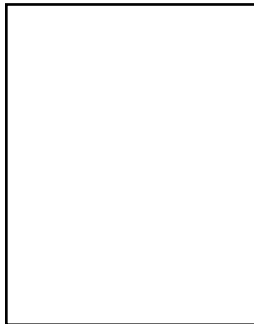


# The New International Agenda of NARUC

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On November 20, 1996, the National Association of Regulatory Utility Commissioners (NARUC) will consider a proposal to create a Select Committee on International Relations within NARUC. (The full text of the proposal follows this article.) This proposal, if adopted, will replace the current NARUC Ad Hoc Committee on International Relations with a permanent new entity with a vitally important mission: encouraging international regulatory cooperation and facilitating NARUC participation in international fora and in NARUC-initiated international information exchanges.

Why now? The stakes for the U.S. telecommunications industry in the work of this new NARUC Select Committee are exceptionally high. According to Mike Foley on the NARUC staff, "I think the pressure is coming from the foreign countries which are in the process of privatizing their formerly government-owned utilities, and they are finding the need for guidance in the development of regulatory policy." The new committee anticipates "address[ing] issues and requests arising out of international activity" by U.S.-based regulated utilities which are increasingly "investing overseas." In addition, the committee intends to "share knowledge of regulatory methods from different nations to assist policy makers in designing and implementing regulatory programs

suitable to changing forms of industry structure and ownership."

By launching the new committee, NARUC will be creating a new international forum which could significantly influence the evolutionary path of telecom regulation in the United States and abroad. It is thus imperative that the private sector stay in touch with the deliberations of this new NARUC committee and seek to have a proactive impact on the development of its agenda.

I recently interviewed Ron Eachus, a public utility commissioner from the state of Oregon and current chairman of NARUC's Ad Hoc Committee on International Relations. Mr. Eachus, a proponent of the proposal to create a new select committee, shared his vision of NARUC's growing agenda in the international arena.

**QUESTION:** What is the rationale for elevating NARUC's Ad Hoc Committee on International Relations into a permanent Select Committee on International Relations?

**ANSWER:** The issues have developed to a level of significance and interest and the workload of the ad hoc committee has increased to a level that it cannot be dealt with by a committee that only meets for two hours at each NARUC meeting. Remember that every member of the ad hoc committee is also a member of another NARUC committee that meets full time during NARUC sessions. The importance of international issues has grown to the point that it warrants a NARUC committee that can give these issues full-time attention.

**Q:** What issues in the field of telecommunications will this new committee be dealing with?

**A:** The first and primary issue is regulatory cooperation and education. Regulatory cooperation goes both ways. Some countries that are just developing regulatory regimes are very interested in NARUC's long history and experience in dealing with regulatory issues. The other side of it is that there are a lot of

countries that are restructuring their telecommunications industries, not only technologically but also from a regulatory point of view. Since we're going through the same thing in the United States, we have a lot to learn from the experience of other countries. There's kind of a two-way street on regulatory cooperation.

Second, there are general international issues that come up. While we haven't faced many of them yet on the telecommunications side, I suspect that issues will arise involving interpretation of international agreements like NAFTA that will be of interest to our regulatory community.

Third, I think there's also a real interest in the topic of the close relationship of telecommunications policy to the development of infrastructure.

A fourth issue is that all the telecommunications companies we regulate are making significant investments overseas. We have an interest in the risks and rewards that those investments entail, as well as their impact on the public that we're supposed to protect.

**Q:** Could you compare NARUC's experience in the field of international telecommunications policy issues with its experience in the field of international energy policy issues?

**A:** We haven't been able to develop yet the kind of interagency or inter-industry relationships on the telecommunications side that we have on the energy side. The energy side has some very clearly-defined and easily-accessible federal agencies which have already established relationships with the U.S. domestic regulatory community.

**Q:** Such as?

**A:** The U.S. Department of Energy (DOE) and the U.S. Agency for International Development (USAID). The DOE has had longstanding involvement with NARUC. DOE and USAID are the U.S. agencies that other countries go to for advice, for information on technology, for encouragement of foreign capital.

The other thing happening on the energy side is that the industry itself—the players who are making investments overseas—have found that they have an interest in a stable regulatory structure because it reduces their risk. And so, we have on the energy side both an agency and an industry desire to work with regulators.

**Q:** How does that compare, from your perspective, with the attitude on the telecommunications side?

**A:** On the telecommunications side, it's a little different. I'm not sure the industry itself has a great

deal of interest in the regulatory environment in other countries. For this and other reasons, we have not developed the kinds of relationships we need on the telecommunications side with the U.S. Trade Representative or the U.S. Department of Commerce.

