



PUBLIC-PRIVATE PARTNERSHIPS FOR TELECOMMUNICATIONS IN OREGON

Contents

PURPOSE OF THIS DOCUMENT 3

PART 1 - QUESTIONS & ANSWERS 3

 What is a public-private partnership? 3

 Just how common are public-private partnerships? 3

 Will the need for public-private partnerships increase, or will we see fewer of them as the economy improves? 4

 Where does the biggest support for public-private partnerships come from? 4

 When services are contracted out to private companies, doesn't that mean that either public or private sector employees lose jobs? 5

 Is there a danger of corruption when private companies are involved in providing public services? Do private companies take short cuts in providing services in order to increase profits? How do we ensure high levels of quality in a project? 5

 When the private sector is involved, doesn't that mean that citizens will eventually have to pay more for services? 5

 What are some suggested keys to successful public-private partnerships? 5

 Why should we consider public-private partnerships to help build and/or manage telecommunications services? 6

 Where do we start (telecommunications)? How do we start the process of accelerating resolution of barriers to progress? 6

 What are some examples of issues we could work to resolve? 6

 Rate rebalancing: 6

 Rights of way issues: 7

 Difficult business cases for private sector investments: 7

 Other topics of mutual interest: 7

 What are some possible Oregon telecommunications public-private partnerships? 7

EXAMPLES OF PUBLIC-PRIVATE PARTNERSHIPS IN TELECOMMUNICATIONS 7

 Example 1 – Minnesota Department of Transportation and a private developer 7

 Example 2 - Colorado and Qwest 8

 Example 3 - New Mexico and Qwest 8

 Example 4 – Oregon and Qwest 9

 Example 5 – Oregon – Medford City Schools and a private developer 9

 Example 6 – Oregon regional intergovernmental organizations and private developers 10

TYPES OF PUBLIC-PRIVATE PARTNERSHIPS 10

 Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO) 11

 Build-Own-Operate (BOO) 11

Buy-Build-Operate (BBO).....	11
Contract Services - Operations and Maintenance	11
Design-Build (DB).....	11
Design-Build-Maintain (DBM)	11
Design-Build-Operate (DBO).....	12
Developer Finance	12
Enhanced Use Leasing (EUL)	12
Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO)	12
Lease/Purchase.....	12
Sale/Leaseback.....	13
Tax-Exempt Lease	13
Turnkey	13
TERMS RELATED TO PUBLIC-PRIVATE PARTNERSHIPS	13
Air Rights.....	13
Anchor Tenant	13
Asset Sale.....	14
Capital Lease.....	14
Cash Flow	14
Concession Benefits.....	14
Cooperative Agreements.....	14
Equity	14
Fee Simple	14
Franchising.....	14
Ground Lease	14
Lease	15
Leasehold Estate	15
Leveraged Leasing	15
Operating Lease	15
Partnership	15
Public-Private Partnership	15
Public Purpose Debt.....	15
Request for Proposals (RFP).....	15
Request for Qualifications (RFQ).....	15
Revenue Bonds	16
Revolving Funds	16
Risk Unbundling	16
Sublease	16
PART 2 - QUESTIONS AND ANSWERS FROM THE PUBLIC-PRIVATE PARTNERSHIP	
ROUNDTABLE - JANUARY 23, 2003	17
Why should we consider public-private partnership to help build and/or manage	
telecommunications services in Oregon?.....	17
What are some possible Oregon telecommunications public-private partnerships?	20
Where do we start (telecommunications)? Who needs to be involved? What do they need to	
know?.....	25
What are some examples of issues we could work on together to resolve?	31

PURPOSE OF THIS DOCUMENT

The Oregon Telecommunications Coordinating Council recommends a focus on pragmatic efforts to promote the best possible service in communities, rather than on philosophical arguments about public versus private ownership. The Council strongly supports partnerships between public and private organizations to build public awareness and utilization of telecommunications services. It was in this spirit that the Council made a recommendation in its November report to the Joint Legislative Committee on Information Management and Technology, as follows:

Public and private organizations should work together in partnership to promote the use of telecommunications infrastructure and new technology.

On January 23 2003 a Council sponsored Roundtable explore the potential role for Public-Private Partnerships to address provisioning telecommunications infrastructure and advanced services (e.g., broadband) in Oregon. The first part of this document is a very broad brush on the topic and by no means addresses every nuance of the topic. With the contents of this document in hand we heard from a variety of interests at the Roundtable. Those responses are now contained in the second part of this document.

PART 1 - QUESTIONS & ANSWERS

What is a public-private partnership?

Public-private partnerships are a contractual arrangement whereby the resources, risks and rewards of both a public agency and private company are combined to provide greater efficiency, better access to capital, and improved compliance with a range of government regulations regarding the environment and workplace. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. Public-private partnerships can take a wide variety of forms (see Types of Public-Private Partnerships in this document). In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility. The public's interests are fully assured through provisions in the contracts that provide for on-going monitoring and oversight of the operation of a service or development of a facility. In this way, everyone wins -- the government entity, the private company and the general public.

Just how common are public-private partnerships?

Public-Private Partnerships have been in use in the United States for over 200 years. Public-private partnerships have been in existence since long before the Revolutionary War. In 1652, the Water Works Company of Boston was the first private firm in America to provide drinking water to citizens. This contractual arrangement between government entities and private companies for the delivery of services or facilities is used for water/wastewater, transportation, urban development, and delivery of social services, to name only a few areas of application. Today, the average American city works with private partners to perform 23 out of 65 basic municipal services. Also, governments realize that the combined capital and intellectual resources of the public- and private-sectors can result in better, more efficient services. The use

of partnerships is increasing because it provides an effective tool in meeting public needs, improving the quality of services, and more cost effective.

Will the need for public-private partnerships increase, or will we see fewer of them as the economy improves?

Evidence suggests that the use of public-private partnerships is on the rise. Even in the best of times, governments at all levels are challenged to keep pace with the demands of their constituencies. During periods of slow growth, government revenues are frequently not sufficient to meet spending demands, necessitating painful spending cuts or tax increases. Similarly capital available to private sector companies can be difficult to obtain. Partnerships can provide a continued or improved level of service, at reduced costs. And equally important, partnerships can also provide the capital needed for construction of major facilities. By developing partnerships governments and private-sector entities can maintain quality services despite budget limitations.

Public infrastructure and service needs far exceed the capability of government budgets to meet them. In education, for example, the American Society of Civil Engineers has said that 75 percent of America's school buildings are inadequate to meet student needs. To close this schoolhouse gap would require a capital investment of \$3,800 for every student in the United States. Even in better times, school districts won't have the funding to meet this need. This is true in virtually every area of public life, from highways to waterworks. Public-private partnerships enhance the resources and the capability to address pressing public needs.

Public-private partnerships aren't just about budgetary issues. Governments are turning to partnerships because they see that merging the resources of the public- and private-sectors makes it possible to improve the quality of services provided to citizenries. The U.S. military, for example, has developed partnerships to build housing for enlisted personnel, resulting in higher-quality living quarters without a large impact on the defense budget. Homeland security relating to public safety looks to benefit from public-private partnerships for solutions

Where does the biggest support for public-private partnerships come from?

Governments themselves are the biggest supporters of public-private partnerships. While there can be substantial misperceptions about the value of partnerships, a look at who endorses them should clarify the picture. Federal agencies like the Environmental Protection Agency, the Department of Defense, and the Veterans Administration all use partnerships. And the number of state and local governments using this tool is even greater. For example, the U.S. Conference of Mayors is enthusiastically working with private-sector providers to discuss ways to make partnerships more effective. Numerous surveys indicate why -- governments traditionally realize cost savings of 20 to 50 percent when the private-sector is involved in providing services.

When services are contracted out to private companies, doesn't that mean that either public or private sector employees lose jobs?

The Department of Labor examined that very question and, in a 2001 report, found that public workers don't lose jobs because of public-private partnerships. Examining partnerships in 34 cities and counties, the Labor Department found that virtually all affected public employees were either hired by private contractors or transferred to other government positions. In fact, the most productive partnerships have been those in which government employees (and sometimes their unions) are actively involved in the partnership planning process.

Is there a danger of corruption when private companies are involved in providing public services? Do private companies take short cuts in providing services in order to increase profits? How do we ensure high levels of quality in a project?

The only way private contractors can achieve long-term success in partnering with governments is to provide quality, value and dependability. As mentioned earlier, private companies have high levels of accountability with the public, media and regulators at various levels. In fact, regulatory bodies tend to enforce regulations more tightly with private contractors than they do with government agencies, realizing that ordering government entities to comply with regulatory requirements can mean increased budget challenges and higher taxes. As a result, both private companies and government officials are under full scrutiny, which minimizes the opportunities for corruption.

When the private sector is involved, doesn't that mean that citizens will eventually have to pay more for services?

There is more than ample evidence to show that public-private partnerships result in a higher quality of services while holding the line on costs. Private-sector partners are able to practice cost efficiencies to hold down expenditures, while also taking advantage of additional revenue streams. In cases where there have been rate or tax increases, it came as a result of upgrading or expanding systems -- and under the terms of the contract signed between the public and private partners. Often, major projects can be undertaken at little or no cost to the public. For example, in the public-private partnership that rebuilt Washington, D.C.'s landmark Union Station, the multi-million dollar improvements were completed without using a dime of taxpayer money. In part, the private contractor is recouping costs from rents paid by retail shops in the facility.

What are some suggested keys to successful public-private partnerships?

What is necessary to create an optimal environment for p-p partnerships? How do we ensure private sector entities that financial commitments to a project will be ensured? How do we ensure that private sector entities retain appropriate operational control over projects?

