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TELECOMMUNICATIONS OVERSIGHT

HEARING

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JANUARY 9, 1995

Printed for the use of the Committee on Commerce, Science, and Transportation



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HEARING ON TELECOMMUNICATIONS OVERSIGHT

MONDAY, JANUARY 9, 1995

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
WASHINGTON, DC.

The committee met, pursuant to notice, at 3:30 p.m. in room SR–253, Russell Senate Office Building, Hon. Larry Pressler (chairman of the committee) presiding.

Staff members assigned to this hearing: Donald McClellan, counsel, and Katherine A. King, counsel; and John D. Windhausen, Jr., minority counsel, and Kevin Joseph, minority professional staff member

OPENING STATEMENT OF SENATOR PRESSLER

The CHAIRMAN. It is a great honor to take the gavel of this committee. I want to express my great respect for my predecessor, Senator Hollings, as I have done. I have an opening statement here which I am going to fast-forward, because we have some distinguished witnesses.

I want to welcome to the committee two new members, Olympia Snowe of Maine and John Ashcroft.

With great sadness, I must report that Senator Ashcroft's father passed away last week; and that is the reason the Senator is not here today.

We are very pleased to have with us the distinguished majority leader of the Senate, Bob Dole. He is the champion of economic freedom and progress, as are our other witnesses.

I want to place the remainder of my opening statement in the record.

[The prepared statement of Senator Pressler follows:]

PREPARED STATEMENT OF SENATOR PRESSLER

It is a great honor to take the gavel as the new chairman of this committee. I look forward to working with each member of the committee, Democrat and Republican. Let me express my great respect for my predecessor, Senator Hollings. Both as chairman of the Commerce Committee and in his other duties in the Senate, Fritz Hollings has always been a man of ability and vigor, a fighter for what he believes is right. I consider him a good friend, and I expect a very positive working relationship with our ranking Democratic member. Due to his leadership over the last several Congresses, we are today in a position to finalize the effort to overhaul our national telecommunications law.

I welcome to the committee two new members, freshman members of the Senate: Olympia Snowe of Maine and John Ashcroft of Missouri. With great sadness I must report that Senator Ashcroft's father passed away late last week, and that is the reason the senator is not here today.

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J. Robert Ashcroft, John Ashcroft's father, was one of our country's most dedicated religious and educational leaders. For many years he served as the head of Evangel College, the leading higher education institution of the Assemblies of God Church, at the church's world headquarters in Springfield, Missouri. Less than a week ago, in what was to be his last public event, Dr. Ashcroft attended his son's swearing-in ceremony as United States Senator from Missouri. He died of heart failure on his way back home. To Senator Ashcroft and his wife Janet, to the Ashcroft family, I offer my prayers and heartfelt sympathy. I offer my condolences as well to the community at Evangel College and all the members of the Assemblies of God, who have suffered the loss of one of their greatest leaders.

All of us are honored today to have with us to present testimony the distinguished Majority Leader of the Senate, Bob Dole. He is a champion of economic freedom and progress, as are our other witnesses, Representative Thomas Bliley of Virginia, the new chairman of the House Commerce Committee, and Representative Jack Fields, the new chairman of the House Subcommittee on Telecommunications and Finance.

Their presence here today shows the solidarity with which the leaders of both the Senate and the House are determined to modernize our nation's law on telecommunications, so that this vital and dynamic industry truly can be all that it can be for the years to come. Our witnesses are leaders not only within their party, but they also are legislators of unquestioned commitment and skill for bipartisan effort.

Last Friday I discussed the plans for today's hearing with my friend and former House colleague, the new Speaker of the House, Newt Gingrich. He expressed excitement about our hearing today. He told me he was enthusiastic about our legislative goal, and he promised to do all in his power to help us achieve it.

Additionally, I want to ask that a statement, in the form of a speech delivered earlier today by Vice President Al Gore, be entered into the record. I invited the Vice President to testify at today's hearing, but because of concern about separation of powers customs, he was not able to do so. The Vice President, as many know, was a member of this committee during his service in the Senate. He and I worked closely and cooperatively then—in fact, at one time he was chairman while I was ranking minority member of the Subcommittee on Science. I want to assure everyone that this year also I intend to work very closely with my good friend, the Vice President, in jointly seeking passage of a new telecommunications bill.

Ladies and gentlemen, our goal in the 104th Congress is to modernize our law on telecommunications without further delay. The law now governing telecommunications was written in 1934, when state-of-the-art in media meant crowding around a big wooden box to hear the fireside chats of Franklin Roosevelt. As decade has followed decade, it has become ever more painfully clear that that law was based on a faulty premise.

The New Deal era communications law was based on the notion that information transmitted over wires easily could be distinguished from information transmitted over the air. Different regulatory regimes were erected around different information media. This scheme might best be described as "regulatory apartheid"—each technology has its own native homeland. These once neat separations and distinctions between the media no longer make sense.

We intend to do something about it. At this moment, through C-Span, this hearing is being viewed around our country by thousands of young people in schools. It is being monitored by representatives of the affected industries and companies. And it is being watched by thousands of men and women who have never even met a lobbyist. My pledge to everyone is this: Before Independence Day this year—before the Fourth of July—both the Senate and the House will have passed a law replacing the Communications Act of 1934. Over the next half year, watch our Senate and House proceedings on C-Span. You'll see enactment of a modern law to help make possible the next generation of the communications revolution.

The new law will give unprecedented new power to American consumers and to America's creative and business leaders in the now overlapping fields of education, information, entertainment, technology, and manufacturing. This year when we celebrate Independence Day, we'll be free from a complex of burdensome and outdated big government regulations. We'll enjoy a whole new dimension of competitive and creative freedom for one-sixth of our economy.

I have a very detailed statement, but in deference to our witnesses and their busy schedules, I will submit it in writing for the record. Let me just touch on some key principles that I believe must be in reform legislation for telecommunications:

- Provisions to open world markets—this is the way America's sales to foreign markets will increase and create more jobs for Americans.
- Open and full access and competition among the various media—in other words, an end to the "regulatory apartheid" I have mentioned.

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• Minimized government regulations—because in a free market democracy, ordinary consumers and the creative and business people of the communications industries can serve one another best without the heavy hand of bureaucratic control.

Now, may I ask my committee colleagues to hold their remarks until the question period so that we may hear immediately from our distinguished witnesses.

The CHAIRMAN. I want to give each of my colleagues a minute or two before we hear from Senator Dole.

But let me say that we are embarking upon hopefully the passage of a major telecommunications bill, which so many people on both sides of the aisle have put so much work into already. And I hope we can reach that consensus. That is what we are attempting to do here today.

Additionally, unless there is an objection, I intend to enter into the record a statement in the form of a speech delivered earlier today by Vice President Al Gore.

[The prepared statement of Vice President Gore follows:]

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PREPARED REMARKS OF
VICE PRESIDENT AL GORE
TO THE
FEDERAL-STATE-LOCAL TELECOMM SUMMIT
WASHINGTON, D.C.
JANUARY 9, 1995

All of us here today know we are in the midst of an Information Revolution. Last year, when I visited students at the Monta Vista High School in Cupertino, California, they showed me how to use their computer network to retrieve my speech about the Information Superhighway delivered at UCLA just the day before. Then they showed me how to retrieve a pamphlet written two centuries before – "Common Sense," written by Thomas Paine. Paine used the information infrastructure of his day in the service of a different kind of revolution -- the fruits of which we enjoy today.

Paine wasn't re-inventing government, of course. He and his contemporaries were, for the first time in history, inventing a representative democratic government.

But Paine's insistence on the test of common sense is as important in this information revolution as it was to our national revolution two centuries ago.

How can we best serve the cause of liberty and enterprise in cyberspace? By working to reach a revolutionary goal through common sense means.

A time comes in any revolution when expectations are high but accomplishments are not yet concrete. It is at such a time that we must re-dedicate ourselves to the fundamental purpose of our efforts, measure how far we have come, and consider how best to accomplish the revolutionary enterprise.

That is the place we occupy today as we take stock of the efforts to develop the National Information Infrastructure and, more broadly, the Global Information Infrastructure.

Last October, I announced that we would hold this Summit in order to ensure that we remain connected to you – the people who daily are representing the public in exploring the details, opportunities and impacts of the emerging information superhighway.

Of course, this is not the first time this Administration has reached out to state and local officials. Indeed, ever since I began working to create a national information superhighway almost twenty years ago, I have been working closely with you and your colleagues.

We share a common purpose, a purpose President Clinton and I outlined over two years ago when we described our essential vision of the coming American information marketplace. We seek open and free competition in which any company is free to offer any information good or service to any customer.

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Why is that important? Because competition lowers prices, increases choices, improves quality and creates jobs. Competition in the information marketplace will provide Americans lower prices for their telephone, cable and information goods and services and give them more and better choices in the information and programming available to them. Greater competition will unleash consumer demand for the new information services and products that will educate, entertain and empower our people. And that will lead to new, higher-paying jobs and an economy better prepared for the challenges of the 21st century.

How do we move toward that goal? By implementing five simple principles, principles that the Administration has promoted aggressively for the past two years. These principles were embraced by the International Telecommunications Union in Buenos Aires last March. They were the framework for discussions at both the Asian Pacific Economic Conference and Hemispheric Summits. And they will be the focus of the upcoming G-7 Ministerial Conference on the Information Society in Brussels in late February.

You know what those principles are... (Pause and look up.) I've recited this list so often I feel as if I'm reading the Miranda rights of the information superhighway. They are competition, universal service, private investment, open access, and flexible governmental action.

Today, I am pleased to announce that our Administration and a number of groups representing state and local officials [names of groups to come] are jointly issuing a **"Statement of Policy Objectives"** that address issues of mutual interest concerning the future of advanced telecommunications and the role of each level of government in building that future.

By issuing this statement all of you gathered here today make a clear statement of your -- and our -- vision of the path toward telecommunications reform and the development of the NII. By endorsing this statement we each:

- recognize the paramount importance of **private investment** to build the NII;
- show our support for public policies to promote **competition** as the best stimulus for innovation and efficiency;
- confirm the need for **open access** to public switched networks for program providers;
- re-affirm the importance of **universal service** in our telecommunications system;
- recognize the necessity of keeping **regulations** agile enough to match the pace of technological and market changes, and
- assert the importance of government action to **protect consumers** from raids on their pocketbooks and their privacy.

I fully agree with the Statement's recognition of the fact that:

"[t]he regulatory framework needed to manage the transition from a system of regulated monopolies to competition should utilize the expertise and experience that has been developed at each level of government."

You have developed expertise and experience in promoting competition while protecting consumers, preventing discrimination among providers or users, ensuring universal service for all Americans. And we intend to draw upon that expertise in the months ahead.

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Competition is the key. In the long distance market, in the telephone equipment industry, in the computer industry we have seen the benefits of real competition often made possible by intelligent government policy.

When monopolies such as the original AT&T or the local cable company deprived the consumers of the benefits of competition, government has acted as a counterweight to protect consumers and give potential competitors a fair chance. Since the break-up of AT&T eleven years ago, the use of long distance is up and prices are down more than 60% in real terms.

When competition came to the telephone equipment business, consumers discovered that they could buy a telephone of their choice for less than $25 instead of renting one for $60 a year.

We protected consumers in the Cable Act of 1992 by regulating prices and ensuring high-quality services. According to the FCC the 1992 cable law has potentially saved consumers $3 billion.

The free and competitive market for computers has brought previously unimaginable technological capacity to our offices and our homes. Forty years ago it was predicted that the worldwide market for computers would be ten to fifteen machines. In 1980 there were, in essence, no personal computers in existence. But in less than a decade, PC prices have dropped sharply while computing power has accelerated dynamically -- virtually doubling every eighteen months. In the last quarter of 1994 Americans bought over 5.8 million personal computers.

At the federal, state, and local levels, we must continue to find new ways to promote competition and innovation.

We must spur private investment. The current auctions of PCS spectrum, proposed by President Clinton in 1993, are opening the door to new wireless technologies while raising billions of dollars for the U.S. Treasury. The result for consumers will be lower prices for wireless communication.

More importantly, it will mean new wireless services, new jobs and more efficient, more competitive workers; office workers who will be able to work from their computer anywhere and still be connected to their home or office; truck drivers who will be able to get instant information on delivery requirements; or police officers who will be able to get mug shots and police reports on a computer terminal located in their patrol car.

In addition, we can create the conditions for real competition by ensuring program providers nondiscriminatory access to information conduits and networks. We have heard much in recent months about the strong beginnings of Direct Broadcast Satellite services -- bringing up to 150 channels into every home anywhere in the country; allowing customers to watch every NFL game and hundreds of basketball games; already serving 300,000 households across the nation.

I've been a supporter of satellite services for a long time. But today's competitive successes did not arise by happenstance or merely by the workings of an invisible hand.

The program access provisions of the Cable Act of 1992 guaranteed that direct satellite services would have programming to provide -- a sound example of common sense governmental action that helps to create the conditions for real competition.