**Q:** Do you intend for this new NARUC committee to remedy that situation?

**A:** That's our hope. We've done that on the energy side. We've developed cooperative agreements with the Department of Energy. We've worked on information exchanges with industry. Many of the consultants who work on international energy issues also work very closely in the state regulatory arena. A lot of the elements that exist in the energy area aren't as developed on the telecommunications side. That's one of the things that we need to explore—how to develop a relationship in the field of international telecommunications policy with the federal agencies that are involved, with the industry, and with the investors. We can be an asset for those players.

**Q:** How would this effort relate to the mission of the new NARUC committee?

**A:** As I see it, the goal of the new committee will not so much be to deal with issues and take positions on issues as it will be to facilitate communications, cooperation, and coordination.

**Q:** How can that help the private sector as it invests abroad?

**A:** Let me tell you what happened on the energy side. Investors saw the opportunity for greater profit from their investments overseas than they could get in the United States because our regulations were somewhat tighter. But what they also saw was that, in a lot of places, there was a lot of high risk because the regulatory structure lacked stability and clarity. This made it more difficult to operate on a contractual basis.

In a lot of the big emerging markets, you lack both the regulatory structure and the telecommunications infrastructure. The lack of that telecom infrastructure can be an opportunity for a foreign investor, but it's difficult to take advantage of that opportunity without some sort of regulatory framework or contractual framework that's stable. In the end, it's probably going to take some kind of regulatory stability—even if you don't like regulation—to attract the capital investment that's needed.

**Q:** How does NARUC intend to address this particular challenge?

**A:** One of the first things we have done is to set up a database at NARUC using a Web site (<http://www.erols.com/naruc>). This provides an easy first cut for anyone who wants to identify sources of information on regulation in the United States.

This database incorporates information gleaned from a survey sent out to each of the state utility commissions. About half of the states have responded so far. The database will give you a little bit of information about each state commission. It will tell you what areas of expertise each commission thinks it has. These areas of expertise might range from performance-based ratemaking to quality issues and safety issues. A state like Oregon might say that it has unbundled telecommunications services far beyond the FCC interconnection requirement. The database will give you an idea of areas where the skills of a particular commission might be unique or where the commission might be very adept.

The database will also tell you whether there are people on a particular commission staff who are fluent in particular languages. It will tell you if those people are willing to host a foreign regulatory delegation, are willing to travel to foreign jurisdictions, or are willing to develop “twinning” relationships with foreign regulatory commissions. The database will also give you a contact person. So, the database will provide a quick, easy way to develop a “filter” to determine where you might want to go to get the information you need.

That’s the first step. The second step is to develop a bulletin board where you can post a specific request on the Internet and let anyone respond. We’re trying to have that set up by the end of the year.

We’re finding, in particular, that there’s a growing interest in the development of “twinning” relationships.

**Q:** Would these be analogous to sister city relationships?

**A:** They would be like sister city relationships. Oregon, for instance, is developing a twinning relationship with the Philippines Energy Regulatory Board. Kansas has a twinning relationship with Paraguay on energy.

**Q:** Have any twinning relationships developed in the area of telecommunications regulation?

**A:** I don’t know of any in the area of telecommunications, but there’s no reason that approach wouldn’t

work in the telecom area. The idea is that you develop an ongoing relationship between the sister commissions whereby you exchange information and whereby the foreign commission can tap the resources of the U.S.-based commission in order to obtain information about developments in U.S. telecom policy. A lot of issues that foreign commissions are interested in relate to staffing. They want to know about how to obtain and train their staffs. Foreign commissioners, once they get into peer-to-peer conversations with us, also want to know the answers to questions like “how did you get your job?” and “who appoints you?” and “how do you hire your staff?” Those kinds of issues.

**Q:** The basics.

**A:** The basic stuff. The twinning relationships are a really good way to impart that kind of information. And, again, while these kinds of relationships are more developed on the energy side, there’s no reason they couldn’t work equally well on the telecom side.

**Q:** Is there a role for the private sector in this burgeoning international network of “twinning commissions?”

**A:** I think there’s a critical role for the private sector. There is no reason to be exclusive. Moreover, the private sector tends to be on the ground. In fact, what’s happened on the energy side is that you have, in addition to the U.S. Department of Energy, an awful lot of private consultants and organizations with projects going on in other countries. Sooner or later, the foreign regulators want to talk to someone else beside the consultants. And so the consultants go seeking regulators to fill in and be part of their projects. Hence, a lot of the initiative on the energy side has come from the private sector. That’s one of the reasons we have emphasized coordination and cooperation. A lot of this contact was going on, and it wasn’t very well coordinated. We didn’t want to supplant what was going on, but we felt that by providing an information base and being a central focal point and sort of a filter we could provide a better connection for everybody—the private sector as well as government agencies—on what the possibilities are.