- **Political leadership**
 - commitment from the top and a statutory foundation
- **Active public sector involvement**
 - on-going monitoring of performance
- **A carefully developed plan**
 - extensive, detailed contracts, clearly describing the responsibilities of all partners
 - a clearly defined method of dispute resolution

- **On-going open and candid communications with stakeholders**
 - public officials
 - private sector partners
 - affected employees
 - public members with an interest in the service to be provided
 - the press
 - labor unions
 - relevant interest groups
- **Partnership selection**
 - "lowest bid" is not always the best choice for selecting a partner
 - "best value" in a partner is critical in a long-term relationship
 - experience of the partner
- **It must be a real partnership**
 - shared burdens and shared rewards for both the public and private participants
- **Real incentives**
 - or the private sector will not participate
- **Keep it simple**
 - minimize bureaucratic procedures that can cripple a project

Why should we consider public-private partnerships to help build and/or manage telecommunications services?

This is the age of information technologies, but there can be a hefty cost of getting a system operating. Through public-private partnerships, many governments are now able to fully participate in "E-government" with their constituents, or effectively coordinate government activities and budgets. Better service, improved tools and saving money are exactly what public-private partnerships are all about.

Where do we start (telecommunications)? How do we start the process of accelerating resolution of barriers to progress?

The first barriers to remove are those of mis-communication and mis-information. Industry, government and citizenry need to voice their concerns in a context of "we are friends, not competitors" and have an opportunity to help each other. Both problems and opportunities need to be put on the table. We should focus on barriers and stumbling blocks that can be removed and incentives that can be created by government as much as on what industry can do. It's more important for people first to talk about what they hope to improve in their communities and less about specific technical configurations for telecommunications infrastructure. Every community needs a telecommunications and technology strategic framework and work plan that addresses a vision for their community (i.e. their economy and quality of life – healthcare, education government access, recreation, etc.). Developing a list of needs and issues is an excellent starting point.

What are some examples of issues we could work to resolve?

Rate rebalancing:

One of the problems of rural broadband access is the high cost of long haul broadband circuits to and from rural locations (e.g. unaffordable T1 lines). This is a result of perverse regulatory structure in which traditionally long distance subsidized local and business subsidized residential. Rural businesses (especially those requiring long distance circuits) pay higher rates in

order to subsidize urban consumers. Subsidized urban consumer rates also hurt consumers because it blocks competition (competitors can't compete against subsidized rates). The original regulatory theory was to have low residential rates to help achieve "universal service." It no longer makes sense to subsidize most users when phone penetration exceeds 95%. It would be better to have cost-based residential rates and higher telephone subsidies for low-income people under the existing "universal service" low income subsidy programs. Rate rebalancing would be opposed by AARP and CUB, but could be a common ground between the industry and rural interests.

Rights of way issues:

Controversial, but should be on the table and openly discussed. The issues are different for ODOT, for counties and for cities. Even if we can't resolve all issues we may find mutual interest in solving some of them.

Difficult business cases for private sector investments:

How do we now work with the private sector to find a middle ground of providing government subsidies to private sector interests to create the necessary infrastructure when the private business cases fail?

Other topics of mutual interest:

Shared conduit (possibly with government entities subsidizing the conduit), shared poles (pole attachment issues) and shared radio towers.

What are some possible Oregon telecommunications public-private partnerships?

Homeland security programs may be good candidates for public-private partnerships. Local government entities may be able to get Federal funds for "homeland security" purposes that could be used to improve E911 access, including route redundancy and self-healing rings in territories not served by Qwest.

There likely are a number of cooperative "demand stimulation" and "demand aggregation" opportunities through which public and private entities share benefits. We need to openly and candidly talk further about stimulation or incentives for broadband applications in health care, e-government, education, e-commerce and entertainment.

EXAMPLES OF PUBLIC-PRIVATE PARTNERSHIPS IN TELECOMMUNICATIONS

Public-private partnerships can take a variety of forms as illustrated by these few following examples.

Example 1 – Minnesota Department of Transportation and a private developer

For many parts of rural Minnesota, having the kind of fiber-optic communication capabilities that would deliver state-of-the-art service to businesses, schools and public agencies would be nothing more than a dream under most circumstances, because most entities would not invest the resources to build a communications infrastructure to serve so few homes and facilities.

A public-private partnership, however, made Minnesota a full participating partner in 21st century telecommunications. In a landmark agreement between the state's Department of Transportation and a private developer, the developer was given one-time access to Minnesota's

interstate highway system in order to build and maintain a \$125 million fiber-optic backbone along 2,000 miles of Minnesota roadway. In exchange, state agencies are given free use of the network.

In this way the state was able to leverage its highly desirable transportation routes in exchange for the development of fiber optic networks on less desirable, rural routes. As a result of this partnership, 80 percent of Minnesota citizens have better telecommunications services at lower costs.

<http://ncppp.org/presskit/ncpppwhitepaper.pdf>
<http://www.mainserver.state.mn.us/connectingmn/>
<http://www.dot.state.mn.us/connect/>

Example 2 - Colorado and Qwest

The Multiuse Network (MNT) is a network built by a public-private partnership between the State of Colorado and Qwest Communications. In this partnership, the State plays the role of anchor tenant for the network and Qwest has the role of building and operating a new, statewide, fiber optic network.

The MNT is really a network inside a network. Qwest calls the overall new network it has built throughout the state the Colorado High Speed Digital Network (CHSDN). A subset of the network is dedicated for use by the State. That portion is called the Multi-Use Network (MNT).

<http://www.state.co.us/mnt/>
http://www.state.co.us/mnt/NMT_Manual_Ver_1-5.pdf
<http://www.ruralcolorado.org/Beanpole%20Briefing%20ppt.ppt>

Example 3 - New Mexico and Qwest

Connect New Mexico (CNM) is an association of representatives from the telecommunications, broadcast, computer and Internet industries working together with a shared goal of leveraging New Mexico resources for information and network technology development.

<http://www.connectnm.org/>

Under the contract, Qwest will deliver a centralized state-of-the-art backbone infrastructure allowing the transfer of voice, video and data services to MAGnet, which will reach state-government agencies and the citizens they serve in 24 rural and urban communities throughout New Mexico. MAGnet was designed to allow the State of New Mexico to consolidate all public-sector communications requirements from multiple networks into a single network. MAGnet will provide broadband capacity to the state, and will enable applications such as distance-learning and telemedicine applications, while reducing administrative and maintenance costs to taxpayers.

“This far-reaching network, while initially designed to benefit the public sector, will ultimately open the doors for economic development throughout the state,” said Bob Stafford, chief information officer for the State of New Mexico. “MAGnet initially will enable state agencies, K-12, higher education institutions, judicial branches of government, and local and county government agencies to offer their services and applications to the general public in a more cost-effective and expedient manner. Because the State of New Mexico and its agencies have established the ‘anchor tenant’ that provides the business case for the deployment of this high-speed infrastructure, new businesses thinking about moving to New Mexico in the future, will be assured of getting the leading-edge, high-speed network connections required in today’s business environment – not only in metro areas but in communities across the state.”

“Qwest’s partnership with the State of New Mexico is an example of how the public and private sectors can work together to establish a unique platform to benefit state and local agencies while also stimulating economic growth throughout New Mexico,” said Cliff Holtz, executive vice president for Qwest’s business markets group. “Public sector entities across New Mexico will begin seeing wider availability of services not traditionally available – or at least very expensive – to acquire in the past.”

http://www.qwest.com/about/media/pressroom/1,1720,1066_archive,00.html

Example 4 – Oregon and Qwest

Most urban areas have more than one fiber line connecting local phone systems to long-distance networks, but less-populated regions typically depend on one fiber route.

Laying fiber costs money, and many telecom carriers are reeling from fiber-overbuilding in urban areas. The largest investments in redundant loops came from the state's largest local phone company, Qwest Communications International. It spent \$70 million on network upgrades, including five redundant fiber-optic loops throughout the state. In exchange for that improvement and investments in school technology, the state deregulated Qwest's profits.

"Absent that kind of win-win situation for the company and the state, it makes it very difficult to have a business case (that will) pencil out that says, 'This is a good use of capital dollars,' said Judy Pepler, Qwest's president for Oregon. "You're going to have some idle capacity at all times. But on the other hand, you don't have these outages."

Qwest has completed construction of three of the fiber rings, and it will finish the other two by October. The backup networks have averted at least two outages in rural areas. "It is obviously very valuable, especially when you have businesses that rely on your network," Pepler said.

Irv Emmons, senior telecommunications engineer for the Oregon Public Utility Commission, said before Qwest built a backup network in Eastern Oregon, a farmer in Madras cut the area's main fiber cable a few times a year. "That used to isolate all of Eastern Oregon," Emmons said. http://www.oregonlive.com/business/oregonian/index.ssf/?xml/story.ssf/html_standard.xsl?/base/business/1041685097261651.xml

Example 5 – Oregon – Medford City Schools and a private developer

By placing fiber to schools in the Medford area, Hunter now has created a 'self-healing' ring that we will use to deliver services to enterprise customers throughout the Medford area. Hunter plans on replicating this model throughout the region.

Working with the Medford School Districts desire to reduce costs and stabilize the cost for connectivity of their school facilities, Hunter Communications evaluated the annual budget for the District's existing T-1 lines. "We discovered that cost would continue to increase at an annual rate of 7 to 14 % and the available bandwidth would not meet the future requirements for on-line testing," stated Hunter Communications owner Richard Ryan (541.734-2800, rryan@coreds.net).