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And where competition can come to the marketplace and put government out of business, it is critically important that it does so. President Clinton and I have worked hard to re-invent the federal government. Ninety-three per cent of our original Re-inventing Government proposals are in some stage of implementation. In December, the President announced the major restructuring of five federal agencies. And right now we have underway a comprehensive review that will lead to even more re-invention in the federal government.

We have initiated a regulatory reform effort that will match good intentions with good regulations by encouraging citizen participation, simplifying regulatory processes and using information technology everywhere we can to meet our national goals of better customer service, innovation, and measurable results.

I encourage you to do the same -- to look hard at the tasks you perform, to decide which are necessary and which have become superfluous -- to drive your own agencies to work faster, better and smarter.

The issuance of our Joint Statement today comes at a critical -- and critically appropriate -- time as Congress begins debate over new telecommunications legislation, as state and local governments are building increasing momentum to open markets, and as nations around the world look to the United States for leadership. The framework we issue today -- the fact that we at the federal and state levels can agree on the guideposts for the path to reform -- will send a clear signal that our resolve for revolutionary change is greater than ever before.

Last year, unfortunately, telecommunications reform legislation fell by the wayside in the waning days of the Congress as the many varied participants responded more to their fears than to their hopes.

That's not a surprise. Any revolutionary era means, by definition, that great change is underway -- change that raises mixes legitimate concern about the shifting nature of competitive advantage with unrealistic fears of the unknown.

Each industry is trying to enter new markets while keeping competitors out of its own market. The motto seems to be, "What's mine is mine -- what's yours is negotiable." We have to break this impasse if we are going to create a vibrant, competitive information marketplace.

The regional phone companies legitimately want to use their expertise to compete in other markets. But they fear that before they can do so, they will become "hollow monopolies" -- the purveyor of local telephone services, but only to customers that others do not wish to serve.

As a result, most local phone companies are trying to delay the inevitable -- genuine competition for local telephone services. They are viewed as delaying the game when they could be partners in negotiating the rules of the game.

Long distance companies -- large and small -- want to ensure that their businesses are not mostly dependent on a local telephone monopolist to reach their customers and vice versa; and they especially do not want to be dependent on a monopolist who is permitted to compete with them in their markets at the same time that they and local customers have no real choices for local service.

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So they are proposing a level of detail difficult to achieve in federal legislation before they are willing to support change. They, in effect, are demanding that the footnotes to the rulebook be written before the game can begin.

Cable companies, too, want to offer new services, like local telephony. But they too fear that other competitors will use past regulatory advantage – or the capital gained from past monopoly status -- to overwhelm them.

Because of this fear, they are using the regulatory process and legal challenges to delay local telephone company entry into the cable market. Some of them would like to bring the game to a halt before it even starts.

Information service providers are concerned that telephone companies and cable companies will abuse their control of both content and conduit. They will benefit from the buildout of high-speed networks, but fear being left out of the game altogether and being denied access to American households.

And consumers themselves have fears; as workers and citizens, they don't want to be left out. The Joint Statement that we issue today accurately describes advanced telecommunication services as a potential tool that can empower Americans; that can enhance economic opportunity and improve the delivery of public services. But a tool can only be used by those who hold it in their hands.

Consumers want to ensure that they are not disadvantaged by the change that does come to them – that they do not find the cost of being in the game rising constantly with little benefit to justify it and no increase in the quality of play.

As you know, because you deal with these issues every day, there is some truth and some exaggeration in each of these fears – particularly the fears expressed by private economic interests. We need to listen carefully to the voices of industry, but at the end of the day we must ensure that the marketplace favors real competition -- not only the desires or well-being of a particular competitor.

How do we reconcile all these fears? Not by making small changes to the present regulatory system. Nor by discounting the legitimate concerns of market players. Nor by continuing to protect monopolies and artificially subdividing the telecommunications marketplace.

We can only deal with all the fears of all the different players by having the courage to throw out the regulated monopoly model that we've used for more than 60 years and instead create a truly competitive marketplace where regulation is replaced by competition on a level playing field.

We propose that the Administration work with the Congress, the industry, the public interest community and all of you gathered here today to decide in a timely manner the rules necessary for a fair game and let the play begin. No team should be allowed to bring in ringers or begin with unfair advantages gained from previous monopolistic positions and practices and no team should be allowed to unduly slow or complicate play.

But the game should not begin on some arbitrary date without rules at all on the mistaken assumption that a calendar can replace a rulebook. Too many people and businesses have too much at stake to be subject to the vagaries of trying to play now and figure out the rules later.

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In this new competitive world, interconnection rules will ensure that new network service providers -- including utilities and cable companies that wish to offer switched digital services -- can compete fairly with incumbent phone companies. The regional phone companies can compete on even terms with inter-exchange companies in both local and long-distance markets. Thousands of information service providers and programmers will be able to compete, because we will work with the states to ensure they all have non-discriminatory access to regulated networks.

And new, more effective universal service provisions will ensure that all consumers will be able to enjoy the lower prices and greater choices competition will make possible.

We can create such a world -- indeed, we must -- in order to meet the needs and eliminate the fears of consumers.

But we will not have full and open competition if private interests use regulatory and legislative proceedings as tools for short-term competitive advantage rather than a mechanism for the long-term public good. Regulatory delay must never be permitted to become a tactic of private, competitive advantage.

I hope that in your discussions today you will begin to cut through the stalemate by carefully unbundling the real from the imaginary.

I suggest a straightforward approach. Competition is always better than monopoly. But monopoly power must never be confused with competition.

We must remember, after all, that the goal we seek is real competition. Not the illusion of competition; not the distant prospect of competition. Because only real competition can meet the test that consumers rightly demand -- that prices be lower; quality higher; and choice, greater. That's just common sense.

That is why, for example, we have already said that we cannot support a proposal to fully deregulate the local telephone exchanges upon the mere prospect that some theoretical competitor might be able to provide some services to some hypothetical customer. Competition must be real. But by the same token, we must not use the rationale of scarcity to limit competition in a time of technological abundance.

Where real competition is possible, we must ready the stage for its appearance.

And where it is real, we must be prepared to re-examine past regulatory mechanisms. For example, current cable legislation established rate regulation in monopoly markets. But some are suggesting that cable markets are changing faster than anticipated. If the arrival of direct broadcast satellite and video dialtone eliminates the need for rate regulation, so much the better. I have no interest in seeing regulatory mechanisms perpetuated an instant longer than necessary.

We will listen with an open mind. We will ask what competition exists, for what markets and for what services. We will ask what can be done to speed up competition even more. We consider how best to reach our essential goal of protecting consumers -- and liberating consumer demand.

It is to learn from and listen to you that I called this Summit today. And why I encourage you to join the issues today with a common vision and common goals.

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We all look forward to working with the leaders of the 104th Congress. We are already building a bi-partisan coalition for reform. We are eager to work with Leader Dole and Speaker Gingrich, Senators Pressler and Hollings; and with Congressmen Bliley and Dingell, Fields and Markey. As last year's overwhelming vote in the House of Representatives demonstrated, the case for change transcends political boundaries.

That signal is amplified by your efforts that are already underway. Represented here are state and local governments that are introducing competition to markets that were previously the domain of monopoly providers; that are introducing new models of telemedicine to reduce costs and improve health care delivery; and that are linking their schools, libraries and citizens to the Information superhighway -- a goal of particular importance to me and this Administration.

You have been the innovators -- you have had to be, in order to keep pace with technology. While much attention has been focused on the federal government, many of you have completely rewritten your states' telecomm rule books. You've introduced competition into the marketplace and found ways to promote new services, better quality, and lower prices all at the same time.

In this and in other areas, the states are showing the way. In New York, the state Public Service Commission has shown real leadership by adopting Rochester Telephone's "Open Market Plan," which will bring the benefits of greater competition to consumers. Introducing competition means that customers -- including residential customers -- will have a choice when it comes to local phone service.

In North Carolina, the "Charlotte's Web" project is establishing a comprehensive infrastructure and network of services in and around the City of Charlotte to provide citizens and school children free access to information and educational resources by locating public access terminals in libraries, neighborhoods and senior centers, homeless shelters and health care facilities.

In Georgia the state government is connecting sixty sites around the state to a telemedicine network, using videoconferencing technology to reduce the number of hospital visits by chronic patients and to provide medical treatment to patients in rural areas.

Governor Caperton certainly has bragging rights for the work going on in West Virginia to create an information network and wire their schools to the Internet.

These are only a few examples of the benefits that will flow to our citizens as a result of the advancing information revolution.

And as we go through this day, with the speeches, panel discussions and break-out sessions that follow, we should measure how far our current efforts have already come in empowering individuals and families, strengthening communities and building new information societies.

The information revolution will also give individuals and their families new opportunities by boosting economic growth and by creating new jobs. As our Council of Economic Advisors has estimated, this Administration's agenda for telecommunications reform will, over the course of the next decade, double the amount of dollars spent in this economy on telecommunications and information services, lead to massive new investment and to the creation of 1.4 million jobs in the information sector.

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Those aggregate numbers are reflected every day in new commercial opportunities for workers and businesses. And small businesses – which drive the creation of new jobs in America – will be particularly helped by access to new technologies. Small businesses can enter global markets by means of a modem instead of a standing sales force.

The emphasis is not, of course, just economic or technological. The information revolution is also about communities – strengthening existing ones and creating new ones. The whole idea of a network is, after all, a mechanism that makes communication easy, inexpensive and accessible.

For example, when DeVernie Winston, a 12-year old sixth grader at the Ralph Bunche elementary school in Harlem exchanges electronic messages with a researcher in Australia about koala bears and kangaroos she is creating a new type of community. It also happens, in a different way, when fans of the Rolling Stones converge on the Internet home page dedicated to their latest CD and concert tour.

And connections are made, as well, in real, physical communities, as when the San Francisco Public Library spearheads a project that uses advanced information technology to enhance the delivery of social services, including education, cultural content and health care.

Government itself will be made more accessible on-line. The moment we entered the White House we began putting Presidential speeches and documents on-line. Last fall, the White House inaugurated the White House Web Server. Already, in less than three months of operation, over 500,000 people have logged in and examined over two million documents. I congratulate Speaker Gingrich and the House of Representatives for their similar efforts to use information technology to draw our nation ever closer to our elected representatives.

Not just communities but whole nations will be helped by the coming of the information revolution. Because open markets are just as critical around the world as they are in the United States.

Free market access will provide critical support for the economic development of other nations, whose businesses and workers need access to advanced technologies if they are to remain – or to become – competitive in a global economy.

And open markets will allow people around the world to have access to and choose from the best in educational, entertainment and creative products such as films, sound recordings, computer software and books.

When nations close markets they close minds and opportunities as well. In Europe, quotas on television limit U.S. programming; in Canada, my home state's "Country Music Television" cable channel has been forced off the air; in Australia, preferences are provided to domestic films, and in Columbia a new law just passed to set day-time quotas for television.

The United States must fight for open markets so that our products can be sold worldwide. We must fight for open markets because the principle of free expression of ideas is at stake. We must fight for open markets to protect the hundreds of thousands of jobs in the entertainment and content industry. And we will do so -- including at the upcoming G-7 ministerial conference in Brussels next month.

Still, there are challenges that remain in translating our purpose and our objectives into action.

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The words of Alexis de Toqueville, written in 1835, demonstrates that the case for change transcends boundaries of time as well.. A keen observer of American democracy, de Toqueville wrote:

> I think that it is an arduous undertaking to excite the enthusiasm of a democratic nation for any theory that does not have a visible, direct, and immediate bearing on the occupations of their daily lives.... For it is enthusiasm which makes men's [and women's] minds leap off the beaten track and brings about great intellectual, as well as political, revolution.

We have seen -- and I have described today -- the evidence of the information revolution that is already upon us. Its historical genesis is inseparable from our quest for freedom -- from the printing press that Thomas Paine used to print "Common Sense" to the explosion of talk radio and the growth of the Internet. Its prospect is for the pursuit of happiness, from jobs and education and health care to the simpler pleasure of watching football on a Sunday afternoon. Its time has come.

Almost exactly a year ago today, I told industry leaders that we were meeting on common ground, not to predict the future, but to make firm the arrangements for its arrival. Today, with you, we meet again on common ground, again to make firm the arrangements that will allow the information revolution to have an even more visible, direct and immediate impact on the lives of all Americans.

The President, Secretary Brown and I, and all the members of this Administration here today, look forward to working together with you.

Thank you.

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The CHAIRMAN. I invited the Vice President to testify at today's hearing, but, because of concern over separation of powers, he was not able to do so.

The Vice President, as many know, was a member of this committee during his service in the Senate. We worked closely together then, and we look forward to working closely together in the future.

The law now governing telecommunication was written in 1934, when state-of-the-art media meant crowding around a big wooden box to hear the fireside chats of Franklin Roosevelt. Today it is painfully clear that law was based on a faulty premise. We need to update those to give a road map for the next 20 years, until we get into the pure wireless age. And we need to work together on a bill.