Those are the kinds of issues the new NARUC committee would work on. As we develop our agenda, we’re going to have to struggle a little bit to educate ourselves on what is going on elsewhere in the world. nto

# Proposal for NARUC Select Committee on International Relations

*The following is the text of NARUC's proposal to create a new select committee on international relations. This proposal will come before the general business session of NARUC's annual convention on November 20, 1996 in San Francisco.*

The following is a proposal to re-establish the Ad Hoc Committee on International Relations as a permanent Select Committee on International Relations within NARUC. Because the mission of such a Committee would be, in part, to encourage international regulatory cooperation and to facilitate NARUC participation in an international exchange of information, the proposal calls for a "hybrid" committee composed of its own appointed committee members, liaisons from the other NARUC standing committees, and associate member observers from other countries.

The current Ad Hoc Committee was created in response to a growing interest in international activities. As more of the utilities we regulated began investing overseas, and as other countries embarked upon development of new markets and regulatory structures, NARUC anticipated a need to address issues and requests arising out of international activity. It has been composed of members from the other standing committees. As a result it has been able to meet for only a few hours during each NARUC meeting in order to avoid members' conflicts with the standing committees upon which they serve.

## **The Mission**

The Ad Hoc Committee also adopted the following mission and goals statement at its February 25, 1996 meeting. It generally focuses on supporting the work of the regulatory utility commissioners and to respond to and aid persons or organizations of other nations interested in utility regulation.

## *Mission and Goals Statement*

The Permanent Select Committee on International Relations supports the work of regulatory utility commissioners in the United States and, to the extent possible, responds to and aids persons or organizations of other nations interested in utility regulation by:

- (1) Developing an awareness of international business opportunities and participation therein by U.S. utilities, foreign utility investments in the United States, and the consequences thereof for domestic customers.
- (2) Informing and educating U.S. regulators about these activities so they might relate appropriately to their utilities' level of international activity.
- (3) Sharing knowledge of environmental protection programs (i.e., greenhouse gas reduction programs) abroad that may enable U.S. energy utilities to better meet their environmental obligations.
- (4) Sharing knowledge of regulatory methods and experiences among regulators from different nations to assist policy makers in designing and implementing regulatory programs suited to changing forms of industry structure and ownership.

This proposal is based upon a belief that the work load and the benefits associated with the above justifies creation of a new committee. The benefits of the coordination and information exchange aspects of the mission can be maximized

if they become the focus of a “lead” committee rather than continuing to rely on the current standing committees plus an ad hoc committee structure.

**Advantages of a Standing Committee**

- (1) It would give more members an opportunity to serve on a NARUC Committee.
- (2) The Committee would have an adequate opportunity to more completely carry out its mission. Because it has been an ad hoc committee composed of members from other committees, the IRC has only been able to meet for a few hours. At the same time, international activity is increasing and the work load associated with the mission has been, and should be, expanding.
- (3) It would enable the creation of a staff committee which could provide support as well as input into the activities of the committee. Currently, there is no staff subcommittee and very little staff support beyond what the NARUC national office and the chairman’s own commission staff can provide.
- (4) It would encourage and promote more international associate memberships to NARUC by providing a place where international members would have a chance to focus on their needs and their questions.

**Why a Hybrid Committee?**

This proposal is for a hybrid committee composed of three different types of members:

- Standing Committee members on International Relations Committee only.
- Members who are liaisons from other NARUC standing committees.
- Associate member observers from other countries.

This would require amendments to the Constitution which would specify different membership requirements for the International Relations Committee than for the other standing committees. By its nature and mission, the International Relations Committee would be a different type of

committee. Its focus is on international relations and international issues, and a major part of its mission is coordination of efforts in international regulatory cooperation, including education and training. It cannot fulfill this mission very well if it does not include members of the international regulatory community and if it does not include members from the major standing committees. These standing committees are the ones to whom NARUC looks to become immersed in the substantive issues under their purview. They all have an interest in international activities and they are the ones to whom the international regulatory community tends to look for expertise. The International Relations Committee could not exercise its coordination function without close cooperation with those committees. The best way to assure that coordination and still give the committee the time it needs to carry out its mission is to include some members of the other standing committees on the International Relations Committee. nto