After engineering a connectivity solution between all sites, Hunter determined that an opportunity to work with the District within its current budget was not only possible, but also that reducing these costs was realistic. Hunter offered to lease two pair of 'dark' fiber in a continuous ring to all but three school in the District and an additional 'dark' pair to the regional ESD (educational service district) for the same price of the current connectivity costs, replacing

all T-1's. The project qualified for eRate funding and will further reduce the districts expenses by 52 % this year. The contract runs for 87 months and District has the option to extend the contract out to a total of 20 years. Hunter actually reduced the annual cost to the contact fee's that will reduce the cost to about 50 % of it current connectivity budget. Hunter has just completed similar service contracts with two adjacent School Districts bringing the total school sites served by the network to 31

Example 6 – Oregon regional intergovernmental organizations and private developers

Regional Fiber Consortium and FiberSouth Consortium are “twin” intergovernmental organizations that were hastily created to respond to a unique public/private telecommunications opportunity to secure dark fiber for community and economic development purposes in what has become a five county region. The communities served by these two consortia benefit from the original communities that did the impossible and streamlined the permitting process and waived right-of-way fees to move at the speed of the private sector to create a valuable shared asset among nearly 30 cities in five counties (Lane, Klamath, Douglas, Coos, and Lincoln).

The inception of the project dates back to November 1998 and employs a “fiber brokering” rural strategy. This emerging opportunity to tested a theory with a proposed long haul fiber optic project that was being routed through several cities in Lane County, getting long haul companies to trade dark fiber for a streamlined permitting process. The companies were in a time sensitive growth mode so a streamlined process was of value to them. Their business plan did not include serving the small cities along their route and so our intent to serve even the smallest rural cities appealed to them. Springfield serves as the fiscal agent for the Regional Fiber Consortium and LCOG serves as the fiscal agent for the FiberSouth Consortium.

The existence of this open access fiber optic network, which now includes a third route from Eugene/Springfield through Salem to Portland, will link four major public universities and a half dozen community colleges and school districts for distance learning opportunities. This fiber network will also assure rural medical clinics have access to regional hospitals and OHSU in Portland to improve healthcare services in underserved high cost rural areas. Quality education and healthcare, coupled with public infrastructure that includes affordable advanced telecom services are the basic building blocks needed today by Oregon’s rural communities to become competitive in the emerging knowledge-based global economy of tomorrow. The fiber consortia is well on its way to making this dream a reality and once it becomes fully operational it will strategically position the region to recover from the current recession with greater opportunities for creating a more diverse economy in the future.

<http://www.ruralfiber.net>

TYPES OF PUBLIC-PRIVATE PARTNERSHIPS

The below definitions were extracted from "Public-Private Partnerships: Terms Related to Building and Facility Partnerships", Government Accounting Office, April 1999. Many of these arrangements are immediately applicable to public-private partnerships for telecommunications. The National Council for Public-Private Partnerships was a resource used in developing the GAO report. These definitions are listed on their Web site at <http://ncppp.org/howpart/ppptypes.html>.

Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO)

The private partner builds a facility to the specifications agreed to by the public agency, operates the facility for a specified time period under a contract or franchise agreement with the agency, and then transfers the facility to the agency at the end of the specified period of time. In most cases, the private partner will also provide some, or all, of the financing for the facility, so the length of the contract or franchise must be sufficient to enable the private partner to realize a reasonable return on its investment through user charges. At the end of the franchise period, the public partner can assume operating responsibility for the facility, contract the operations to the original franchise holder, or award a new contract or franchise to a new private partner. The BTO model is similar to the BOT model except that the transfer to the public owner takes place at the time that construction is completed, rather than at the end of the franchise period.

Build-Own-Operate (BOO)

The contractor constructs and operates a facility without transferring ownership to the public sector. Legal title to the facility remains in the private sector, and there is no obligation for the public sector to purchase the facility or take title. A BOO transaction may qualify for tax-exempt status as a service contract if all Internal Revenue Code requirements are satisfied.

Buy-Build-Operate (BBO)

A BBO is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The government sells the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

Contract Services - Operations and Maintenance

A public partner (federal, state, or local government agency or authority) contracts with a private partner to provide and/or maintain a specific service. Under the private operation and maintenance option, the public partner retains ownership and overall management of the public facility or system.

Contract Services - Operations, Maintenance, & Management

A public partner (federal, state, or local government agency or authority) contracts with a private partner to operate, maintain, and manage a facility or system providing a service. Under this contract option, the public partner retains ownership of the public facility or system, but the private party may invest its own capital in the facility or system. Any private investment is carefully calculated in relation to its contributions to operational efficiencies and savings over the term of the contract. Generally, the longer the contract term, the greater the opportunity for increased private investment because there is more time available in which to recoup any investment and earn a reasonable return. Many local governments use this contractual partnership to provide wastewater treatment services.

Design-Build (DB)

A DB is when the private partner provides both design and construction of a project to the public agency. This type of partnership can reduce time, save money, provide stronger guarantees and allocate additional project risk to the private sector. It also reduces conflict by having a single entity responsible to the public owner for the design and construction. The public sector partner owns the assets and has the responsibility for the operation and maintenance.

Design-Build-Maintain (DBM)

A DBM is similar to a DB except the maintenance of the facility for some period of time becomes the responsibility of the private sector partner. The benefits are similar to the DB with

maintenance risk being allocated to the private sector partner and the guarantee expanded to include maintenance. The public sector partner owns and operates the assets.

Design-Build-Operate (DBO)

A single contract is awarded for the design, construction, and operation of a capital improvement. Title to the facility remains with the public sector unless the project is a design/build/operate/transfer or design/build/own/operate project. The DBO method of contracting is contrary to the separated and sequential approach ordinarily used in the United States by both the public and private sectors. This method involves one contract for design with an architect or engineer, followed by a different contract with a builder for project construction, followed by the owner's taking over the project and operating it. A simple design-build approach creates a single point of responsibility for design and construction and can speed project completion by facilitating the overlap of the design and construction phases of the project. On a public project, the operations phase is normally handled by the public sector under a separate operations and maintenance agreement. Combining all three passes into a DBO approach maintains the continuity of private sector involvement and can facilitate private-sector financing of public projects supported by user fees generated during the operations phase.

Developer Finance

The private party finances the construction or expansion of a public facility in exchange for the right to build residential housing, commercial stores, and/or industrial facilities at the site. The private developer contributes capital and may operate the facility under the oversight of the government. The developer gains the right to use the facility and may receive future income from user fees. While developers may in rare cases build a facility, more typically they are charged a fee or required to purchase capacity in an existing facility. This payment is used to expand or upgrade the facility. Developer financing arrangements are often called capacity credits, impact fees, or extractions. Developer financing may be voluntary or involuntary depending on the specific local circumstances.

Enhanced Use Leasing (EUL)

An EUL is an asset management program in the Department of Veterans Affairs (VA) that can include a variety of different leasing arrangements (e.g. lease/develop/operate, build/develop/operate). EULs enable the VA to long-term lease VA-controlled property to the private sector or other public entities for non-VA uses in return for receiving fair consideration (monetary or in-kind) that enhances VA's mission or programs

Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO)

Under these partnerships arrangements, the private party leases or buys an existing facility from a public agency; invests its own capital to renovate, modernize, and/or expand the facility; and then operates it under a contract with the public agency. A number of different types of municipal transit facilities have been leased and developed under LDO and BDO arrangements.

Lease/Purchase

A lease/purchase is an installment-purchase contract. Under this model, the private sector finances and builds a new facility, which it then leases to a public agency. The public agency makes scheduled lease payments to the private party. The public agency accrues equity in the facility with each payment. At the end of the lease term, the public agency owns the facility or purchases it at the cost of any remaining unpaid balance in the lease. Under this arrangement, the facility may be operated by either the public agency or the private developer during the term of the lease. Lease/purchase arrangements have been used by the General Services Administration

for building federal office buildings and by a number of states to build prisons and other correctional facilities.

Sale/Leaseback

This is a financial arrangement in which the owner of a facility sells it to another entity, and subsequently leases it back from the new owner. Both public and private entities may enter into a sale/leaseback arrangements for a variety of reasons. An innovative application of the sale/leaseback technique is the sale of a public facility to a public or private holding company for the purposes of limiting governmental liability under certain statutes. Under this arrangement, the government that sold the facility leases it back and continues to operate it.

Tax-Exempt Lease

A public partner finances capital assets or facilities by borrowing funds from a private investor or financial institution. The private partner generally acquires title to the asset, but then transfers it to the public partner either at the beginning or end of the lease term. The portion of the lease payment used to pay interest on the capital investment is tax exempt under state and federal laws. Tax-exempt leases have been used to finance a wide variety of capital assets, ranging from computers to telecommunication systems and municipal vehicle fleets.

Turnkey

A public agency contracts with a private investor/vendor to design and build a complete facility in accordance with specified performance standards and criteria agreed to between the agency and the vendor. The private developer commits to build the facility for a fixed price and absorbs the construction risk of meeting that price commitment. Generally, in a turnkey transaction, the private partners use fast-track construction techniques (such as design-build) and are not bound by traditional public sector procurement regulations. This combination often enables the private partner to complete the facility in significantly less time and for less cost than could be accomplished under traditional construction techniques. In a turnkey transaction, financing and ownership of the facility can rest with either the public or private partner. For example, the public agency might provide the financing, with the attendant costs and risks. Alternatively, the private party might provide the financing capital, generally in exchange for a long-term contract to operate the facility.

TERMS RELATED TO PUBLIC-PRIVATE PARTNERSHIPS

The below terms were extracted from "Public-Private Partnerships: Terms Related to Building and Facility Partnerships", Government Accounting Office, April 1999. Many of these terms are immediately applicable to public-private partnerships for telecommunications. The National Council for Public-Private Partnerships was a resource used in developing the GAO report. These definitions are listed at their Website <http://ncppp.org/howpart/pppterm.html>.

Air Rights

Air rights provide the right to use, control, or occupy the space above a designated property. Air rights can be often leased, sold, or donated to another party.

Anchor Tenant

An anchor tenant is the major tenant that attracts or generates traffic within a commercial operation. Anchor tenants are strategically placed to maximize business for all tenants. The type of anchor tenant depends on the type of commercial activity.