Many groups could checkmate this bill. A group of senators can checkmate it. But I hope we can find that consensus that we have struggled so hard for.

At this point, I would like to call on my colleague, Senator Inouye, for any remarks he might have.

STATEMENT OF SENATOR INOUYE

Senator INOUYE. Mr. Chairman, I thank you very much. I would like to join my colleagues in congratulating you on your ascendancy to the chairmanship of this committee. I would like to say that this committee and, more particularly, the communications subcommittee, has a long record of bipartisan cooperation. And I believe that all of us can be very proud of the record of legislative accomplishments of this committee.

And our success, I think in large part, is due to the bipartisan nature of our working relationship. I would like to remind my colleagues that just about all of the bills that are approved by this committee has been by unanimous consent. For example, one of the first bills approved by this committee in 1987 was a bill introduced by Chairman Pressler. And that was passed by unanimous consent—the Hearing Aid Compatibility Act for Telephones.

A couple of years later we also approved by unanimous consent a bill to give consumers the right to avoid telemarketing calls. This was also introduced by Chairman Pressler, and that was by unanimous consent.

I could go over and give you all of the measures Chairman Pressler has introduced; it will show that he is one of the most successful legislators in this communications subcommittee.

So I just hope, Mr. Chairman, that this spirit of bipartisanship will continue in your administration. I hope that, at some later time, we will hear from Democratic witnesses, if I may suggest. [Laughter.]

Senator INOUYE. But I believe I can assure you, sir—and I believe I speak for all Democrats—that we stand ready to serve with you.

The CHAIRMAN. We did give the minority notice to send some witnesses. I did today speak on the phone with Congressman Markey. We will be putting Vice President Gore's statement into the record. We do look forward to working on a bipartisan basis. And I thank you very much.

Senator STEVENS.

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STATEMENT OF SENATOR STEVENS

Senator STEVENS. Mr. Chairman, I want to be short, because I know that we should hear our witnesses. I recall when I first suggested here that we should think about auctioning spectrum rather than having lotteries, and how long it took to have even that one point approved by the Congress.

We are starting off now, again, to talk about a bill to establish the framework for telecommunications in our country in the next century. And I think the time really has past when we should have done it. I hope we can get it done very soon.

The CHAIRMAN. Senator Breaux.

STATEMENT OF SENATOR BREAUX

Senator BREAUX. Thank you very much, Mr. Chairman. Congratulations on your new role in this committee.

I was actively involved in this legislation in the last Congress. I have a slightly different perspective on the legislation in this Congress. Because my perspective in the last Congress was from over there; my perspective in this Congress is from over here. [Laughter.]

Senator BREAUX. I wondered what the significance was in moving from that side to this side, but now that I see the camera angle, I understand it. [Laughter.]

Senator BREAUX. Seriously, Mr. Chairman, I am glad to see our distinguished witnesses. Competition is really what America is all about. And fair competition is what this committee and this Congress is charged with guaranteeing to all of the companies that are engaged in technology and technological development in this country.

Some industries, however, I think insist on just a fair advantage as opposed to fair competition. And our job, of course, is to ensure fair competition for all.

I think that technology must not be put in boxes that companies cannot get out of. Because that is not what competition is all about.

Companies that can do certain things must, I think, in this society, be allowed to do what they can do best. I think that is the role that our committee is charged with: ensuring fair competition. And I am confident, Mr. Chairman, that this committee can produce that type of legislation. I would also urge that we do it early.

I think that that is something that this committee can meet that challenge of in an early fashion.

Thank you.

The CHAIRMAN. Senator Packwood.

STATEMENT OF SENATOR PACKWOOD

Senator PACKWOOD. Mr. Chairman, you mentioned Franklin Roosevelt and the fireside chats—some of our witnesses are old enough to remember that; I am not sure that they are all old enough to remember that.

We can remember the Lone Ranger, and putting your ear to the speaker and listening to "The William Tell Overture." We can remember long distance phone calls, when it was an experience, and you really wanted to dial station-to-station because it was cheaper,

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and you wanted Aunt Elizabeth to be home when the call came so that you would not have to pay person-to-person rates.

Those days are gone. If there is any area in which there is competition today, it is communication. I do not care if it television or radio or telephone or wireless. The days when it was an event is over. Today you cannot get away from it.

And fortunately it is a field in which everybody that is involved has some degree of money and some degree of power.

This is not the rich versus the poor. These are major companies, or small, thriving, successful niche companies that are doing very well in taking on the giants.

So I would hope we would complete this year what Senator Breaux and I wanted to start last year. Which was we are ready to go. Let us pick a starting date—January 1, 1996, 1997, 1998—although I think that would be a bit far out—and say to everybody in this business, as I guess we say in Indianapolis, gentlemen, start your engines. We are going to have a race, and may the best competitor win.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator McCain.

STATEMENT OF SENATOR MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

I would like to welcome our friends and my former colleagues from the other body over today, who will clearly play a key and vital role. Sometimes we have a tendency over here to forget about you. I promise you we will not in the future; nor, knowing both of you, will you let us.

Mr. Chairman, reality tells us that the communications revolution has outpaced the Congress and the Federal Government. For too long, the Congress has passively watched the courts shape our Nation's communications policy. Now the Congress is taking the correct action by asserting its duty to set a responsible national telecommunications policy.

I would like to applaud the chairman for taking this initiative and us moving forward as rapidly as possible. And, I am pleased, of course, to hear of the pledge of cooperation which is a trademark of Senator Inouye in his relations with us all for many, many years.

Unfortunately, last year, legislation adopted by the committee did exactly the opposite. Under that bill, regulation would have been dramatically increased, and congressional, Department of Justice, and Federal Communications Commission micromanagement advanced.

Last year's bill also established a regulatory regime that reallocated existing markets, controlled and limited future growth, and effected changes to the communications industry through a series of complex and excessive regulations.

Last year's bill also endorsed protectionist, anti-trade policies, such as domestic content requirements for telephonic equipment.

I urge my colleagues to remember that on November the 8th, the American people demanded a change from those protectionist, pro-regulatory policies. Because of the multitude of problems associated with S. 1822, which passed this committee by a vote of 16 to 2,

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Senator Dole blocked this legislation. It is not very often that people are applauded for blocking legislation. I am convinced that Senator Dole's action at the end of last year was one of the greatest services to the people of America and the free enterprise system that he contributed the entire year.

And, Senator Dole, I want to thank you for being here. And we count on your continued leadership on this issue.

This year we intend to introduce legislation that will not violate NAFTA and GATT. Last year's bill was based on the belief that all the woes of the communications industry could be solved by the glory of increased regulation. The legislation I hope we will move will be deregulatory and will allow market forces to guide communications industry growth.

Whereas S. 1822 envisioned creating jobs for communications lawyers and government bureaucrats by fostering a massive and sustained expansion of Federal Communications Commission, I hope we will move legislation that limits the authority of the FCC and encourages the creation of private industry jobs.

S. 1822 established an array of potentially costly off-budget entitlement programs. We must not create any new entitlements.

S. 1822 was a conglomeration of special deals that favored certain companies and industries over others. We will not do that.

S. 1822 blatantly violated the rights of private property owners.

S. 1822 contained special set-asides for aquariums, zoos and places such as the Getty Museum. We will seek to pass legislation that treats all equally, and does not give extras to a select few.

S. 1822 outlined a program for the next 10 years, with additional legislation required after that. Where the authors of S. 1822 believed the Congress knows what is best for the communications industry and the public, we believe that the innovators, the people who invented the fax, the cellular phone, the laptop computer, and the consumer should be guiding where the industry goes.

Mr. Chairman, in free markets, less government usually means more innovation, more entrepreneurial opportunities, more competition, and more benefits for the consumers.

Finally, Mr. Chairman, this point was made exceedingly clear by the Wall Street Journal when it stated on April 8th, 1994, quote: It is truly hubris for politicians to think they can somehow fine tune or stage manage the rapidly developing world of advanced technologies that includes emerging financial and corporate structure, entire armies of engineers and software wizards. The people who will actually bring this exciting future to life are put in lead shoes when the FCC and the Congress micromanages.

Last year, both this committee and the House opted to apply the lead shoes. Because of what occurred on November 8th, however, I believe this year should be different.

I thank you, Mr. Chairman.

The CHAIRMAN. Senator Burns.

STATEMENT OF SENATOR BURNS

Senator BURNS. Thank you, Mr. Chairman.

I want to thank you and of course Senator Inouye, working with him on this issue ever since 1989, when he was the chairman of

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the subcommittee on telecommunications. It is nice to hear that, in the spirit of non-partisanship, we can advance.

Way back in 1989, I offered a simple little amendment—and I think the former chairman remembers that—to deregulate, to allow telephones and companies to get into the cable business. And this morning I heard the Vice President say that when we re-regulated the cable industry a couple of years ago, that was a step in the right direction. I think it was a step in the wrong direction.

In fact, part of that Super Highway is the cable industry. It is part of it that has the ability to open up more avenues of competition than this country has seen in a long, long time.

I have also noticed other things. If you want to draw a crowd in this town, you either have a hearing on telecommunications or the other biggest crowd I guess is when then-nominee Mosbacher came up before this committee to be confirmed as Secretary of Commerce, and the word got out that his wife was coming with him. [Laughter.]

Senator BURNS. So we know how to draw crowds on this committee.

Technologies, even of five and 6 years ago, was outstripping our ability to deal with them in a regulatory environment. It did not take a rocket scientist to really figure that out.

Now we have come to a point where we have to turn these technologies loose, and do it in a climate of competition, which provides job opportunities not only for our citizens in this country but how we deliver our education, our health care, and how we become very competitive the world over. Because we are the leaders in this country, and we do not want to let that leadership get away from us.

How many books have we read that if we are not competitive at home, we cannot be competitive in the international market.

So I appreciate the work of my good friend, Jack Fields, and Mr. Bliley, and of course the work of our majority leader in his work that he did last year, to be right honest with you. I think my friend to my right hit the nail right on the head.

We appreciate the way we are getting started on this. We think it is the right way. And I look forward to working on this piece of legislation.

Thank you, Mr. Chairman, for bringing this issue forward this early in the session.

The CHAIRMAN. Senator Dole, we welcome you.

STATEMENT OF SENATOR DOLE

Senator DOLE. Thank you. You have been talking now about how communications progressed over the year. I was visiting with Senator Thurmond who told me about an interview he had with Benjamin Franklin. [Laughter.]

Senator DOLE. We have come a long way since then. I do not know where Franklin is, but Strom is still around.

So, in any event, there has been a lot of discussion about the Contract with America on the House side, or the agenda that we set as Republicans in our effort in the last election. And I said from the start there are many other issues that are going to be addressed by the Congress, and certainly telecommunications is one.

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And so I want to commend the chairman and members of the committee for moving so quickly, and quickly in the Senate is not a term we use very often. I am reminded the bill pending on the Senate floor right now was passed in 20 minutes in the House at about 2 in the morning last week by a vote of 429 to nothing. We are now in our third day on that same bill, and we will finally finish it tomorrow.

So, hopefully when this bill is report it will be a deregulatory bill, there will be widespread support, and it will be something that we can act on at least in concert with the House, with Tom and Jack and others over there. But we do want to move ahead as quickly as we can, and I commend everybody on the committee.

This morning I spoke to about 6,000 farmers, the American Farm Bureau Federation, in St. Louis, Missouri, and they are just as concerned about this legislation as anyone else—people living in rural areas, as the chairman does, as I do, as other members of this committee, we all represent rural areas.

But I think the telecommunications revolution does offer tremendous opportunities for our country. Obviously, it is going to increase jobs. It is going to improve our quality of life and improve our competitiveness worldwide. In short, this single but diverse industry holds the key to our Nation's economic future.

But to realize that future, as Senator McCain was saying, we need to underscore the word competition. Not regulation, but competition. Not regulation, but deregulation. Every opportunity we have, that ought to be the word.

Now, we have failed for almost a decade to knock down some of these artificial and some of these archaic barriers that we have had, and that is why I think it is so important that we are moving in this committee, a very important and prestigious committee, moving this legislation this quickly.

Now, I do not suggest there have not been efforts to do the right thing obviously in both parties, both sides of the aisle. I remember back in the mid-eighties, when the courts usurped telecommunications policymaking. I thought this was a tremendous loss for Congress and for the country, and so I got interested in 1986 and introduced the first legislation to reassert Congressional authority over the issue. And like many other Members of Congress, in the House and the Senate and both parties who have taken a crack at it, I have got my share of scars for the effort.

But I think time and again Congress has come up short, and I think the reason we have failed can best be summed up in the words of the English historian, Thomas Fuller, who said nothing is easy for the unwilling—nothing is easy for the unwilling, and that is right.

There have been few profiles in courage when it came to loosening the regulatory shackles on this industry. And while Senator Hollings and others and myself were unable to resolve differences last year, certainly Senator Hollings has been one of the few willing to show leadership on this very tough issue.

I remember talking to Chairman Dingell last year when he called me saying, you know, why can we not pass this bill? He said, I can never get another bill like this. And I said, thank God. [Laughter.]

