr. Rogers asked the Subcommittee to consider endorsing the regulation of commercial waste disposal.

## **5. Other Items / Adjourn**

The next Subcommittee meetings were tentatively scheduled for Wednesday, September 26th at 9:00 a.m.; Monday, October 15th at 9:00 a.m.; and Thursday, October 25th at 9:00 a.m. The Subcommittee discussed possible agenda items.

**MOTION:** Rep. Morley moved to adjourn the meeting. The motion passed unanimously with Rep. Garn and Rep. Cosgrove absent for the vote.

Chair Stephenson adjourned the meeting at 2:30 p.m.