Asset Sale

An asset sale is the transfer of ownership of government assets to the private sector. Usually legislation or an Executive Order defines the transfer price distribution and recoupment priorities. In general, the government has no role in the financial support, management, or oversight of the asset after it is sold. However, if the asset is sold to a company in an industry with monopolistic characteristics, the government may regulate certain aspects of the business, such as utility rates.

Capital Lease

A capital lease is a lease that must be reflected on a company's balance sheet as an asset and corresponding liability. Generally, this applies to leases where the lessee acquires essentially all of the economic benefits and risks of the leased property.

Cash Flow

Cash flow is cash receipts minus cash disbursements from a given operation or asset for a given period. A cash flow statement shows all sources and uses of cash reflected in the balance sheet cash account from one period to the next.

Concession Benefits

Concession benefits are rights to receive revenues or other benefits for a fixed period of time.

Cooperative Agreements

A cooperative agreement as set forth in 31 USC 6305 is the legal instrument an executive agency uses to reflect a relationship between the U.S. government and a state, a local government, or other recipient when (1) the principal purpose of the relationship is to transfer a thing of value to the state, local government, or other recipient to carry out a public purpose of support or stimulation authorized by U.S. law, and (2) substantial involvement is expected between the executive agency and the state, local government, or the recipient in carrying out the activity contemplated in the agreement.

Equity

Equity is the difference between fair market value of the property and the amount still owed on its mortgage.

Fee Simple

A fee simple is an absolute and unqualified estate providing the owner with all incidence of ownership, including the unconditional power of disposition.

Franchising

Under the franchising of external services, the government grants a concession or privilege to a private-sector entity to conduct business in a particular market or geographical area--for example, operating concession stands, hotels, and other services provided in certain national parks. The government may regulate the service level or price, but users of the service pay the provider directly.

Ground Lease

A ground lease is a lease for the use and occupancy of land only, usually for a long period of time. It is also called a land lease.

Lease

A lease is a written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may possess the real estate for a specified period of time and amount of rent.

Leasehold Estate

A leasehold estate is an estate in real property held by a lessee/tenant under a lease.

Leveraged Leasing

In leveraged leasing arrangements, the owner of a capital facility obtains the tax benefits of ownership of an asset by arranging debt financing and leasing the facility to a party who pays rent from revenues generated by the facility.

Operating Lease

An operating lease is a type of lease, normally involving equipment, whereby the contract is written for considerably less than the life of the equipment and the lessor handles all maintenance and servicing. Also called service leases, operating leases are the opposite of capital leases, whereby the lessee acquires essentially all the economic benefits and risks of ownership.

Partnership

A partnership is a legal relationship existing between two entities contractually associated as joint principals in a business.

Public-Private Partnership

Under a public-private partnership, sometimes referred to as a public-private venture, a contractual arrangement is formed between public and private sector partners. These arrangements typically involve a government agency contracting with a private partner to renovate, construct, operate, maintain, and/or manage a facility or system, in whole or in part, that provides a public service. Under these arrangements, the agency may retain ownership of the public facility or system, but the private party generally invests its own capital to design and develop the properties. Typically, each partner shares in income resulting from the partnership. Such a venture, although a contractual arrangement, differs from typical service contracting in that the private-sector partner usually makes a substantial cash, at-risk, equity investment in the project, and the public sector gains access to new revenue or service delivery capacity without having to pay the private-sector partner.

Public Purpose Debt

Public purpose debt is debt used to finance a project intended to be of value to the general public. Such debt can include ordinary government securities, such as general obligation bonds or revenue bonds, as well as qualified private activity bonds.

Request for Proposals (RFP)

An RFP is an announcement, often by the government agency, of a willingness to consider proposals for the performance of a specified project or program component. A request for proposals is often issued when proposals for a specific research project are being sought.

Request for Qualifications (RFQ)

An RFQ is a procurement tool routinely used by state and local governments and the private sector to select partners in major systems acquisitions, mainly those involving real estate development transactions. This approach differs from the traditional request for proposals

approach in that it places greater emphasis on the actual qualifications of the potential contractor--his or her track record--rather than how well the potential contractor responds to detailed project specifications and requirements.

Revenue Bonds

Revenue bonds are bonds (instruments and indebtedness) issued by the public sector to finance a facility or equipment purchase, which, unlike general obligation bonds, are not backed by the full faith and credit of the government. Instead, their revenues are generated from the facility or equipment that they finance. Because they are state or local government bonds, their interest earnings are tax-exempt under the Internal Revenue Code.

Revolving Funds

Revolving funds are accounts authorized to be credited with collections that are earmarked to finance a continuing cycle of business-type operations without fiscal year limitation. For intragovernmental revolving funds, collections primarily come from other government agencies and accounts. A revolving fund can be used to finance an initial revenue-producing infrastructure project, and as revenues are generated by the completed facility and returned to replenish the fund, they can be used to finance subsequent rounds of project development. Revolving funds can help agencies accumulate the resources needed to make capital acquisitions over time, but should only be established when agencies have a record of sound financial management and when fund purchases are small and routine enough to warrant reduced scrutiny by Congress and OMB.

Risk Unbundling

Risk unbundling is a means of facilitating the development of public-private partnerships for the development of capital improvement projects. It calls for the segregation of private and public risks, with the private sector preferring to assume those risks that are of a commercial nature and can be appraised and controlled, leaving the residual risks to governmental entities.

Sublease

A sublease is an arrangement whereby a lessee leases the property to a different end user while the lessor maintains ownership. Under such an agreement, the lessee retains all of its obligations under the lease.

PART 2 - QUESTIONS AND ANSWERS FROM THE PUBLIC-PRIVATE PARTNERSHIP ROUNDTABLE - JANUARY 23, 2003

Why should we consider public-private partnership to help build and/or manage telecommunications services in Oregon?

“Public-private partnerships can take a wide variety of forms, not just one type of partnership. It looks like it is as much as you put into the relationship as anything else. It seems to be extremely flexible and holds the prospect of being another tool in ways to address our issues in proliferating and managing telecommunications as we move into the future.”

“Public-private partnerships are being used throughout the United States and there are a number of successful ventures that are going on today with no two being exactly alike. That may be part of the confusion and part of the beauty. It looks like it can be custom fit to a particular situation. We need continue discussion about how this public-private partnership models might be effective and useful in the state of Oregon. We already have examples of public-private partnerships already in this state in telecommunications and perhaps this is an opportunity to add to that suite of successes and to learn what we’ve done already.”

“The technical benefits that came out of SB622 were important but in many ways the true impact was getting people to talk together.”

John Irwin - Chair of the Oregon Telecommunications Coordinating Council, Southern Oregon Telecommunications and Technology Council and J. Irwin & Association Community Informatics Consultants

“About 90% of the infrastructure is owned by the private sector. Local and regional governments rely on that infrastructure. Finding ways to work together would help communities be more successful in economic development and public safety.”

Ann Steeves - Oregon Telecommunications Coordinating Council, City of Coquille Community Services Director and founder of the Oregon Security Institute

“[By] aggregating demand, rather than having a large number of small pipes between everyone, you would have one large pipe that is shared, analogous to having an interstate system.”

Marc Christensen - Information Technology Director for Jackson County

“During these tough economic times both in the private sector, telecommunications and the public sector, we have great needs and opportunities for economic benefit and when times are really tough that’s the time to pull resources, pull together and show that we’re one state that going to change its’ economy.”

“The reason we need public-private partnerships is communities in Oregon and the state as a whole need for its’ economic development, infrastructure and services that aren’t economic for the providers to provide. The providers have a fiduciary responsibility with their shareholders. It’s not reasonable to sit in an adversarial situation and say you guys ought to do this. The private sector ought to do what’s right for its’ shareholders. But in order to solve the economic problem, we need to obtain public money and combine that with the private sector expertise so that we can get the necessary infrastructure that’s needed for the economy as a whole. Neither side can work independently on telecom issues in unserved communities and that’s really the heart of what we’re trying to do here, find a way to make things happen in the state that wouldn’t otherwise happen if we didn’t cooperate.”

“It’s a mistake to look for a ‘one size fits all’ top down state plan. I think we have a lot of different problems in a lot of different parts of the state and we ought to look at the opportunities for multiple different types of public-private partnerships. I think the solution on the South Coast of Oregon is going to be different than the solution in other parts of the state because the problems are different. The form of the public-private partnership may be different in different regions also. I think we should look at public-private partnerships (plural) throughout this state and not a single public-private partnership.”

Ed Parker - Oregon Telecommunications Coordinating Council, Connecting Oregon Communities Advisory Board, Parker Communications Consulting

“Colorado, as an example of aggregated demand and through its’ public-private partnership, has reduced cost in government as well as for local ISPs which helps enhance competition as well.”
“... a dialogue is crucial with potential partners in the community you live to enhance the quality of life.”

Charlie Brunetti - Brunetti DEC, LLC

“In the rural communities there isn’t enough demand to create a vibrant competitive market or a take rate that’s large enough to attract a private company to come in without some support for doing so. We have to consider more creative ways to wire some of our more rural communities in order to make it happen. I don’t see any way outside of the public-private partnership to do that. I think that we need the knowledge from the private sector and additional funding from the public sector to make that happen. I learned that when working with SB622, I didn’t consider the people that I met from the private sector as partners. It was really tough not to focus on an “us and them” relationship. When you’re in that setting and try to establish a relationship during the legislative session, it was difficult. I learned that even if we have disagreements or see an issue from a different perspective, if we’re going to accomplish anything in Oregon, we need to work together and look at our disagreements and agreements and how we might solve those.

Cathy Britain - Oregon Telecommunications Coordinating Council, RodeoNet founder, Eastern Oregon Telecommunications Consortium and Chair of the Oregon Telemedicine Association

“The reason we need public-private partnership is that there’s so much at stake, Oregon’s future and economy. We can’t resolve the telecom issues on our own without working together.”