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Senator DOLE. But he thought it was a perfect piece of legislation because there was a lot of regulation in it. So, we have moved in some direction, and I hope we can do better. So, we are prepared.

It is not every day that our House committee counterparts are willing to come to the Senate and testify because they consider this certainly a high priority, and we are honored to have them here because both Chairman Bliley and Jack Fields, subcommittee chairman, are here today.

There is no question that there are many in the new Congress on both sides of the aisle more concerned about bolstering good ideas than fighting over turf, and I think we should also avoid other pitfalls.

Let us not get in the middle of industry battles. I think in the past Congress has taken sides, and the results have been disastrous. Just look at the Cable TV Act. If there was ever a mistake we made it was not sustaining President Bush's veto, and I know one member of this committee who has now left the Congress who said he made a mistake in voting not to sustain the President—well, it is too late for that but it is a mistake we made. It is stymieing competition and has stagnated new services. Take Senate C-SPAN coverage. After the Cable TV Act it was dropped in many parts of the country, and it has not come back yet in many of them.

Telecommunications legislation should not be about business versus business, or industry versus industry. Instead, Congress should take the high road and shoot for good policy.

As I see it, we should provide a competitive framework for business to work out its differences. I think, again, as Senator Packwood said, whenever you set the year start your engines.

The point I would make in this very general discussion today is it is the marketplace and not the Government that picks the winners and losers. We are not supposed to be in the business of picking winners and losers. And from start to finish telecommunications legislation will demonstrate that the new Congress is not business as usual.

Mr. Chairman, looking back on Congress' track record a casual observer would think we have a grudge against the communications industry. Fortunately, this image is changing and Republicans and Democrats in many areas are glad to see the traditional pro-regulators are finally coming around to our competitive way of thinking.

We must develop flexible policy that will accommodate the rapid explosion of new technology. It would be irresponsible, however, to believe that we can do anything more. That policy, of course, is competition—it is competition.

Just take a look at a few of the players in the U.S. communications industry. Last year the computer industry had revenues close to $360 billion. Two things are amazing about that figure. First, it is twice the telephone industry's revenues. And second, revenues from the personal computer industry, which for all intents and purposes was nonexistent in 1980, account for almost half that figure. In other words, revenues in personal computers have grown as much in 14 years as the entire telephone industry did in 100 years.

It is not too difficult to figure out that the computer industry benefited from fierce competition—fierce competition and minimal

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Government regulation. And phone companies did not, and I suggest that may be a key difference.

Cable TV also exploded after it was deregulated in 1984.

At that time, its revenues were $7.8 billion. It employed about 68,000 persons. Fast forward to 1992—revenues tripled and employment numbers jumped to 110,000. And while these numbers are also good, I would suggest that the cable TV industry would have done much better if it had faced competition. And, more importantly, I would suggest there would not have been the abuses which prompted Congress to enact reregulation in 1992.

Mr. Chairman, in order to get to a more competitive, less regulatory environment there must be a strong and sensible transition mechanism, and it seems to me that universal service is that mechanism. If we do not have it, I fear that as we move boldly toward new technologies and new opportunities, Kansas and the rest of the rural world will be left behind.

Rural areas are different. Population is sparse and telephone traffic volume is limited. The bottom line is that telephone service costs are higher. The concept of universal service has helped alleviate these problems in the past, and it can continue to do so in the future. It has made telephone service accessible in rural and hard to serve areas through Federal financing, and by requiring the telephone companies to provide telephone service to every rural resident that wanted it. No doubt about it, universal service has worked. The REA and the RTB, Rural Telephone Bank programs have played a key role in promoting universal service.

This does not mean, however, and I want to make this very clear, that we should ignore recent criticism of these programs and how some of the big companies have moved in and gotten lower interest rates for some reason, qualifying for loans and other programs under the Rural Telephone Bank.

But let us face it, in many cases even in these programs they have gotten out of hand. So, if we are going to strengthen universal service in any area, we have to address these problems.

And finally let me say this. This is not about politics as usual. It is not about Republicans versus Democrats. It is about Congress reclaiming telecommunications policymaking from the courts and the FCC, and giving business the security to make the necessary investment to meet consumer demands.

In short, I believe that a pro-competition, deregulatory bill is the key to America's future.

Mr. Chairman, again I want to thank you for making this the priority, No. 1 on your agenda for this committee, and I look forward to working. It seems to me that there ought to be some way for the members of the committee, regardless of party label, to come together. It was very close last year—too much regulation, as Senator McCain pointed out. It was voted out of the committee by a 16 to 2 vote, hoping we might work it out before it came to the floor. That was not possible.

It is my hope that this year it would be voted out of the committee when it is all worked out in the committee, so we can take it up and dispose of it as quickly as possible. And I am prepared, and I am certain Senator Daschle will be prepared, to make it one of

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the priorities so we can get to it as quickly as the committee here is ready to move.

Thank you.

[The provided statement of Senator Dole follows:]

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"A NEW CONGRESS AND A NEW START FOR TELECOMMUNICATIONS"

REMARKS BY

SENATE MAJORITY LEADER DOLE

U.S. SENATE COMMITTEE

ON

COMMERCE, SCIENCE AND TRANSPORTATION

JANUARY 9, 1995

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MR. CHAIRMAN, LET ME START BY CONGRATULATING YOU ON YOUR NEW CHAIRMANSHIP. JUDGING FROM THE AMBITIOUS SCHEDULE YOU ARE PURSUING, YOU ARE GETTING OFF TO A FAST START.

CONGRESS BLOCKS PROGRESS

MR. CHAIRMAN, THE TELECOMMUNICATIONS REVOLUTION OFFERS TREMENDOUS OPPORTUNITIES FOR OUR COUNTRY. IT WILL INCREASE JOBS, IMPROVE THE QUALITY OF LIFE, AND IMPROVE OUR COMPETITIVENESS WORLDWIDE. IN SHORT, THIS SINGLE, BUT DIVERSE, INDUSTRY HOLDS THE KEY TO OUR NATION'S ECONOMIC FUTURE. BUT TO REALIZE THAT FUTURE, WE NEED COMPETITION. UNFORTUNATELY, CONGRESS HAS FAILED FOR ALMOST A DECADE TO KNOCK DOWN ARCHAIC AND ARTIFICIAL BARRIERS TO TRUE COMPETITION.

PAST REFORM EFFORTS

THAT DOESN'T MEAN WE HAVEN'T TRIED. SOME OF US HAVE. I REMEMBER BACK IN THE MID-1980'S WHEN THE COURTS USURPED TELECOMMUNICATIONS POLICYMAKING. I FELT THIS WAS A TREMENDOUS LOSS FOR CONGRESS AND FOR THE COUNTRY. SO IN 1986 I INTRODUCED THE FIRST LEGISLATION TO REASSERT CONGRESSIONAL AUTHORITY OVER THIS ISSUE. LIKE MANY OTHER MEMBERS WHO HAVE TAKEN A CRACK AT IT, I HAVE MY SHARE OF SCARS.

BUT TIME AND TIME AGAIN CONGRESS HAS COME UP SHORT. I THINK THE REASON WE HAVE FAILED CAN BEST BE SUMMED UP IN THE WORDS OF THE ENGLISH HISTORIAN THOMAS FULLER WHO SAID "NOTHING IS EASY TO THE UNWILLING."

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THAT'S RIGHT. THERE HAVE BEEN FEW PROFILES IN COURAGE WHEN IT CAME TO LOOSENING THE REGULATORY SHACKLES ON THIS INDUSTRY. WHILE SENATOR HOLLINGS AND I WERE UNABLE TO RESOLVE DIFFERENCES LAST YEAR, HE HAS BEEN ONE OF THE FEW WILLING TO SHOW LEADERSHIP ON THIS TOUGH ISSUE.

NEW CONGRESS, NEW LEADERSHIP

MR. CHAIRMAN, UNWILLINGNESS IS A PROBLEM OF THE PAST. THE NEW CONGRESS IS EAGER TO PROVIDE THE NECESSARY LEADERSHIP. AND WE WILL.

FOR STARTERS, ITS NOT EVERYDAY THAT HOUSE COMMITTEE CHAIRMEN ARE WILLING TO TESTIFY BEFORE THEIR SENATE COUNTERPARTS. IT IS GOOD TO SEE BOTH CHAIRMAN BLILEY AND SUBCOMMITTEE CHAIRMAN FIELDS HERE TODAY. THERE IS NO QUESTION THAT THE NEW CONGRESS IS MORE CONCERNED ABOUT BOLSTERING GOOD IDEAS THAN FIGHTING OVER TURF.

WE SHOULD ALSO AVOID OTHER PITFALLS. FOR INSTANCE, WE SHOULD NOT GET IN THE MIDDLE INDUSTRY BATTLES. IN THE PAST, CONGRESS HAS TAKEN SIDES AND THE RESULTS HAVE BEEN DISASTROUS. JUST LOOK AT THE CABLE TV ACT -- IT STYMIED COMPETITION AND STAGNATED NEW SERVICES. TAKE SENATE C-SPAN COVERAGE. AFTER THE CABLE TV ACT, IT WAS DROPPED IN MUCH OF THE COUNTRY AND HASN'T COME BACK IN TOO MANY PLACES.

TELECOMMUNICATIONS LEGISLATION SHOULD NOT BE ABOUT BUSINESS VERSUS BUSINESS, OR INDUSTRY VERSUS INDUSTRY. INSTEAD, CONGRESS

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SHOULD TAKE THE HIGH ROAD AND SHOOT FOR GOOD POLICY. AS I SEE IT, WE SHOULD PROVIDE A COMPETITIVE FRAMEWORK FOR BUSINESS TO WORK OUT ITS DIFFERENCES. THE MARKETPLACE, NOT GOVERNMENT, SHOULD PICK THE WINNERS AND LOSERS.

FROM START TO FINISH, TELECOMMUNICATIONS LEGISLATION WILL DEMONSTRATE THAT THE NEW CONGRESS IS NOT BUSINESS AS USUAL.

FLEXIBLE POLICY IS THE ROLE OF CONGRESS

MR. CHAIRMAN, LOOKING BACK ON CONGRESS'S TRACK RECORD, A CASUAL OBSERVER WOULD THINK WE HAVE A GRUDGE AGAINST THE COMMUNICATIONS INDUSTRY. FORTUNATELY, THIS IMAGE IS CHANGING AND REPUBLICANS ARE GLAD TO SEE THE TRADITIONAL "PRO-REGULATORS" ARE FINALLY COMING AROUND TO OUR COMPETITIVE WAY OF THINKING.

WE MUST DEVELOP FLEXIBLE POLICY THAT WILL ACCOMMODATE THE RAPID EXPLOSION OF NEW TECHNOLOGY. IT WOULD IRRESPONSIBLE, HOWEVER, TO BELIEVE THAT WE CAN DO ANYTHING MORE. THAT POLICY OF COURSE, IS COMPETITION.

JUST TAKE A LOOK AT A FEW OF THE PLAYERS IN THE U.S. COMMUNICATIONS INDUSTRY. LAST YEAR, THE COMPUTER INDUSTRY HAD REVENUES CLOSE TO $360 BILLION. TWO THINGS ARE AMAZING ABOUT THAT FIGURE. FIRST, IT IS TWICE THE TELEPHONE INDUSTRY'S REVENUES. AND SECOND, REVENUES FROM THE PERSONAL COMPUTER INDUSTRY ACCOUNTS FOR ALMOST HALF THAT FIGURE -- WHICH FOR ALL

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INTENTS AND PURPOSES WAS NON-EXISTENT IN 1980. IN OTHER WORDS, REVENUES IN PERSONAL COMPUTERS HAVE GROWN AS MUCH IN 14 YEARS AS THE ENTIRE TELEPHONE INDUSTRY DID IN 100.

IT ISN'T TOO DIFFICULT TO FIGURE OUT THAT THE COMPUTER INDUSTRY BENEFITTED FROM FIERCE COMPETITION AND MINIMAL GOVERNMENT REGULATION. PHONE COMPANIES DID NOT.

CABLE TV ALSO EXPLODED AFTER IT WAS DEREGULATED IN 1984. AT THAT TIME, ITS REVENUES WERE $7.8 BILLION AND EMPLOYED 67,381 PERSONS. FAST-FORWARD TO 1992. REVENUES TRIPLED AND ITS EMPLOYMENT NUMBERS JUMPED TO 108,280. WHILE THESE NUMBERS ARE ALSO GOOD, I WOULD SUGGEST THAT THE CABLE TV INDUSTRY WOULD HAVE DONE MUCH BETTER IF IT HAD FACED COMPETITION. MORE IMPORTANTLY, I WOULD SUGGEST THAT THERE WOULD NOT HAVE BEEN THE ABUSES WHICH PROMPTED CONGRESS TO ENACT RE-REGULATION IN 1992.