Lee Curtis - Oregon Telecommunications Coordinating Council and Gorge Teleconsortium

“Success builds future success. We have some successful public-private partnership models in Oregon that have worked together to extend advanced services into areas that would otherwise not be served for a long time to come. I think that if the Council utilizes this opportunity in helping continue to ride the crest of that wave of success, then the myth that surrounds the public-private partnership will have a greater opportunity of being dispelled and we can talk about truth in a way that many people perceive differently.”

Cindy Weeldreyer – former Lane County Commissioner, immediate Past President and co-founder of The National Rural Telecommunications Congress. Chair and co-founder of the Fiber South Telecommunications Consortia

“I support a public-private partnership venture to help us, but one concern is that Southern Oregon has limited options as any other rural area. A lot of those two lane highways are already being built and it’s a little hard to know if you’re looking at a much larger initiative that is appropriate for a public-private partnership venture and one that’s really going to take us over as a statewide plan. What’s the single plan we get on board with and what’s the leadership that’s going to get us that single plan and how are we going to come together with some kind of decision when there are so many different avenues that are already being taken?”

Sandy Olson – Program Officer for Asante Health System

“We hear daily of all the examples of public-private partnerships occurring around the nation and the state. Parties that have an interest and a need are stepping up to the table and pursuing the funds, providers and the mechanisms either through conventional or unconventional means. I think there was a public-private partnership recently about a community in Washington that got \$.5 million to set up a Wi-Fi master station so that the community got the best solution. I’ve been corresponding by email with some North Coast communities and some of them have been told by their cable provider and their phone provider that there’s a slim chance that they’ll be offering broadband services in the near future. We need to find solutions for a small community like Garibaldi where it’s not economical for either provider to offer the service. We need to find a way to support a Wi-Fi solution or encourage the cable company in finding some way for the public sector to help support that solution.”

Dan Bartlett – Oregon Telecommunications Coordinating Council and Astoria City Manager

“In regards to the public-private partnership, the decisions are not being made in Oregon by the private sector, they’re being made in New York City. The local representatives can’t make decisions that would work in the public private sectors. So the first question to the telcos at the meeting are, how does this fit with your perspective of a public-private partnership and secondly, what are some of the parameters in regards to public-private partnerships?”

Dan Stark - Eastern Oregon Telecommunications Consortium

“It’s reasonable to state, that if someone brought a reasonable business plan that included a public-private partnership to a telco, it would be considered. I don’t think that any of the telcos would turn down business if it makes sense.”

Brant Wolf – Vice-Chair Oregon telecommunications Coordinating Council, Executive Vice President Oregon Telecommunications Association

“If it makes sense economically, it makes sense to the community, and shareholders aren’t harmed, then we would take a look at the proposed public-private partnership proposal. I think that Sprint would be more than willing to partner if the circumstances were right and everyone benefits. But again, it has to be a business plan that keeps shareholders whole and fits in with the network that exists. I would never shut the door on anything. I would look at each business plan and see where we could work together.

David Paulson - Sprint

“I think that Verizon has shown that it is interested in pursuing those kinds of partnerships. I know that we did that in La Grande with getting the Touch America POP in. Verizon was involved with putting that partnership together. There needs to be a business case for the service and then we need to look at ways that the public and private sectors can work together to achieve that case. One of the things that I would say is that there it needs to be more specific information as to what kinds of services should be provided through broadband and what kinds of customers are going to be using those services. Don’t present a business case with just an overarching goal. Having an overarching goal is fine, but in order to create a public-private partnership, you need to have the specific things that the private sector can look at.”

Schelly Jensen, Verizon

“I would like to have broadband in every community in Oregon. Some public-private partnerships, like in Harney County, a CenturyTel customer, public dollars were used to build out their network and that worked out very well to supply DSL. The time that we get into a problem is when we use public dollars to push out broadband to a community and from the public side, we’re wanting to say “open access”. Verizon, Sprint, AT&T and the small telcos can play. From the provider standpoint, you would like to preserve those exclusive areas in those

markets. That's where I see the most friction in the public-private partnership, how do you build a highway that's open to everyone and make the rules so that the providers are willing to play in that game versus the other side of using public dollars to build a highway for a specific vendor. Somehow, that needs to be solved."

Link Shadley, NoaNet Community Relations Manager

"The problem in this county is a public-private conflict. That's the reason why we have the need for national broadband policy. We have been the telecommunications industry of the past, but we are now losing ground to other countries that have a national policy using public dollars creating a national uniform structure that allows them to create a dynamic marketplace where you have multiple service providers in every locality. That's what's true in South Korea, they created the overall fiber miles for the entire country and made sure that every marketplace has at least three different vendors in each locality so you have some competition. That's what we don't have here in the U.S. There's been a conflict between the need to create an investment by the public into infrastructure to create a uniform environment that everyone can play on versus what is the role of the private entity. It becomes the position of the private entity in many places that it isn't economical to build infrastructure. Regulatory issues and other disincentives have created an unhealthy marketplace. You also have competing platforms in this country. In the rest of the world, wireless services are more advanced because there is a uniformed standard network. People are using messaging services and video telephones. Our network is broken and disjointed. There's a theory that the value of the network is equal to the nodes in the network, in fact, it's a multiplier of that. When you don't have equivalent services through broadband, such as in some communities where you have only several hundred kilobits per second versus megabits per second in other communities, you have an unequal marketplace. One of the challenges is that you need to have policy at every level of government that allows some kind of uniform structure to come about whether it's tax credits, direct investment, or whether it's subsidization by the federal government as highways are or any other large scale infrastructure system where it reaches to every community even though it's not economical or where the private sector won't do it unless it makes a profit. Some states are using their rights of way or other incentives to get the infrastructure built. Until we deal with the policy issues, we're only going to be looking at solving the problems with small, localized markets and that will have a very small-scale effect instead of a large, scale effect."

Stuart Pittman – Telecommunications Consultant

"We heard at a couple of meetings last week that the investment in a business plan that's not controlled locally for investment purposes makes it difficult to put together a partnership. He said that he agreed with Schelly Jensen that targeting is critical. My question is how do we advance public interest in rural America when the telcos' decision process is like the railroad decision process, you can't understand it. I'm sure the people in the companies understand it, because big bureaucracies are big bureaucracies. My concern is that HB2680 is coming back to us again, so we'll go back into the same debate. It's really a debate about infrastructure and competition. I think you can separate infrastructure from competition and the telcos haven't done that yet. How do we advance the public-private prospects to make any investments? I still don't know the right answer."

Terry Edvalson - Eastern Oregon Telecommunications Consortium

What are some possible Oregon telecommunications public-private partnerships?

"Within each community there exists a certain capacity that is either brand new or has been there for awhile, but not fully utilized. One of the ways we could look at our resources is to map out where the existing capacity is and look where the gaps are. In the mapping process, we could

identify private sector partners who have an interest in serving in that area and may have already made some investments in that area. With a business case and plan and some of the incentives that have already been mentioned, a public-private partnership could come into play to fill in those identified gaps. We all have contingency plans and we all have our goals, it just seems that we've all done it within the funding streams that are dedicated to education, telehealth, and e-government. The private sector is moving quickly into the area of entertainment and instant information. If there's a way to see where everyone's investments are and look at places that are new opportunities and float some ideas of who could provide those services in those communities, I think that's the starting place for a public-private partnership. I think that there's no one size that fits all. But at least an inventory of what we have to start with is a good launching place for a public-private partnership.

“With the silo'd funds that we have currently, if there is a way in forming new coalitions to pool limited dollars for a common project. In the case of the State implementing a high-speed connection to every school in a rural school district and that is used only during school hours, how can we take the investment that's already been made there, and begin to develop local programs that focus on economic development issues in that community. I've yet to see anyone fully utilize the capacity that's there on a 24/7 clock. Educating the community on what they already have and how that they can utilize the infrastructure in ways that can improve their economic earning power could result in a global community.”

Cindy Weeldreyer

“The one thing we could in helping the telcos build their business case is to look for the applications that would ride on their network that the consumer would demand and that would help improve the take rate and give the telcos a reason to continue to build out and to educate the public as well. If there are telcos that need to ride on that fiber that are in demand and the consumer is pressing for those applications, then I think that helps the telcos build their business case.”

Ann Steeves

“It sounds like we're both trying to get to the same place with a slightly different approach using the same criteria; what does the community need and what are the applications. And after that point, how do we work together to make that happen?”

David Paulson

“BrunettiDEC, LLC, has been awarded a contract, by the Arizona State Procurement Office, to conduct a feasibility study of each county, assessing every city and municipality's profile or unique footprint that will be represented at the state level. Overall, they're gathering information at the same time about these communities to support their efforts in planning and incorporating a theme, not necessarily a universal plan that will work for everyone, but their footprint and understanding that they're going through this planning process in different phases, looking at products and services these communities want to see and pulling together that information into a strategic plan, understanding what they need to do in order to get those specific technologies. One of the lessons we learned from Colorado was that due to a communications break down, some counties and agencies didn't get a connection because they were not aware of the new network. Educating the community at the local level was absolutely critical.”

Charlie Brunetti

“The open access concept was worth considering. Using the railroad as an example of open access, he said that most of the participants here today would have arrived by rail. Because the railroads are privately owned, any competitor today would have to pay a high trackage fee. As

the public highway infrastructure came about, most of us moved over and drove in automobiles that we had control over. We all like to jump on the highway, whether it's an SUV or whatever. I see telecommunications that same way. We need to get to the point where the infrastructure is public and the content is private and competitive. That's just the best of all possible worlds that I see happening. I carry three different cellular devices with me when I'm on the road so that I can get email. It depends on what cell tower I'm parked underneath at the moment. If somehow the technologies and the protocols could come together, my life would be much simpler. I see that as one of the challenges and that somehow we can get the infrastructure ubiquitous, the same and compatible and then we choose what content we want to deliver over it, whether I buy that content from AT&T, Verizon or Sprint."