UNIVERSAL SERVICE IS ESSENTIAL

MR. PRESIDENT, IN ORDER TO GET TO A MORE COMPETITIVE, LESS REGULATORY ENVIRONMENT, THERE MUST BE A STRONG AND SENSIBLE TRANSITION MECHANISM. IT SEEMS TO ME THAT UNIVERSAL SERVICE IS THAT MECHANISM. IF WE DO NOT HAVE IT, I FEAR THAT AS WE MOVE BOLDLY TOWARD NEW TECHNOLOGIES AND NEW OPPORTUNITIES, KANSAS AND THE REST OF THE OF RURAL AMERICA WILL BE LEFT BEHIND. RURAL AREAS ARE DIFFERENT. POPULATION IS SPARSE AND TELEPHONE TRAFFIC VOLUME IS LIMITED. THE BOTTOM LINE IS THAT TELEPHONE SERVICE

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COSTS ARE HIGHER.

THE CONCEPT OF UNIVERSAL SERVICE HAS HELPED ALLEVIATE THESE PROBLEMS IN THE PAST, AND IT CAN CONTINUE TO DO SO IN THE FUTURE. IT HAS MADE TELEPHONE SERVICE ACCESSIBLE IN RURAL AND HARD TO SERVE AREAS THROUGH FEDERAL FINANCING AND BY REQUIRING THE TELEPHONE COMPANIES TO PROVIDE TELEPHONE SERVICE TO EVERY RURAL RESIDENT THAT WANTED IT. NO DOUBT ABOUT IT, UNIVERSAL SERVICE HAS WORKED.

THE RURAL ELECTRIFICATION ADMINISTRATION AND RURAL TELEPHONE BANK PROGRAMS HAVE PLAYED A KEY ROLE IN PROMOTING UNIVERSAL SERVICE. THIS DOES NOT MEAN, HOWEVER, THAT WE SHOULD IGNORE RECENT CRITICISMS OF THESE PROGRAMS. LET'S FACE IT, IN MANY CASES THEY HAVE GOTTEN OUT OF HAND. IF WE ARE TO STRENGTHEN UNIVERSAL SERVICE FOR THE FUTURE, THESE PROBLEMS MUST BE ADDRESSED.

CONCLUSION

IN CLOSING I THINK IT SHOULD BE PERFECTLY CLEAR THAT THIS PROCESS IS NOT ABOUT POLITICS AS USUAL, OR REPUBLICANS VERSUS DEMOCRATS. IT IS ABOUT CONGRESS RECLAIMING TELECOMMUNICATIONS POLICYMAKING FROM THE COURTS, AND GIVING BUSINESS THE SECURITY TO MAKE THE NECESSARY INVESTMENTS TO MEET CONSUMER DEMANDS. IN SHORT, I BELIEVE THAT A PROCOMPETITION, DEREGULATORY BILL IS THE KEY TO AMERICA'S FUTURE.

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MR. CHAIRMAN, I WOULD LIKE TO THANK YOU FOR MAKING TELECOMMUNICATIONS REFORM YOUR TOP PRIORITY, AND I LOOK FORWARD TO WORKING WITH YOU AND THE OTHER MEMBERS OF THE COMMITTEE.

THANK YOU.

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The CHAIRMAN. Thank you very much, Senator Dole.
Senator Lott?

STATEMENT OF SENATOR LOTT

Senator LOTT. Mr. Chairman, I do have a statement that I would like to submit for the record at this point.
[The prepared statement of Senator Lott follows:]

SENATOR LOTT'S TALKING POINTS FOR TELECOMMUNICATIONS HEARING—JANUARY 9, 1995

I want to commend Senator Pressler's leadership on this issue. Senator Hollings is unable to attend today but it is important to acknowledge his hard work last year and my desire to continue working with him to pass legislation as soon as possible.

It is good to see the Majority Leader, the new Chairman of the House Energy and Commerce Committee and the Chairman of the Telecommunications Subcommittee. It shows the importance of telecommunications reform and the new Congress's commitment to this issue.

This is a bipartisan issue. The majority leader and speaker along with the administration have indicated their commitment to telecommunications reform and working cooperatively toward legislation.

With the new year and new Congress, a rare opportunity exists to build upon our previous efforts, hopefully reach consensus where possible and to construct a framework that makes sense in today's world.

Our efforts, by necessity, will be deregulatory the outdated restrictions and barriers to competition, new services and technologies must be removed.

Local markets will be fully opened to competition, the MFJ restrictions on long distance and manufacturing will be lifted. The telco-cable prohibition will fall. Restrictions on participation by all electric utilities will be removed. Broadcast rules and spectrum use will be reformed. It is a new framework that is appropriate for the emerging technologies and for the 21st century

But our deregulatory efforts must also be pro-competitive. It must be competitively balanced so that no industry sector has an inherent competitive advantage over another. If we do that, then competitive and market forces will prevail and the past regulatory framework can effectively be removed.

I look forward to working with my colleagues on this issue. I believe it is the most important priority facing this committee, and if successful, will provide tremendous benefits to the American people and the economy.

I just one other point, the primary thrust of what this congress will try to do—that is to downsize and decentralize government—is driven in large part by the information age and its technologies.

If we can construct a better frame work for telecommunications for the next century, we will have made a major contribution to that overall objective.

Senator LOTT. I would like to commend you, Mr. Chairman, for the work that you have been doing in this particular area. You have been very energetic and you have been making it a point to talk to members of the committee and to all of the various organizations that would be affected by this very important legislation, and I think you are doing a great job and I hope you will just continue it.

I also want to thank the distinguished majority leader for being here this afternoon. I think it adds a lot of weight and significance to the momentum of this legislation that he would be here and endorse the idea of trying to develop telecommunications legislation that can be passed by the committee and hopefully taken up quickly, and hopefully without a lot of pain and suffering in the full Senate.

There were some problems last year. A lot of good work was done, but I think some progress has been made in trying to resolve those problems, and I look forward to working with the committee and with the leadership on both sides. And I am very pleased also to see these leaders from the House here at this first hearing.

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Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Senator Dole, I do not know your time demands. Perhaps if anybody has a question for you, or we can hear from Congressman Bliley and Congressman Fields, and then have you all three for some questions or discussions. What is your preference?

Senator DOLE. Let them go ahead while I leave. [Laughter.]

The CHAIRMAN. Congressman Bliley.

STATEMENT OF HON. THOMAS J. BLILEY, JR., U.S. REPRESENTATIVE FROM VIRGINIA

Mr. BLILEY. Thank you, Mr. Chairman. It is an honor to appear before your committee, particularly at its first hearing of this, the 104th Congress.

I am especially pleased to be here first to congratulate you on your new position as Chairman of the Senate Commerce Committee, and second, to pledge our cooperation in moving telecommunication reform legislation through the Congress this year.

Last November, the American people sent a message to Washington that they wanted less Government interference in the conduct of their lives and businesses. The Republicans of the House Commerce Committee intend to heed that message.

We believe that it is competition and not Government regulation of market that will bring new and innovative information and entertainment services to Americans at reasonable prices. Thus, it is our intention in adopting telecommunications reform legislation to rely on the competitive model.

The bill which we will introduce in the House will meet five important goals. First, our members believe strongly that telecommunications reform legislation is necessary to encourage a competitive environment in the marketplace. It is imperative that the statutory guidelines be put in place so that companies can make business plans as we enter the information age. We believe the best policy decision we can adopt is to open all telecommunications markets, and to encourage competition in these markets.

While the Federal Government cannot guarantee competition, it can open markets and ensure that the regulatory landscape is one that will enable competition to develop and flourish. Moreover, the Federal Government should not be in the business of refereeing among competitors through regulation.

Second, while we believe that the Federal Government should regulate narrowly, we cannot legislate in a vacuum.

Congress must realize past Government granted advantages when designing the new rules. We did not break up one monopoly only to have it replaced by another 15 years later.

Third, by adopting legislation this year, we intend finally to return telecommunications policymaking to the Congress where it belongs. For too long telecommunications policy has been formulated by the courts on an ad-hoc basis, and on a patchwork basis in the States.

Fourth, we intend to encourage private investment in telecommunications infrastructure through competition. A competitive marketplace offers telecommunications providers a powerful set of

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independent and market-driven incentives to make critical investment decisions.

We believe massive Government expenditures are not necessary to build the infrastructure of the future. Industry will carry the load if the proper incentives are provided.

And, Mr. Chairman, we should promote competition in all parts of the infrastructure, including the consumer products level. I plan on taking particular interest in making sure that our policies are consumer friendly, not only when it comes to rates and services but also through the hardware in the home. We have seen what has happened in the telephone market. We should insist on the same type of dynamics for personal computers, televisions, set-top boxes, and other devices.

Finally, we intend to remove regulatory barriers to the development of the infrastructure of the future. It is our belief that telecommunications policy should promote competition while facilitating the free flow of resources, capital, technology, and expertise across industry sectors so that companies may adjust their plans to take advantage of a rapidly changing marketplace and technological conditions to better serve customers. Removal of those regulatory barriers will permit the free flow of resources.

Mr. Chairman, it is my intent as Chairman of the House Commerce Committee, along with my colleague, Jack Fields, to craft a bill that can gain wide support. We certainly hope that the minority of the committee, led the able Mr. Dingell and Mr. Markey, will join us in this effort.

Similarly, we are prepared to work with you, Mr. Chairman and the members of your committee, as well as the administration, to advance this legislation. But we will not allow partisan game playing to get in the way of passing important reform.

Mr. Chairman, I want to commend you for holding this hearing. It sends an important message to those special interests who oppose legislation that we are united in our resolve to move forward in adopting policies which will guide the telecommunications landscape for years to come.

Thank you very much.

[The prepared statement of Mr. Bliley follows:]

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STATEMENT OF THE HONORABLE THOMAS J. BLILEY, JR.

CHAIRMAN OF THE HOUSE COMMITTEE ON COMMERCE

BEFORE THE SENATE COMMERCE COMMITTEE

HEARING ON TELECOMMUNICATIONS REFORM LEGISLATION

JANUARY 9, 1995

THANK YOU, MR. CHAIRMAN. IT IS AN HONOR TO APPEAR BEFORE YOUR COMMITTEE AT ITS FIRST HEARING OF THIS CONGRESS. I AM ESPECIALLY PLEASED TO BE HERE, FIRST, TO CONGRATULATE YOU ON YOUR NEW POSITION AS CHAIRMAN OF THE SENATE COMMERCE COMMITTEE AND SECOND, TO PLEDGE OUR COOPERATION IN MOVING TELECOMMUNICATIONS REFORM LEGISLATION THROUGH THE CONGRESS THIS YEAR.

LAST NOVEMBER, THE AMERICAN PEOPLE SENT A MESSAGE TO WASHINGTON THAT THEY WANTED LESS GOVERNMENT INTERFERENCE IN THE CONDUCT OF THEIR LIVES AND BUSINESSES. THE REPUBLICAN MEMBERS OF THE HOUSE COMMERCE COMMITTEE INTEND TO HEED THAT MESSAGE.

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WE BELIEVE THAT IT IS COMPETITION AND NOT GOVERNMENT REGULATION OF MARKETS THAT WILL BRING NEW AND INNOVATIVE INFORMATION AND ENTERTAINMENT SERVICES TO AMERICANS AT REASONABLE PRICES. THUS, IT IS OUR INTENTION IN ADOPTING TELECOMMUNICATIONS REFORM LEGISLATION TO RELY ON THE COMPETITIVE MODEL.

THE BILL WHICH WE INTRODUCE IN THE HOUSE WILL MEET FIVE IMPORTANT GOALS:

FIRST. OUR MEMBERS BELIEVE STRONGLY THAT TELECOMMUNICATIONS REFORM LEGISLATION IS NECESSARY TO ENCOURAGE A COMPETITIVE ENVIRONMENT IN THE MARKETPLACE. IT IS IMPERATIVE THAT THE STATUTORY GUIDELINES BE PUT IN PLACE SO THAT COMPANIES CAN MAKE BUSINESS PLANS AS WE ENTER THE INFORMATION AGE. WE BELIEVE THE BEST POLICY DECISION WE CAN ADOPT IS TO OPEN ALL TELECOMMUNICATIONS MARKETS AND TO ENCOURAGE COMPETITION IN THESE MARKETS.

WHILE THE FEDERAL GOVERNMENT CAN'T GUARANTEE COMPETITION, IT CAN OPEN MARKETS AND ENSURE THAT THE REGULATORY LANDSCAPE IS ONE THAT WILL ENABLE COMPETITION TO

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DEVELOP AND FLOURISH. MOREOVER, THE FEDERAL GOVERNMENT SHOULD NOT BE IN THE BUSINESS OF REFEREEING AMONG COMPETITORS THROUGH REGULATION.

SECOND, WHILE WE BELIEVE THAT THE FEDERAL GOVERNMENT SHOULD REGULATE NARROWLY, WE CANNOT LEGISLATE IN A VACUUM. CONGRESS MUST RECOGNIZE PAST, GOVERNMENT-GRANTED ADVANTAGES WHEN DESIGNING THE NEW RULES. WE DID NOT BREAK-UP ONE MONOPOLY ONLY TO HAVE IT REPLACED BY ANOTHER 15 YEARS LATER.