Link Shadley

"The Oregon Economic and Community Development Department's Needs and Issues list [is an] inventory of what communities have telecom needs. I believe that there is enough, at least in Southern Oregon, data identified as to what their broadband needs are. Maybe we can start with that as sort of a collective inventory. Another issue is that working with our local telecom providers here, we are suggesting to them that they buy a web portal application and give it out free to some of their customers to help drive that take rate up so that it would help justify a business case and leverage further deployment. The small investment in some cases, web portal vendors or other applications vendors, the telco might be willing to invest a small amount of money, because I think we all agree that once we get associated with the technology and depend on it and we like using it, that we'll want more and more of it available and it needs to be available 24/7 on a daily basis. I think that's part of what's going to drive the take rate and I think potentially the telcos will have a reasonably small investment that will drive their deployment opportunities."

Ann Steeves

"This goes back to not having a ubiquitous marketplace. People don't know what they want until they have had the opportunity to use it. If there are only certain communities that have something, then you don't know whether you want it or not. Many of the large planned community developments are building fiber to the home, but for the rest of us, we're not going to get it unless we move into one of those planned communities. To have a group of people that have not only multi-megabit, but tens of hundreds of megabits, and eventually gigabit service to the home and to have somebody next door which is too far to get DSL and it's still on dialup or somebody who's getting 200 kilobits per second because they're on a long loop length on their DSL modem is not a marketplace that's equal and yet they're probably going to pay equivalent amounts for broadband. Until you create that uniform marketplace, using Link Shadley's example of having to use three different devices to manage traversing throughout the territory is a perfect example of the problem. If you have a uniform marketplace and everybody knows that there's a service of a type, then you have service providers that are going to be willing to provide the services that will ride on those platforms."

Stuart Pittman

"'Coastal area silenced by cable break,' it's a headline I read in the Oregonian a couple of times a year. In last year's version, people were unable to access 911 for several hours as a result of a cable break. The fundamental core problem is that there's basically a single thread, a single line out of those South Coast communities and it's gets cut periodically. It can't be economic for Verizon or anybody else to put in an alternate route for that cable. We just went through a whole statewide project with Qwest deploying self healing rings and the whole justification for that program was that the communities were not an economically business case. There's a real public safety need for people to have access to 911 and that public safety need maybe a vehicle for

bringing public funds into finding a way to get diverse routing in the South Coast. I don't care whether it's Verizon or a partnership between Verizon and NoaNet or Verizon and somebody else, as long as we can find a way to get diverse routing from the South Coast. There may be an opportunity if we work together to possibly get some federal grants or homeland security dollars. It is a public safety issue and if we can find a way to bring some dollars in, maybe Sprint can figure out a way or maybe NoaNet can deploy an alternate route and we can have a relationship with NoaNet by itself. My question is to Ann Steeves, Schelly Jensen and the NoaNet folks, is there a possibility of pulling together a project plan here so that we can get out of this problem of greeting this headline in the *Oregonian* a couple of times a year, no phone service or any kind of telecom service to the South Coast of Oregon. Solutions are likely to be different in different regions where it's different companies, and I'd rather focus on a particular one to see if we can make this one work."

Ed Parker

"I wholeheartedly appreciated Mr. Parker's comments regarding the South Coast area. She said that the fiber optic line that was cut between Myrtle Creek and Roseburg knocked out communications outside of the area. We were able to make local calls, but long distance and Internet services were down from Reedsport to Brookings over an eight-hour period. When the fiber was cut this time, the ATM machines didn't work, the grocery stores weren't working and you couldn't get gas at the gas pump. I was actually in Brookings the day the fiber cut occurred, when I went to the Bank, they were working on hundred dollar transactions only. I think they were fortunate that it was only an eight-hour outage instead of an eight or eighteen day outage. Redundant routes are critical for survivability, whether we're talking about homeland security or not. The ability for people to function normally who have become so reliant on electronic transfer of funds; there's definitely a cascade effect that impacts everyone when something like that happens. In response to the question of an example of a public-private partnership, there's an initiative currently underway in the State of Oregon, spearheaded by Oregon RAINS (Regional Alliance for Infrastructure and Networks Security) Their website is, <http://www.oregonrains.org> They have the support of Ron Wyden, Dick Clark, special advisor to President Bush on cybersecurity and Vice President, Dick Cheney. The alliance's offices, a group of technology companies that are working with the federal government, are located in the Portland area. March 13 and 14th they're hosting the acting director of the National Institute for Standards and Technology in Portland. The OTAP initiative is a network that runs from Portland down into the Jackson, Josephine, and Klamath area. It will be a solid network that will allow public safety agencies and hospitals and banks to ride on this network and test security communications technology on this network. That is being done likely through a grant from NIFT through the federal government and the Department of Homeland Security. In areas where no connectivity exists, it's likely that some of that funding will help us with deployment opportunities. We also want to track wireless versus DSL versus broadband to see how that would impact in a crisis situation as well. We built a coalition of public safety agencies, hospitals and banks that are all going to participate in that process. I believe the infrastructure is becoming more and more critical for survivability as we move along. We have partnerships with our telcos as well as private hospitals and technology companies. We have a good example of a public-private partnership already underway in the state of Oregon."

Ann Steeves

"I see this headline in a lot of places throughout the state still and so it's not just occurring in the South Coast area. It's just the most recent occurrence we read about. Throughout the state we continue to have many areas where we lack route redundancy. It sure seems like a great area for working together."

John Irwin

“Some of the more difficult issues we face are when we talk to a telecom provider, and we ask in terms of the business plan, what does the take rate have to be and the take rate is higher than the number of people that make up an area. For example, communities like North Powder don’t have the business and residential take rate to get advanced services. My concern is how do we create a public-private partnership that can provide services to those people? I think we are talking about some form of subsidization and that probably comes from the public sector. But, how do we interest the private sector in partnering to do those sorts of things. I think that people are looking for those kinds of places to relocate to. There was a time in Fossil when the public administrators were from San Francisco and Seattle and both admitted to having escaped to that community. That’s where they wanted to be. I think we see more and more of that. I’m baffled as to a solution to what kind of partnership that would take.”

Cathy Britain

“You have to look at it in three different levels. There is access to the long line, the mid-mile and the last-mile. In many communities that don’t have route diversity or they don’t have the type of access to fiber ring or fiber spur out to their community. It’s going to take public policy initiatives to do that because there are some places as you have just identified where connectivity is just not going to happen without some kind of initiative either through state or on a national level. This is important for all these local, regional and state issues to be communicated out to the policy maker. Year after year there have been various legislative attempts to get some sort of subsidy or tax credit to make that happen. SB622 was effective in getting fiber to some parts of the state, but you need to get route diversity extension to these communities and then solve the last mile process. You need to solve each one as a separate element because I don’t think you can solve them all together.”

Stuart Pittman

“Building broadband to the unserved communities may not be cost effective, maybe the solution for that would be affordable satellite links that would give them some high-speed connections that are greater than dial up. In Alaska, they didn’t build roads and freeways all over the state for a variety of different reasons as they did in the lower forty-eight states. In Alaska’s situation, where they are surrounded by so much natural beauty and natural danger, they developed a transportation system that uses small airplanes. We need to take that same approach to telecom infrastructure and go with what is most cost effective and use the most appropriate technology for the area where folks are choosing to live. But, it doesn’t necessarily limit them from being able to compete in the global marketplace. Several of us in this room were on the original Oregon Economic and Community Development Department committee that attempted to try and build demand for high-speed Internet, a Smart Oregon project. I think the premise behind that program was to go and find those cutting edge pioneers in the field and discover how they had transformed their businesses in cost effective ways and how they were developing lifestyles based on that. They could tell their stories to inspire other people to help build a market for those kinds of activities. I still say there’s an opportunity that is untapped, being able to show the success that people are having in the places that they’re having it to inspire people. I have a bad reputation of being up in the wee hours of the morning when most smart people are sleeping. I saw a thirty-minute infomercial on my local station about a private company coming to Eugene promoting how to take your ideas and turn it into a business. In an economy like ours right now, where so many people are out of work and running out of unemployment benefits, that rings so true. So right now, we’re in a critical window of opportunity to catch people in transition and build that market that we’re looking for. I just hope that we start finding ways to reach those people with that message and inspire them to look in new directions other than the traditional

going to a big box for eight hours a day and then come home and not being able to fully enjoy some of the opportunities that can exist through telecommunications, broadening their quality of life.”

Cindy Weeldreyer

“[An] the education piece of showing people what can be done and giving people the opportunity to try technology would be an interesting project. We just had a conversation with a manager at the Umatilla Army Depot, based in Heppner. They are required to be able to communicate immediately with emergency responders. That’s a tremendous project and it’s going to take a lot of good minds coming together to figure out what the solutions are over a very wide range. If Hanford goes, we’re downwind and if Umatilla Army Depot goes, it impacts us. I think emergency responders are critical and the area of developing good mobile emergency response is critical. How do we equip those first responders, the ones that broadcast back to the tertiary care centers or to the center for disease control or to wherever they need to broadcast to in order to determine what the solution is to the things that they’re seeing? Another project that is much smaller is creating an all terrain vehicle park between Heppner and Sprague to attract tourism. It’s also going to attract the ambulances because we all know what happens when people who drive all terrain vehicles, don’t know how to drive them. How do we get emergency communications to this all terrain vehicle area when people do inevitably hurt themselves? We could first of all get a responder there and secondly we can get triage there because it will be a long time before they can get to the hospital.”

Cathy Brittain

Where do we start (telecommunications)? Who needs to be involved? What do they need to know?

“Refer to the OECDD Needs and Issues Inventory for discussion purposes and that the Council form a public-private partnership subcommittee that would include some of our guests today to begin working together to discuss opportunities such as the Homeland Security and regional RAINS, web portal solutions which is specifically in line with the State of Oregon’s mission within the Department of Administrative Services (DAS) to do e-government work to drive take rates and to get the consumer engaged. I think if we could do some subcommittee work and potentially look at those two topic headings, which would be a good place to launch from.”

Ann Steeves

“The public-private partnership document [prepared by the Public-Private Committee] outlines some of the basic points around the concept is working successfully in other parts of the country. We tried with the limited resources that we have, to put together some best practices of public-private partnership in other places. I know undoubtedly in other parts of the country there might be others. The ‘where we start’ question is looking at what’s working and what’s not and be smart about picking initiatives that make the most sense so that we get some early successes to continue to build on what we’ve already done. Having more of an industry voice at least with the major types of delivery of telecom services at the table would be helpful moving forward. That’s one of our recommendations. Looking at the Council’s report to the legislature and all the different areas that we tackled, we recommended some ways we can build on what investments have already been made; getting the take rate up in communities is one thing we’ve identified around the table, being able to better utilize the existing providers that are out there for the solutions in ways that hold stockholders harmless and give the public entities more of an opportunity to better advance economic development resources, distance learning resources and telehealth resources. Those are all good places for us to start.”

Cindy Weeldreyer

“One thought that cuts to the mechanics of these partnerships is that there are many different modalities in a public-private partnership. One of the important things is to help people understand what are all these different modalities that are available. It’s not a one-size fits all approach. There are a variety of models available and there’s an opportunity to learn the mechanics of how to put these things together. There have been many times I’ve gone away from a deal frustrated because I didn’t understand how to do the deal.”

John Irwin

“As you’re going through and developing recommendations, I think it’s important from the private perspective that it be relatively easily accomplished. For example, in Idaho, there’s an investment tax credit for broadband. All you have to do to get the tax credit is present your case to the Public Utility Commission stating what the investment was that you made. The Oregon tax incentive was too difficult to apply for.”

Schelly Jensen

“We heard that OrcaNet in the Coos Bay area withdrew their application for OECDD funding at the last minute because the process became so onerous. It was more attractive to finance from some other mechanism than through an almost done deal through OECDD. I think it’s important to understand to hear from the private sector on how we can help to streamline some of these processes.”

John Irwin

“In our recommendations to the legislature for the current session, we did recommend fixes and amendments to the tax credit legislation. I think this is a good opportunity to work together with the industry to make sure that we get it right in this legislative session.”

Ed Parker

“In other states where they have worked together at the local level, they have hosted community workshops and developed planning documents that are unique to their communities. The planning documents were primarily driven by the community and local government because of the retention of jobs and keeping that market and dealing with economic development issues, education and healthcare because they thought it a need that had to be accomplished. They hosted workshops that included local providers and local leaders and worked on developing planning documents that incorporate the telecom infrastructure, technology, applications, product and services. In terms of a comprehensive plan, that was the first step at the local level. When the public-private partnering occurs, the private partner feels much more comfortable because they’re getting the details, they understand the demand, they have the information in front of them, and they see where the tax dollars are being spent.”

“At the workshops, one of the things we ran into when you had the private-public partnering is that the local ISPs want to know who’s going to be managing that network? The other local ISPs look at it as competition issue where the fox is watching the henhouse. So that’s where you bring in a neutral entity with the proper utilization reporting on a monthly basis. The information would be provided so that it’s there for people to see. It provides a big level of comfort. Once you feel comfortable with the way things are going, they now recognize that they have new products and services that can offer in the market share and they get excited about it and it reduces some of their capital costs as well. Everyone wins in that deal.”

Charlie Brunetti

“Another opportunity is to look for killer applications that are going to increase demand for broadband so that people will be able to get something that they’re hearing about that’s getting a lot of media coverage. That’s another way to utilize the current investment that we’ve made.
Cindy Weeldreyer

“The killer applications are here and those of us around this table have done a terrible job of educating our communities. I sit and watch TV and see commercials for, “Hypnomoto”, Motorola’s new logo or somebody says come join up with our new system and you’ll have 3G CDMA. That means nothing to my 72-year-old sister. Usually, I have to refer to a glossary to see what it is they’re talking about. We need a lot more down to earth education to our community members on how to do email, how to contact their grandchildren, how to begin sending email back and forth to their customers, how to bring up a small commercial website without getting taken by someone who charges them \$5,000 and then they never see their web page. When we go into communities and educate the folks about the new technology and how to use it, we find the take rate goes up. In Astoria we had the highest percentage of Internet users in the state two years ago. It had to do with what the community college was doing. Conversely, when CenturyTel deployed DSL in some small rural communities, the take rate was terrible. There wasn’t a marketing, training piece or support piece that went along with the deployment. Somehow, we have to do that. I don’t think we can rely totally on the private carriers. They have hardly enough dollars there to get them to deploy in the first place; they’re not going to create a big marketing campaign. But, we as techno evangelists can do that in our communities and we’re very good at doing that. We just have to organize and make a commitment to do that.”
Link Shadley

“SOTTC has just stated working with Charter and SOU. They are going to provide time and their creative expertise for 15 and 30-second spots that will be a start towards trying to educate people as to the power of broadband. It will be a total of four to six spots over the next six to eight months. It’s an important piece to get the word out to help build demand.”
John Irwin

“It’s important to have a healthcare representative who knows what works address the healthcare community. In the education community the same thing has to happen. It’s got to be some young kid helping grandma hook up her mail station. It’s got to be at the local level. It’s not a job for the providers except in concert with the community to give them the technical skills that they need and the capabilities. That’s a real good partnership piece that we can provide in terms of increasing the take rate. It costs a lot of money to implement a marketing campaign.
Cathy Britain

“The healthcare applications maybe a good opportunity for a small easy baby step for a public-private partnership because the solution is going to take both sides. There’s lots of opportunity and lots of need for improved healthcare in rural communities using telemedicine. I think that the public and private sector can work together in the current legislative session to solve for the reimbursement problem. Right now, telemedicine isn’t really happening in any large scale in Oregon because the Oregon Health Plan doesn’t pay for telemedicine costs even though they could save money. The Oregon Health Plan pays for transportation and if we could get the Oregon Health plan to reimburse for telemedicine, it would be a lot more useful. If we got Blue Cross Blue Shield to reimburse for telemedicine applications there would be a lot more use of it. We can work together to get that fixed this legislative session. But on another level, most of the rural health clinics and even the rural hospitals in the state, don’t understand how to use the subsidy that’s available from the FCC universal service fund. There’s a lot of paper work to use the rural health subsidy. The rural clinics can basically get the broadband service in their

communities at the same price that they would pay if they were in Portland and the rural carrier gets it's regular tariff rate and the difference comes out of the Universal Service Fund tax that we all pay on our phone bills. Almost no one in Oregon is taking advantage of that available subsidy that we're paying for. And part of the reason is that the telephone companies don't understand it very well and they're not helping their customers to work through the paper work. If we could get a public-private partnership just working on some of these practical issues like telemedicine, that would improve the take rate in Oregon."

Ed Parker

"The healthcare community has to get behind the providers in terms of redefining who's eligible for that subsidy. When you're trying to get a line subsidized, some of the miles may not be eligible for the subsidy. You can't create something that works for everyone because the FCC has determined who's eligible and who is not eligible to receive the subsidy. If you are part of the mechanism for delivering a line service to a rural community, regardless of whom you are, you should receive a portion of that subsidy. I think the healthcare community can work together with providers to ferret out those issues. I think that we presume that the private sector should help us, but I think we should look at ways to help the private sector."

Cathy Britain

"It would be nice to have e-rate model that you could apply in the healthcare community. That model works really well. It would be helpful to study the SOEN contract to see how the healthcare community could take advantage of the e-rate program."

Phil Krug – Oregon Department of Administrative Services, Information Resources Management Department

"There is a federal e-rate program that's part of the universal service fund for rural healthcare, but the paperwork is a little more complicated than on the education side."

Cathy Brittain

"With rural school districts, distance learning is such a wonderful opportunity to continue to provide content to rural schools. Piggy backing on those teachers that are in the urban districts that would allow those students in rural areas that would simply not have that resource to be able to affordably access online classes. I think that fundamentally, as an American culture, we need to move beyond the concept that the only learning that we're going to place value on is what happens within four walls of an accredited classroom. We need to find ways to embrace life long learning in the environment in which we exist and be able to do that in ways where we demonstrate confidence and be able to move into areas where you have unique skills and gifts. Right now with the current education system, it's becoming more and more costly to continue to provide the services and a lot of people are falling through the cracks. We have an opportunity now with the infrastructure that we have put in place for Oregon to figure out how to solve the education crisis using this new technology. But, you need the visionary folks to educate folks. It's like a jigsaw puzzle where all the different sectors have their piece, but we haven't put it all together yet. Distance learning is an opportunity to use broadband to be able to create a medium by which we can communicate messages in ways that people are going to receive it and learn from it and want to be able to participate perhaps in a competitive way."

"The public-private opportunity in education is that we need to better integrate what we're doing now with economic development, workforce training and educating not just K-12, community colleges and higher ed, but we need to merge all that together in a meaningful way than we're currently doing and have some private sector sponsorship with certain kinds of programs that they get credit for and add value for what they're doing."

Cindy Weeldreyer

“The Council should have a discussion with the Salem-Keizer School district to discuss those opportunities.”

Phil Krug, responding to a question on the topic of public-private cooperation in distance learning by Ed Parker

“What opportunities might be available to sustain connectivity to schools since many can’t afford to maintain the SB622 infrastructure?”

Kim Hoffman – Oregon Telecommunications Coordinating Council and Oregon Health and Sciences University

“The reason the cost seems so expensive is because there isn’t a lot of content. To use it an hour a month is very expensive. Once you get the critical mass, then the idea of paying \$1200 a month for a connection seems less, including the e-rate component in there, can make it more cost effective. That is one of the things that the Distance Education Council is very much aware of is getting the content piece put together and having something meaningful for people to use and getting the different school districts working together. There’s a whole bunch of problems in there that I don’t understand like how you give credit for a student receiving instruction from another site.”