THIRD, BY ADOPTING LEGISLATION THIS YEAR, WE INTEND FINALLY TO RETURN TELECOMMUNICATIONS POLICYMAKING TO THE CONGRESS WHERE IT BELONGS. FOR TOO LONG, TELECOMMUNICATIONS POLICY HAS BEEN FORMULATED BY THE COURTS ON AN AD HOC BASIS AND ON A PATCHWORK BASIS IN THE STATES.

FOURTH, WE INTEND TO ENCOURAGE PRIVATE INVESTMENT IN TELECOMMUNICATIONS INFRASTRUCTURE THROUGH COMPETITION. A COMPETITIVE MARKETPLACE OFFERS TELECOMMUNICATIONS PROVIDERS A POWERFUL SET OF INDEPENDENT AND MARKET-DRIVEN INCENTIVES TO MAKE CRITICAL INVESTMENT DECISIONS. WE BELIEVE MASSIVE

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GOVERNMENT EXPENDITURES ARE NOT NECESSARY TO BUILD THE INFRASTRUCTURE OF THE FUTURE. INDUSTRY WILL CARRY THE LOAD IF THE PROPER INCENTIVES ARE PROVIDED.

AND MR. CHAIRMAN, WE SHOULD PROMOTE COMPETITION AT ALL PARTS OF THE INFRASTRUCTURE -- INCLUDING THE CONSUMER-PRODUCTS LEVEL. I PLAN ON TAKING PARTICULAR INTEREST IN MAKING SURE THAT OUR POLICIES ARE CONSUMER-FRIENDLY NOT ONLY WHEN IT COMES TO RATES AND SERVICES BUT ALSO TO THE HARDWARE IN THE HOME.

WE HAVE SEEN WHAT HAS HAPPENED IN THE TELEPHONE MARKET -- WE SHOULD INSIST ON THE SAME TYPE OF DYNAMICS FOR PERSONAL COMPUTERS, TELEVISIONS, SET-TOP BOXES AND OTHER DEVICES.

FINALLY, WE INTEND TO REMOVE REGULATORY BARRIERS TO THE DEVELOPMENT OF THE INFRASTRUCTURE OF THE FUTURE. IT IS OUR BELIEF THAT TELECOMMUNICATIONS POLICY SHOULD PROMOTE COMPETITION BY FACILITATING THE FREE FLOW OF RESOURCES - CAPITAL, TECHNOLOGY, AND EXPERTISE - ACROSS INDUSTRY SECTORS SO THAT COMPANIES MAY ADJUST THEIR PLANS TO TAKE ADVANTAGE OF A RAPIDLY CHANGING MARKETPLACE AND TECHNOLOGICAL CONDITIONS TO BETTER SERVE CUSTOMERS. REMOVAL OF THOSE REGULATORY

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BARRIERS WILL PERMIT THE FREE FLOW OF RESOURCES.

MR. CHAIRMAN, IT IS MY INTENT, AS CHAIRMAN OF THE HOUSE COMMERCE COMMITTEE AND ALONG WITH MY COLLEAGUE JACK FIELD TO CRAFT A BILL THAT CAN GAIN WIDE SUPPORT. WE CERTAINLY HOPE THAT THE MINORITY ON THE COMMITTEE LED BY THE ABLE MESSRS. DINGELL AND MARKEY WILL JOIN US IN THIS EFFORT. SIMILARLY, WE ARE PREPARED TO WORK WITH THE ADMINISTRATION TO ADVANCE THE LEGISLATION. BUT WE WILL NOT ALLOW PARTISAN GAME-PLAYING TO GET IN THE WAY OF PASSING IMPORTANT REFORM.

MR. CHAIRMAN, I WANT TO COMMEND YOU FOR HOLDING THIS HEARING. IT SENDS AN IMPORTANT MESSAGE TO THOSE SPECIAL INTERESTS WHO OPPOSE LEGISLATION THAT WE ARE UNITED IN OUR RESOLVE TO MOVE FORWARD IN ADOPTING POLICIES WHICH WILL GUIDE THE TELECOMMUNICATIONS LANDSCAPE FOR YEARS TO COME.

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The CHAIRMAN. Congressman Fields.

STATEMENT OF HON. JACK FIELDS, U.S. HOUSE OF REPRESENTATIVES

Mr. FIELDS. Thank you. Mr. Chairman, I congratulate you on assuming the chairmanship first and foremost; and second, I want to congratulate you on calling this important hearing so early in your tenure. I believe that this hearing transmits a critical signal that you view telecommunication reform as a key component of your legislative agenda. And I will tell you, and I am sure that you know, there are a lot of skeptics, still, as to whether or not a telecommunication reform bill will become law.

In fact, in this week's "Business Week" a noted executive said that the Republicans will not pass a telecommunication reform bill this year. That person is wrong. I think it is imperative to pass a good telecommunication reform piece of legislation. I think to do otherwise would subject us to a claim of telecommunication policy negligence or telecommunication policy malpractice. I believe this hearing and the participants send a message that this legislation is a priority item to the committees of jurisdiction in the House and in the Senate, as well as to our respective leaderships.

As you know, Mr. Chairman, the telecommunications industry is at a critical stage in its development. We are all familiar with the term convergence and what it means to this industry. From a technical perspective, it obviously means that a blurring of traditional lines separating different elements of the industry is rapidly occurring. From the legislative perspective, it implies the incredible responsibility of creating some ground rules to govern how this convergence takes place. These rules are essential to ensure fairness to all industry participants and to ensure a result that provides consumers with new telecommunications equipment and services at reasonable prices. In my view, the goal of the legislation should be to provide guidance without micromanagement. That is what the American people asked for us on November the 8th: less government, not more government.

As we consider this legislation I believe our theme will be to regulate only where absolutely necessary and to let market forces govern. My goal in helping to draft telecommunication legislation last year was to create certainty in the marketplace. I believe it is essential that all aspects of the industry—broadcast, cable, satellite, local and long distance telephone, computer, and cellular, have clear statutory guidance that provides them with a certainty that is necessary to make long-range business plans and to obtain the financing necessary to make those plans a reality. It is critical to the future deployment of our domestic telecommunications infrastructure that that certainty is created.

By removing statutory and regulatory barriers to entry we will provide new opportunities and we will provide new competition that will build the infrastructure of the next century. America is the leader in telecommunications, but without a legislative blueprint for the future that lead, I think, is at risk.

Mr. Chairman, I pledge to work with you and the other committee members closely on the telecommunication reform legislation. I am confident that working together, both in a bipartisan and a bi-

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cameral fashion, we can finally pass this bill which will lead to the creation of new telecommunication services and products for the American public.

And, Senator Inouye, let me respond to you by saying we have already begun that. We have had conversations with Vice President Gore, we have had conversations with Mr. Dingell, conversations with Mr. Markey, and we plan to continue in that particular regard.

Let me just say in closing, Senator Pressler, that upon enactment of the legislation we intend to go further and look at the competitive situation in the global telecommunications market. I believe that it is imperative that we seek greater opportunities for our American companies abroad. In some cases this may mean simply a matter of more aggressive marketing, but in too many cases it is a matter of a market being closed to U.S. companies by government fiat. And I plan to review this situation closely and determine what measures Congress might take to remedy it. I hope that this is an issue that we also might work closely on in the months ahead.

And again, I want to thank you for the opportunity to testify; again, I want to say congratulations on you assuming this chairmanship; and I look forward to working not only with you, but members of your committee, in the weeks and months ahead.

[The prepared statement of Mr. Fields follows:]

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STATEMENT OF THE HONORABLE JACK FIELDS
BEFORE THE SENATE COMMERCE COMMITTEE
HEARING ON TELECOMMUNICATIONS
REFORM LEGISLATION
JANUARY 9, 1995

THANK YOU, MR. CHAIRMAN. I CONGRATULATE YOU ON ASSUMING THE CHAIRMANSHIP AND ON CALLING THIS IMPORTANT HEARING SO EARLY IN YOUR TENURE. I BELIEVE IT TRANSMITS A CRITICAL SIGNAL THAT YOU VIEW TELECOMMUNICATIONS REFORM AS A KEY COMPONENT OF YOUR LEGISLATIVE AGENDA.

I WILL TELL YOU -- AND I'M SURE YOU KNOW -- THERE ARE A LOT OF SKEPTICS STILL AS TO WHETHER OR NOT A TELECOMMUNICATIONS REFORM BILL WILL BECOME LAW. I BELIEVE THIS HEARING AND ITS PARTICIPANTS SEND THE MESSAGE THAT THIS LEGISLATION IS A PRIORITY ITEM TO THE COMMITTEES OF JURISDICTION IN THE HOUSE AND THE SENATE, AS WELL AS THE CONGRESSIONAL LEADERSHIP.

AS YOU KNOW, MR. CHAIRMAN, THE TELECOMMUNICATIONS INDUSTRY IS AT A CRITICAL STAGE IN ITS DEVELOPMENT. WE ARE ALL FAMILIAR WITH THE TERM "CONVERGENCE" AND WHAT IT MEANS FOR THIS INDUSTRY. FROM A TECHNICAL PERSPECTIVE, IT OBVIOUSLY MEANS THAT A BLURRING OF TRADITIONAL LINES SEPARATING DISCRETE ELEMENTS OF THE INDUSTRY IS RAPIDLY OCCURRING.

FROM THE LEGISLATIVE PERSPECTIVE, IT IMPLIES THE INCREDIBLE RESPONSIBILITY OF CREATING SOME GROUND RULES TO GOVERN HOW THIS CONVERGENCE TAKES PLACE. THESE RULES ARE ESSENTIAL TO ENSURE FAIRNESS TO ALL INDUSTRY PARTICIPANTS AND

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TO ENSURE A RESULT THAT PROVIDES CONSUMERS WITH NEW TELECOMMUNICATIONS EQUIPMENT AND SERVICES AT REASONABLE PRICES.

IN MY VIEW, THE GOAL OF THE LEGISLATION SHOULD BE TO PROVIDE GUIDANCE WITHOUT MICRO-MANAGEMENT. THAT IS WHAT THE AMERICAN PEOPLE ASKED FOR ON NOVEMBER 8 -- LESS GOVERNMENT, NOT MORE. AS WE CONSIDER THIS LEGISLATION, I BELIEVE OUR THEME WILL BE TO REGULATE ONLY WHERE ABSOLUTELY NECESSARY AND TO LET MARKET FORCES GOVERN.

MY GOAL IN HELPING TO DRAFT TELECOMMUNICATIONS LEGISLATION LAST YEAR WAS TO CREATE CERTAINTY IN THE MARKETPLACE. I BELIEVE IT IS ESSENTIAL THAT ALL ASPECTS OF INDUSTRY -- BROADCAST, CABLE, SATELLITE, LOCAL AND LONG DISTANCE TELEPHONE, COMPUTER AND CELLULAR -- HAVE CLEAR STATUTORY GUIDANCE THAT PROVIDES THEM WITH THE CERTAINTY NECESSARY TO MAKE LONG-RANGE BUSINESS PLANS AND TO OBTAIN THE FINANCING NECESSARY TO MAKE THOSE PLANS A REALITY.

IT IS CRITICAL TO THE FUTURE DEPLOYMENT OF OUR DOMESTIC TELECOMMUNICATIONS INFRASTRUCTURE THAT THIS CERTAINTY IS CREATED. BY REMOVING STATUTORY AND REGULATORY BARRIERS TO ENTRY, WE WILL PROVIDE NEW OPPORTUNITIES AND NEW COMPETITION THAT WILL BUILD THE INFRASTRUCTURE OF THE NEXT CENTURY. AMERICA IS THE GLOBAL LEADER IN TELECOMMUNICATIONS, BUT WITHOUT A LEGISLATIVE BLUEPRINT FOR THE FUTURE, THAT LEAD IS AT RISK.

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MR. CHAIRMAN, I PLEDGE TO WORK WITH YOU AND THE OTHER COMMITTEE MEMBERS CLOSELY ON THE TELECOMMUNICATIONS REFORM LEGISLATION. I AM CONFIDENT THAT WORKING TOGETHER, BOTH IN A BIPARTISAN AND BICAMERAL FASHION, WE CAN FINALLY PASS THIS BILL WHICH WILL LEAD TO THE CREATION OF NEW TELECOMMUNICATIONS SERVICES AND PRODUCTS FOR THE AMERICAN PUBLIC.

IN CLOSING, LET ME BRIEFLY MENTION THAT, UPON ENACTMENT OF THIS LEGISLATION, I INTEND TO LOOK AT THE COMPETITIVE SITUATION IN THE GLOBAL TELECOMMUNICATIONS MARKET. I BELIEVE THAT IT IS IMPERATIVE THAT WE SEEK GREATER OPPORTUNITIES FOR OUR AMERICAN COMPANIES ABROAD. IN SOME CASES, THIS MAY SIMPLY BE A MATTER OF MORE AGGRESSIVE MARKETING, BUT IN TOO MANY CASES IT IS A MATTER OF A MARKET BEING CLOSED TO U.S. COMPANIES BY GOVERNMENT FIAT. I PLAN TO REVIEW THIS SITUATION CLOSELY AND DETERMINE WHAT MEASURES CONGRESS MIGHT TAKE TO REMEDY IT. I HOPE THIS IS AN ISSUE WE MAY ALSO WORK ON TOGETHER.

THANK YOU AGAIN FOR THE OPPORTUNITY TO TESTIFY HERE TODAY. CONGRATULATIONS AGAIN ON ASSUMING THE CHAIRMANSHIP. I LOOK FORWARD TO WORKING WITH YOU CLOSELY IN THE WEEKS AHEAD.

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The CHAIRMAN. Well, I thank you very much, and I have had the pleasure of meeting and visiting with both congressmen at the table, both chairmen, and I have enjoyed our joint meeting with Vice President Gore. And I, too, have met and talked with Senator Hollings, Congressman Dingell, and our staffs have begun working together on a bipartisan basis, and I think you are both examples of the leadership we will need.

I had a very detailed statement, but in deference to our witnesses and everyone's busy schedule I passed it out and I am going to place it in the record. But just let me summarize the three key principles that I am looking for, and then I am going to yield to each of my colleagues for questions or comments they might have.

The key principles I believe must be in reform legislation for telecommunications: First, provisions to open world markets; this is the way America's sales to foreign markets will increase and create more jobs for Americans.

Open and full access in competition among the various media; in other words, an end to regulatory apartheid I mentioned.

Minimize government regulations; because in a free market democracy, ordinary consumers and the creative and business people of the communications industry can serve one another best without the heavy hand of bureaucratic control.

With that, I will call on Senator Inouye for any comments he has.

Senator INOUYE. Mr. Chairman, I would like to join in welcoming our two friends from the House and to assure them that we stand ready to cooperate. I was quite impressed that you have a schedule now for the 4th of July. Are we serious in this, to pass a communications bill by the 4th of July?

Mr. BLILEY. We are certainly going to do everything we can to reach that goal in the House. Obviously, the 100 days is going to slow us down a little bit, but beyond that I hope that we can.

Mr. FIELDS. Senator Inouye, if I could respond to you, because, again, I want to talk directly to the skeptics who think we will not pass a procompetitive deregulatory piece of legislation this year. In our subcommittee we have jurisdiction not only over telecommunication but also finance issues. This month we are going to spend a great deal of our time dealing with some security issues relative to the Contract. But beginning in late January or early February we will have hearings in our subcommittee.

I do not anticipate that we will have a long set of hearings—at least several days—but then, depending on our ability to be slotted as a subcommittee for markup, we could be ready for markup as early as mid-February, late February, or early March. And again, depending on our schedule, we could be ready to go to the full committee. And again, depending on the Contract and the implementation of that Contract, we could be ready to go to the floor prior to Easter.

And so I think the schedule that has been advanced by Senator Pressler is certainly doable on our part. And again, we want to pledge our cooperation working in a parallel tandem course with the chairman.

Senator INOUYE. Thank you very much.

The CHAIRMAN. Senator Stevens.

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Senator STEVENS. Well, gentlemen, I welcome you and your comments and particularly your emphasis on the early hearing here on this side of Congress, too. It is my judgment, coming from the rural area that I do, that universal service and carrier-of-last-resort concepts must be worked out between our two houses.

I am convinced that the concept of telecommunications for the next century must include equal access. If we are going to have equal employment opportunity for people who live in rural areas, again such as Alaska where you have just staggering pockets of poverty, we are going to have to have the same state-of-the-art technology available in rural America that is available in downtown Washington, D.C. And the legislation that we are working on now, I think, making all facets of telecommunications available throughout the country, telecommunications in education, telecommunications in medicine, telecommunications in employment opportunity and giving our people the ability to live in rural America once again and be part of the commerce of the inner city through the connections of our computer system, I think we have to get down to this.

I applaud you saying we are going to get this done by the 4th of July, because I believe it is going to take some time to get this system adapted so it will move into the next century and give everyone in the country the same kind of opportunities that we have here in the inner core city of this capital of the Nation.

I really congratulate you for being willing to work with us, and we pledge that we are willing to work with you. I sense around the table, and even from our leader in terms of the statement he just made, maybe some people did not pick up some of the changes that he indicated he is willing to emphasize this time in telecommunications. I think we are driving toward a very important change, and the Telecommunications Act of 1994–95–96 is going to last even longer than the Communications Act of 1934. It means a great deal to us in rural America to get this job done this year.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman, and thank the witnesses. Is that the 4th of July of this year, Ted? [Laughter.]

Senator BREAUX. Let me just thank our House colleagues for coming over and sharing with us their expertise. They have done a great deal of work in this area on the House side and we ultimately have to pass legislation in both bodies or it does not become law. But maybe just give me a general response because of the concern that some have that everybody is for fair competition and a level playing field. We always hear that. But how do you address the concern that some would raise that a system that exists now where you have local service basically under a monopoly type of system being able to compete in long distance immediately, but not allow long distance into a monopolistic local service? How is that fair competition or how do you go about addressing that particular concern in general terms?

Mr. BLILEY. Well, you have hit on one of the key things.

You have got to level the playing field, in my opinion. To give one an advantage over the other is, as I said in my statement, 15 years ago we broke up a monopoly. I do not think we want to set up another one, a different one albeit, but another monopoly 15 years

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later. We have got to do what we can, and Jack and I have talked to the leaders in the long distance as well as in the Bell operating group to help us to work this thing out. If they wait for us to do it, it is going to take longer than if they can reach some kind of agreement amongst themselves.

Whether they can or not, I do not know. But we have been dealing with this, and some of you have been dealing with it longer than I have, but we have been dealing with it for 12 years or more and we have not been able to move a bill. And I hope that this year is the year we break through.

Senator BREAUX. Jack, do you have any thoughts?

Mr. FIELDS. Senator Breaux, let me just amplify on what Chairman Bliley has just said. We have had general discussions with people in the long distance industry and from the Bell Operating Company side, and we have encouraged negotiation, and we have encouraged that that negotiation be very quick, that there is no reason for this to be prolonged.

And we have tried to communicate in a very definitive sense that we are not going to wait any inordinate length of time for an agreement.

If there is no negotiation, we have several options. We can pick up the language that was in our legislation last year that passed with just a few people opposing it on the House floor; we could pick up the language that was negotiated on the Senate side, I do not think that ever came to a conclusion; or we could write our own provision trying to find that level and fair playing field. We have also communicated that we do not necessarily expect unanimity from any aspect of the industry. We are going to pass a piece, with or without a negotiation that comes to resolution in this particular area. And I hope that everyone is clear on that particular point.

Senator BREAUX. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. Chairman Bliley, Chairman Fields, let me read you a statement from the Congress Daily today delivered out at 2:50. Vice President Gore today indicated the administration will not accept a telecommunications bill that lets different industries enter each others businesses at a date certain, an approach similar to that proposed last year by Senate Finance Chairman Packwood and Senator John Breaux, D-Louisiana. Gore said a fair and competitive environment is the first priority in the emerging telecommunications market and that no business should be allowed an unfair advantage based on previous monopolistic positions, referring to local telephone and cable companies. Do you agree with his statement?

Mr. BLILEY. I certainly agree with the last part, that we should not allow anybody to have a monopolistic advantage to the detriment of the other competitors.

Senator PACKWOOD. Do you agree with his first part?

Mr. BLILEY. No, I do not, but that is not surprising. And you know, we have heard statements before that you never will have agreement, or we will not accept this, or we will not have it. It is early in the game. We have not seen his language, and I think that at some point in time, I would certainly think sooner rather than later, the administration would want to see this legislation put to

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bed, and I think the Vice President has been involved in legislative politics long enough to know that you do not get everything you want. You hope you get most of it, but you do not get everything, and there has to be some give and there has to be some take.

Senator PACKWOOD. Chairman Fields?

Mr. FIELDS. Senator, the answer is no, I do not agree with it. In our legislation, as you are probably familiar, we had dates certain relative to various segments of the industry. All of that is on the table for discussion. We have not had the benefit of polling our subcommittee members, our full committee members, as to what changes we may propose, but I want to assure you that we want our legislation to be more procompetitive and more deregulatory than it was last year.

I feel under the circumstances last term we did an extremely good job in driving the process. We think that we can go much further and advance a piece of legislation that is a much more competitive piece of legislation.

Senator PACKWOOD. Let me speak in lay language. I was reasonably familiar with the bill last year. The agreement that was allegedly reached in the Senate was not an agreement that all the Bell Companies agreed to, and that is part of the reason it went down. But here is the argument: If we adopt the Breaux-Packwood approach and say on January 1st, 1997 or 1998, it is Katie bar the door, everybody in, then the long distance companies claim that the Bells have an unfair advantage and they are ready to go long distance right away and the long distance companies do not have any access to the structure.

I do not think we are going to allow that to happen, and we will guarantee access to infrastructure, that still will not guarantee the long distance companies coming on.

Everyone, cable and the long distance and the Bells, are all going to want a legislative advantage. We all understand that. We have been in this business for a long time.

Do you really think if we were to adopt a Breaux-Packwood approach January 1, 1998, start your engines, do you really think the local Bells would gobble up and destroy AT&T and the other long distance companies and reinvent a monopoly that we got rid of?

Representative BLILEY. I do not think that I am expert enough to give you a definitive answer on that, Senator, but I think there is a possibility they certainly would have an advantage if on that date certain that the long distance people do not have equal access to the local loop.

Senator PACKWOOD. But if they had access to the local loop, then what? If we say to the Bells you have got to guarantee connection to the long distance carriers into your loop, then what?

Representative BLILEY. Then I think you may be in business for your thing. I mean, I do not want to favor long distance over the Bells, and I do not want to favor the Bells over the long distance. I mean, they are big boys, all of them, and they can take care of themselves.

Senator PACKWOOD. That is the nice thing about this bill. It is not like dealing with welfare reform or food stamps where you have some genuinely poor people.

Representative BLILEY. Look at this room. [Laughter.]

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Senator PACKWOOD. This is one where the consumers are going to benefit from the competition and the competitors, you used the word, they are all big boys. Congressman Fields.

Representative FIELDS. Senator, I do not want to be coy, because much of what you have said I could agree with under the right circumstances, when we see specific language, but I am keenly aware that there is a negotiation ongoing at this particular moment, or a problem in the negotiation, and I am fearful that anything that is said is going to have a number of different nuances read into it.

I am very hopeful that we can find that resolution, that agreement that allows us to fast forward this particular piece of legislation, and I am hopeful that is going to happen. I am confident that it can happen.

Senator PACKWOOD. I think it can, but I am with you. If it does not happen in 3, 4, 5, or 6 months, then we are going to go ahead without them.

Representative FIELDS. Senator, I am not willing to wait 3, 4, 5, or 6 months. We have communicated a much shorter timeframe for the resolution of that particular negotiation.

Senator PACKWOOD. Mr. Chairman, thank you.

The CHAIRMAN. Thank you. Senator McCain.

Senator MCCAIN. Just to follow up on what Senator Packwood is trying to say here, and I think he said it very well, if we do not have a date certain, then somebody is going to get some kind of advantage over somebody else.

I do not see how—you have to cut some kind of a deal, and when you are talking about what went on over the last several years, this has been the major sticking point. I do not believe there is anything more certain in a deregulatory climate than winners and losers, and if our object is to make sure that everybody wins, we will never get a meaningful piece of legislation.

What we will get is a dramatic increase in regulations, a dramatic increase in the authority and responsibility of the FCC, because they will be deciding when it is substantially competitive, or meaningfully competitive, or whatever the language is.

When we deregulated the airline industry, there were a lot of losers, and some of them were very tragic—Eastern Airlines, I can name a long list, Pan American—but the fact is that it cost less for most Americans, the overwhelming majority of Americans to go from one place to another in America today because of the virtues associated with deregulation.

Now, I believe that we have to worry about the rural areas. There are rural areas in my State as well. I believe we have to worry about the long distance companies. I believe we have to worry about everybody. But if we get into the business of saying there is no date certain, then we will, I think, first of all fail to pass legislation, and if we do pass legislation, it will look much like last year's, which will be reregulatory in nature as opposed to deregulatory.

And so I would hope that both chairmen, for whom I have the highest respect and admiration, would reject the advice and counsel of the Vice President of the United States, because Government does not know how to deregulate. The market knows how to handle deregulation, not the FCC.

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I thank my colleagues, and I would be glad to hear any response to that tirade, but I probably do not need to.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Burns.

Senator BURNS. I just want to kind of—I am going to defer my statement to Senator Snowe, because she just got here and has not made her statement yet, but I just want to make a statement. I want to thank them for coming, but if we go down the line and always keep in front of us that we believe in the equality of opportunity and not in results, then I think we will have a bill by the time we start shooting fire crackers this year, and I think that is what we have got to do.