Phil Krug

“When schools are struggling just to stay open, anything looks expensive. When you have schools saying that they won’t be able to keep their doors open past May, they’re not going to consider any amount of money for telecommunications.”

Cathy Britain

“[I’m] struck by the disparity of schools trying to stay open and maintain connections to broadband, yet the video poker and lottery machines get plenty of connections.”

Dan Barlett

“Is there was any way that schools can buy broadband access for video on an hourly rate instead of monthly rate?”

Ed Parker

“You could buy ISDN on an hourly rate, but that’s very expensive.”

David Paulson

“The solution might be to aggregate demand. If each school tries to buy something separately, it’s going to be expensive. If the school district tries to buy it for the entire district, you’ll have another price point. I think aggregating demand is important.

Stuart Pittman

“Where the school is located impacts the cost. As an example, La Grande pays a lot more for the mileage than Portland because of the way the network is configured. So there’s a two-part issue, the charges for having the service and the charges for the mileage involved.”

Schelly Jensen

“If you’re in Jordan Valley school district, aggregation isn’t there to impact the cost.”

Cathy Britain

“There are two parts to distance learning; synchronous, video; real time source of education and asynchronous learning; web based applications. Salem-Keizer Online uses the web based instruction for a lot of reasons, it allows the students to participate on their schedule and they

have a lot of students who are in an alternative school mode or have dropped out and are coming back and it works real well for them. They had over a 1000 students participating last year.”

Phil Krug

“We need to move distance-learning education ahead in a rapid way and we need to respect the intellectual properties of creating curriculum so that we have a healthy and active research and development cadre of people in Oregon that can create programs that can be available to anybody that wants them. At the same time we need to find a way to attract those most talented people. I believe it needs to be a intergenerational approach, the very young people that are preferring one way of delivering education over another one. Some are hands-on and some can sit and play computer games for hours and hours. If there was a learning component to it and it was a competitive type of thing among students, where you have something like an academic Olympics that we’re delivering through broadband, that would be something that a variety of different learners with different skills and abilities and creating a curriculum that gives them an avenue to best utilize their skills and abilities is what we need to be doing. The Internet provided a foundation of layers that we get to build on. We need to take that same open source concept and apply it to education so that the folks who have the best jobs are the ones who are inspiring other people to build on that. The value that comes backs is that we’ve got kids and adults that have an avenue to connect to and make our society stronger for it. Right now we’re still compartmentalizing technology and education. Those are some of the big ideas that we need to be focusing on if we’re going to build a state of the art distance-earning model that other people can benefit from. We have that opportunity to do that in Oregon right now.”

Cindy Weeldreyer

“Using the railroad analogy, the way our network is built now, the railroads are mostly owned by private companies, individual railroads and spurs. The concept of the government circuits for distance education, government business, or private circuits for a radio station or a television stations is kind of like where we’re required to set up a train with our own engines, cars and caboose to run on that railroad to move our information back and forth. If you have a lot of you can string together 300 cars and ship grain to Ports of Portland and Longview very inexpensively. But if I have one small packet, even one railroad car that I want to move is an extremely expensive way to move that information and that’s why we have moved over to the current transportation system of paved highways, it’s open access and we can all get to it. We can ship any size package on that system and it costs us the same no matter what part of the state we’re in and the highway is wide enough that the same truck that picks up a shipment in downtown Portland can deliver it in French Glen. We don’t have to offload it, change protocols and break it down. We need more of an open access to the overall infrastructure and then carriers who deliver content or carry our freight back and forth can compete on that open playing service.”

“I would like ubiquitous, affordable open access. If I’m in Salem, Portland or Eugene and I’m a distance education student and I want to do an interactive class, I could probably get a DSL circuit for \$40 a month that will do that. If I’m in French Glen or Ione, I can’t get it for that cost. The only way for me to get that kind of content is probably through a fractional frame relay line and I’m going to pay a \$1000-\$2000 a month which makes it unaffordable for that student outside of the metro areas which makes the whole concept of distance education unaffordable because you can’t get enough students. Half of them are still going to have to drive to the classroom.”

Link Shadley

“Mr. Shadley was referring to affordable access, not open access which means any ISP can use our lines and you could dial any ISP you wanted. If you have cable modem you can’t.”

Schelly Jensen

What are some examples of issues we could work on together to resolve?

“We still muddy the waters between public-private partnership and public-private competition. I think the whole specter of public-private partnership competition diminishes the potential for public-private partnership. I don’t know how to get past that the HB 2680s or the new bills, HB2442 and HB2443, that Mike Dewey just filed. We don’t talk to him and we don’t have him at the table because we eat him alive and he doesn’t want to come back.”

Cathy Britain

“There’s no doubt that there is suspicion that local governments want to compete, that’s just the reality. We have someone here from the city of McMinnville who is trying to start their own telecom network and the private sector is not real excited about that.

Brant Wolf

“Would there be some way that the private sector could work together with the city of McMinnville.”

John Irwin

“I don’t think they could work together because they are going into direct competition against the private sector. They are not talking about providing services that they don’t have already. It’s different than what happened in La Grande where Union County provided some money to Touch America to encourage them to provide a POP.”

Schelly Jensen

“Was it because the municipalities see it as a cash cow or source of revenue in these tough times? Why does a community want to get into the business outside of their core competencies? It seems to me that there must be some opportunities to work together on these projects.”

John Irwin

“I don’t think that most communities see it as a cash cow. We actually considered that approach in La Grande out of desperation. We knew we needed a service that the private sector wasn’t willing or able to provide and we were looking at whatever mechanism would work to get an absolutely essential service to our citizens. I think that if you can work effectively with a private company to reach that goal, then it’s a good thing. But if you can’t, you’ve got to be willing to do it yourself. To me, that’s the fundamental weakness of the legislation, this son of HB 2680 that’s being proposed is that it removes a critical alternative for communities that need essential services.”

Wes Hare – Oregon Telecommunications Coordinating Council, La Grande City Manager and Connecting Oregon Communities Advisory Board

“There could be opportunities to work together with the private sector. I was inspired by Ashland’s project and talked to the city over a four-year period. It was exciting to see what a community could do. He reviewed McMinnville’s economic history, noting that the city leaders were wise enough to bring diverse industry. He said that having a public utility involved in deploying advanced services would be advantageous to all of our citizens. He noted that the city formed a non-profit organization to manage a public access TV studio that enables the local

citizens to learn about their community. He believes that a public-private partnership with a large cable company would be a great opportunity for the community.”

Frank Nelson, McMinnville Telecommunications Committee

“For small communities like Tillamook, the only alternative to get advanced services is to create the opportunity because they can’t make a business case with the incumbent provider.”

Dan Bartlett

“The Central Oregon Coast is an example of a successful public-private partnership. The threat of competition was a major barrier in expanding their limited connectivity, but they won the legal battle and have two customers, Qwest and another CLEC. They never had any intention of competing with the private sector.”

Ed Parker

“[Verizon’s] issue is local government competing on the same level as Verizon. If the municipality uses city or electric utilities to subsidize phone rates then the taxes Verizon pays subsidizes the utilities’ lower rates and that undercuts our rates. McMinnville already has cable modem and DSL so they really are competing with us.

Schelly Jensen

“There’s a public-private partnership somewhere in there [McMinnville]. He mentioned that Dewey’s bill would kill any public-private partnerships and asked the private sector representatives how the Council could cooperate?”

Ed Parker

“The November 2002 unemployment rate in Union County was 5%, lower than Portland. The Union County public-private partnership must have worked. Those jobs are really needed and asked if the public and private sector could work together for everyone’s benefit.”

Lee Curtis

“There’s a need to demonstrate opportunities with private partners and requested that the Council pick a couple of projects and do them. He encouraged everyone to talk to each other on an equal basis.”

John Irwin

“The Council needs to look at what other states are doing to bolster their case.”

Charlie Brunetti

“Cooperation between the public and private sector is necessary in order to deploy services to rural Oregon.”

Ed Parker

“Historically one of the main barriers to doing what we want to do in rural Oregon is the Department of Administrative Services. The SOEN network aggregated the government demand and in the process impacted the private sector in rural Oregon because all the public sector business was creamed off onto the SOEN network and there was not enough business left for the private sector to do anything for local businesses. But in the latest SOEN contract, signed by the State and Qwest, the “no resale” clause was removed. Given that there’s no legal barrier, the next step would be to have an entity like Fiber South that can buy from the SOEN network, get a certificate of authority from the PUC, so that they can resale. The intent is that the CLEC contractor, PCI, through Fiber South can now buy from the SOEN network and use that to resale to the private sector in all the locations that would otherwise not be accessible. I think it’s all

going to work out in the long run, particularly since the SOEN contract with Qwest has rate reductions based on volume. I believe that Fiber South is now working with the CLEC contractor and this can be an interim service for all the communities in the Fiber South region. It's also a way to get CoastNet, which has been stranded as an island on the coast, connected back into the valley."

Ed Parker, commenting on Fiber South's new CLEC status

"We really do need to continue to understand what role public-private partnerships can play. It's not just about co-mingling money; it actually might be more of co-mingling efforts. It's a very big concept and part of what we're dealing with has become stereotyped around one way of doing things; putting money in the same pot. We need to keep pressing forward on the issue."

John Irwin

Sources

Contents of this document came from several sources, including: The National Council for Public-Private Partnerships, a Qwest press release, Web reports from 3 states (Colorado, New Mexico, and Minnesota), testimony before the Council from Charlie Brunetti (President & CEO BrunettiDEC, LLC) and others, an article in the Oregonian, a private sector builder in Oregon, a telecommunications consortia in Oregon, and contributions by Council members, staff and public participants at the Roundtable session.