The troubling part of this is, is dealing with universal service, as Senator Stevens of Alaska has alluded to, because for some of us it is either the understanding, or the lack of understanding, of just how important universal service is to the telecommunications industry of this country.

So with that being said, I want to defer my statement, if it is all right with the chairman. She has not made her statement yet on this important issue, and she comes from a great State up there where rural areas and universal service—and she is not a complete stranger to this situation.

I personally want to welcome her to this committee, and I think she brings a great deal of expertise and energy to this committee that we need, so I would defer, but I just want to say we have to keep our eye on the ball on just exactly what we are doing. If we just go with the equality of opportunity and not results, I think we will have a bill, and thank the chairman.

The CHAIRMAN. Well, I joined in the welcome to Senator Snowe earlier. We normally call on people in the order of arrival, so Senator Lott, you will also have to yield.

On Thursday, we are having our organizational meeting. Maybe we will change the rule.

Senator LOTT. I would like to urge that we stick with the early bird rule, but in the spirit that Senator Burns just put forth I would be happy to yield to Senator Snowe.

STATEMENT OF SENATOR OLYMPIA J. SNOWE

Senator SNOWE. Well, I thank my colleagues for yielding, and I apologize for being late. We were at the Budget Committee addressing the issue of unfunded mandates, but I just want to say it is a privilege to be a member of the Commerce, Science & Technology Committee, Mr. Chairman.

I am looking forward to working with you on many critical issues, most especially the telecommunications policy that we are addressing here in today's hearing, and I also want to welcome our distinguished panel, my former House colleagues with whom I have had the opportunity to work over the years in the House of Representatives, and I am looking forward to working with them on this very critical issue.

I know it has been mentioned concerning rural States and rural consumers, and as one who represents a very rural State, I do have concerns about the fact that rural States and their consumers will be left out of the information technology. We have to do everything

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we can to maintain a universal service, and that means the providers have to ensure equitable treatment of rural States and their consumers. Ensuring all Americans are part of the information revolution has to be essential to any telecommunications policy.

As one who has seen, as many of you have, the evolution of the deregulation of the airline industry, to which Senator McCain referred, I can assure you that many rural States have been left out of that deregulation in the airline industry. We obviously have only the commuter airlines going into our State for the most part, and it has had an impact on our State in many ways, so I do have concerns about the direction that telecommunications policy has regarding rural States. They certainly have to be taken into account in any reform that is developed by this committee and your committees in the House.

There is no doubt that we need to address comprehensive reform with telecommunications information services. Clearly, America's system is a remarkable one, but obviously underutilized, so I hope that we can begin to address these issues in a meaningful and bipartisan way.

I would ask unanimous consent, Mr. Chairman, to include my entire statement in the record.

[The prepared statement of Senator Snowe follows:]

PREPARED STATEMENT OF SENATOR SNOWE

Mr. Chairman, fellow colleagues, it is a pleasure to be here today during our first official meeting of the Committee on Commerce, Science and Technology in the 104th Congress.

I would like to begin by welcoming our witnesses this afternoon, including our Senate Leader, Senator Dole. You have been a strong leader in telecommunications in the Senate, and it is an honor to have you with us today.

It is a special honor to welcome my former colleagues here to the Senate, Mr. Bliley and Mr. Fields to the Senate.

The Republican ideals of opportunity and accountability brought us control this year of the Congress, in the House for the first time in 40 years. And when jobs and opportunities for young people are at stake, I can think of no better way to extend those opportunities than by making wise use of technology, and especially the miracles of telecommunications.

Today, we begin consideration of comprehensive reforms to our telecommunications system, so that we ensure that we make the most of America's remarkable but under-utilized information highway, and ensure our competitiveness in the future. America today can be rightfully proud of our business and communications infrastructure. Thanks, in part, to technology, American workers today remain the most productive in the world.

But the competition, as we are well aware, is fierce. Our nation's future and the future of our standard of living will depend upon our ability to harness the tremendous potential of information systems. We are being challenged on the international front by nations to our east and to our west, which are more than capable of making use of these technologies.

In the long term, I believe that we are witnessing a revolution in the way we do business: a telecommunications and information revolution every bit as important to our future as the industrial revolution was in the last century.

Our policies in this arena are crucial, and, if well constructed, stand to benefit the working people of Maine and our nation through both business growth and improved worker training. One promising policy approach is to increase competition in the field of telecommunications. According to a study by the WEFA (Wee-fa) Group, an independent economic forecasting firm, increased competition in the telecommunications industry will create 3.6 million new jobs in the United States in the next 10 years. My home state of Maine stands to benefit from more than 16,000 of these new jobs—a critical boost to our economy.

Increasing competition means decreasing regulation. Too often in the past, regulations have served as a drag on industry. We have subjected a growing and changing industry to new and greater regulations, leading to an excessive burden. In encour-

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aging competition, we must subject the regulations themselves to strict scrutiny, with an eye toward scaling back and eliminating those that are unnecessary or overly burdensome. Enhanced competition—the result of wise policy reform—will result in improved innovation, development of new services, and the opportunity for improved job growth in the future.

Mr. Chairman, as we begin our work, we must not forget the unique needs of rural states and rural consumers. For large states, and especially those with large metropolitan areas, competition is easier, and the telecommunications systems are further advanced. And our reforms will ease expand the flow of information technology and telecommunications services in those areas.

But for rural states like Maine, we must consider special factors. We cannot allow reforms to harm small rural consumers. Many consumers in Maine already are burdened by high utility rates, and reach to the end of their incomes to make ends meet.

The Maine Chamber of Commerce and Industry, among others, has identified telecommunications along with our quality of life as a critical tool in rural job attraction and economic growth. For this, we must build on existing infrastructure. Maine is fortunate in having built a telecommunications infrastructure which is already capable of handling the information flow of the future, Maine leads the Northeast in lines of fiber cable per capita—and can boast one of the finest fiber optic "backbones" in the nation.

The benefit of investments in telecommunications are already showing, for these investments offer the potential for Maine to become a center of world information services. In December, MBNA America Bank, the nation's second largest credit card lender, announced that it was expanding in Maine, with potential employment of 2,000 Maine people. The bank cited Mane's improving business climate, but more importantly the outstanding telecommunications network we have developed as its prime reason.

The potential for growth is tremendous, but as we work on reform, we must also include safeguards that recognize the huge capital investments required of small town cable television systems and telephone companies. Many of our communities still are served by small town companies which can ill afford to cover the greater distances and lower population in rural areas. Costs in these regions are high—and our reform must take into account these challenges so that we will assure that rural states are not left out of the telecommunications revolution.

We must keep factors affecting rural states in mind as we reform our telecommunications system; and importantly, we must maintain universal service. All providers must contribute to the system in an equitable manner. Without strong universal services provisions, rural communities could be shut out of the information technology revolution. Ensuring that all Americans reap the benefits of this revolution is not only preferable—it is essential.

I am optimistic about our chances to offer meaningful reforms in telecommunications this Session, Mr. Chairman. We must make the most of this outstanding tool for productivity, learning and business—and a clear agreement, as evidenced by our distinguished panel this morning, that we must move boldly ahead.

Our approach to reform must increase American competitiveness wherever we do business across the globe, create jobs and improve the everyday lives of our constituents, whether in Maine or South Dakota, Alaska or New York.

I am optimistic that we can achieve open competition in our telecommunications system that allows businesses to provide services with minimal regulation, and stave off the innumerable cases that could otherwise plague our court systems. I look forward to working with you, Mr. Chairman, the other Senators, and with our distinguished panelists. I am eager to hear today's witnesses, and appreciate your time.

Thank you.

The CHAIRMAN. Senator Lott.

Senator LOTT. Mr. Chairman, thank you again for having this early hearing, and again I want to congratulate our two chairmen from the House committee that are here this afternoon. I am looking forward to working with them, and I particularly want to commend Congressman Fields for the work that he did last year and for his efforts to get legislation through the House and his communications with members of this committee to try to help us work out a solution that we could move from the committee to the floor.

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We got very close, but obviously there still needs to be some additional improvements.

I would like to build a bit more on the question from Senator Inouye on the timing. Now, you have a full load in your first 100 days, and your effort to give everybody an open chance and the Minority a chance to file their opinions and so forth.

You are probably not going to be able to do much else, other than what you have got listed, in that first 100 days, but what is your planned schedule on this particular legislation, just say you want to try to get it out before the 4th July? I was in hopes that you could maybe be in a position to move it before that. Do you have a schedule yet that you have worked out, Chairman Bliley?

Representative BLILEY. Well, first of all we have to coordinate with the leadership. As you know, we changed our rules, and there are no more proxy voting in committees and subcommittees, so you cannot have simultaneous markups, and you have got to schedule.

We have got four parts of the contract, and we have got to deal with that, obviously, right off the bat, but Chairman Fields, Jack pointed out that he sees no reason and I see no reason why the subcommittee cannot have hearings in February and mark up late February, early March, and that hopefully we can have the bill scheduled on the floor and moved as early, possibly, if everything works out, as before Easter, but that is what we would like to do.

Now, we obviously have to coordinate with the leadership as to schedule and time. We have not had a lot of experience at, either in the leadership or certainly on our part, about scheduling, as far as dates to the floor, and with legislation, and we do not have that institutional memory, but that is our goal, and we hope to try to achieve it.

Do you agree with that, Jack?

Representative FIELDS. I would just build on that just a moment. Much depends on the slotting, and as you have probably read, our Speaker is very interested in communication issues. He talks about the information age. He has said publicly that he would like for the telecommunication reform measure to come to the House earlier rather than later, and we think if we were to hit a slot where nothing was on the floor and we were ready to go, that there is a strong possibility that we could come up in that first 100 days, if that is available.

Senator LOTT. You know, there was some thought at the time that you had performed a magic trick last year to get that legislation through the committee and—through the committees and to the floor, and get the vote that you were able to get, but you have said here today, as we have said, that we think we need to improve on that, and that we could make it less regulatory in its substance. Do you think you can do that and still be able to get the kind of vote that you achieved last time?

Representative FIELDS. Well, the answer is, maybe. [Laughter.]

Representative FIELDS. Again, a lot depends on some of the negotiations that are now ongoing, and there will be some negotiations that will be different from last year with some additional groups, and there still needs to be some conversation with Mr. Dingell and Mr. Markey, but we think as we look at the subject matter that is available to us there is a possibility that this will be a bipartisan

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effort, we hope with the same vote and the same support as last year.

I have to say in the conversations with the Vice President I believe that he is very engaged and wants us to move forward and recognizes that there is a change in the House and the Senate, and I think he recognizes how important this legislation is in giving certainty to a dynamic industry.

Senator LOTT. Just one question, if I could ask beyond that, it has been suggested that we seek an "open access solution," one that lifts barriers and restrictions while requiring access and interconnection to competitors providing local telephone service. Is this your view of about the right balance, removal of barriers and open networks?

Representative FIELDS. Yes, it is.

Representative BLILEY. Yes.

Senator LOTT. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Just for a point, and Senator Packwood raised this from the Congressional Congress Daily today about the Vice President's remarks, and I am quite frankly optimistic that we will be able to work together and reach some type of a consensus, but the Congress Daily had pointed out at the beginning that Vice President Gore today indicated the administration will not accept a telecommunications bill that lets different industries enter each other's businesses at a date certain, an approach similar to that proposed by Packwood and Breaux in the last Congress.

What he actually went on to say, and Congress Daily adds that, in the actual quote, was that he said, but the game should not begin on some arbitrary date without rules at all on the mistaken assumption that a calendar can replace a rule book, and I am not going to interpret his remarks, but I think he is concerned that there be rules in place to ensure fair competition, and that when the rules are in place, then the competition should be able to begin.

I mean, I think that in looking at his remarks, it seems to me there is a willingness and an indication to work with the Congress, of course, and the industry to come up with something that will promote competition as long as we can do so in a manner that assures that it is fair and on equal footing, and so I just wanted to add that comment to the remarks.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, I would bring this meeting to a conclusion, unless some of my colleagues have further remarks, by saying that the 4th of July deadline is not a deadline.

Hopefully we can do it much sooner.

I do not envisage that we hold lengthy hearings, because most people know the issues by this time, but we are doing a lot of meetings and working to bring a resolution to this on a bipartisan basis, and this meeting at this moment is being viewed by literally thousands of people throughout the country on C-SPAN.

It is being monitored by representatives of affected industries and companies, and it is being watched by thousands of people who have never even met a lobbyist, and so our pledge is to work together on a bipartisan basis, and I think if we do not get it done early in the year it may well slip, if we let it slip, into appropria-

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tions season. If it slips over to next year we will be in a Presidential year, and then we will be to 1997.

The country will suffer if we let it slip 2 years, so I really commend the earliness, and when we say, by the end of June, we mean that would be the latest, and we are going to try very hard here, with the consent of my colleagues, to move very swiftly, and we are really glad to see the leadership of the House taking that same approach.

I thank you very much, and unless one of my colleagues has some further wisdom to share with us, I conclude this hearing.

[Whereupon, at 4:40 p.m., the hearing adjourned.]



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