TELECOMMUNICATIONS

With Democrats at a Distance, GOP Details Its Own Plan

Unity may be tough as senators study prevention of unfair competition, universal phone service

RICHARD ELLIS

Testifying Jan. 9 at a Senate Commerce Committee hearing on telecommunications are, from left, Dole, Fields and Bliley.

Having found a way to unite Republicans on the framework for a major telecommunications bill, Senate Commerce Committee Chairman Larry Pressler, R-S.D., now faces a more difficult task: winning bipartisan support for the fine print.

The framework, which was endorsed Jan. 10 by Republicans on the Commerce Committee and Senate Majority Leader Bob Dole, R-Kan., would open the various telephone and cable television markets to competition over three years. It also would remove much of the regulation on those markets as the current regional monopolies gave way to competition.

The Republicans-only approach miffed some Democrats, who may develop their own proposal over the next few weeks. The tinge of partisanship was compounded by a hastily arranged Commerce Committee hearing Jan. 9 that featured only Republican witnesses.

At the committee's organizational meeting Jan. 12, however, there were signs that interparty harmony was being restored. Ranking Democrat Ernest F. Hollings of South Carolina said he expected the Republicans to present him with a bill around Feb. 1 and that Democrats would then "see if we can reconcile what minor differences there may be" between the two groups' positions.

Later that day, Pressler's staff gave Democrats 45 pages of background material on the Republicans' proposal. The day before, Republicans had given Democrats only a one-page summary, leaving key Democratic aides with less information than a number of reporters had obtained.

Still, the Republicans are expected to keep Democrats at arms length while they translate their framework into bill language, delaying serious interparty negotiations until Republicans have agreed on their own, detailed proposal.

By Jon Healey

Those details are critical, and maintaining Republican unity will not be easy. A lot of work remains to be done, aides said, in such critical areas as maintaining the affordability of basic telephone services — a policy known as universal service — and guarding against unfair competition by the regional Bell telephone companies.

The reaction from the telecommunications industry has been guarded, with much concern expressed about the details to come. Speaking for every segment of the industry, Robert Thomson of Tele-Communications Inc., the nation's largest cable television company, said, "The devil is in the details here."

Pressler also wants to keep the industry on the sidelines at least until the committee's Republicans have translated their framework into a detailed bill. On Jan. 12, he barred the committee's Republican staff from speaking to industry lobbyists or the press until the bill is drafted.

Starting Over

Competition in the telecommunications industry is limited by a variety of legal restraints. State and local regulations bar competition in most local telephone markets, and a federal court order prohibits the largest local phone companies, the Bells, from entering the long-distance and equipment markets.

As technological advances have removed the technical barriers to competition, the pressure has increased on Congress to remove the legal barriers. The House passed a pair of bills last year to promote competition and the Senate Commerce Committee approved a bipartisan alternative last August, but Dole and other opponents kept the legislation from reaching the Senate floor.

After the November elections put him in line to become chairman of the Commerce Committee, Pressler started trying to bring Republicans together on a proposal. Their ranks had fallen into two basic camps: those who favored aggressively deregulating and quickly unleashing the Bells, and those who wanted to restrain the Bells until the local telephone markets were open to competition.

The former group consisted of Dole, Bob Packwood of Oregon and John McCain of Arizona, all of whom vigorously opposed the bill developed last year by Hollings and former Sen. John C. Danforth, R-Mo. The latter group, which included Pressler, Trent Lott of Mississippi and Ted Stevens of Alaska, had supported the measure.

After the elections, the Republicans met for about a month before agreeing Jan. 10 to the framework for a new bill, one built on ideas from both camps. Its major provisions would do the following:

- **Open the local telephone markets and reduce regulation.** One year after enactment, all state and local barriers to competition in the local telephone exchanges would be pre-empted. Any company wishing to provide local phone service could begin negotiating with the local phone monopoly for connection to its network. Electric utilities would be given the authority to offer telephone service at that time as well.

If the negotiations did not bear fruit within 120 days, state regulators could require the local telephone monopoly to provide access to its network on terms outlined by the Federal Communications Commission (FCC). Penalties could be imposed if the network had not been opened to the competitor by the end of year two, with a final deadline for opening the network coming at the end of year three.

Once a local phone company opened its network to competitors, only its prices, not its profits, would be subject to state regulation. Numerous states continue to regulate local phone company profits, an approach that the companies are eager to change. All competitors would have to contribute to the phone companies' cost of providing universal service and would have to make explicit any internal cost-shifting from residential to business customers.

The cable and long-distance companies say the key to future competition throughout the telecommunications industry is in breaking up the local telephone monopolies, which generate almost $100 billion in annual revenue. And one of the major stumbling blocks to local-telephone competition, said Thomson of Tele-Communications Inc., is the amount that local phone companies are allowed to charge competitors for hooking into their networks.

- **Allow the Bells into long distance and equipment manufacturing.** Three years after enactment, the Bells could provide long-distance services and manufacture telephone equipment through a separate subsidiary — practices that the courts now say are off-limits. If a Bell opened its network to local competition before that date, the FCC could let it enter the $60 billion long-distance market sooner.

As soon as a Bell gained entry into long distance, it would have to allow competitors equal access to the market for local toll calls — a lucrative market that the local phone companies now dominate.

- **Increase competition in cable television while reducing regulation.** Telephone companies would be permitted to offer cable television through a separate subsidiary one year after the bill's enactment. Telephone companies entering the cable business would have to meet the same requirements that cable companies do, including the payment of franchise fees to local governments.

Any restrictions imposed by the bill would be a step backward for at least six of the seven Bells, which already have won from the federal courts unrestricted entry into the cable markets in their service areas.

The bill also would let cable companies charge whatever they wished for services beyond a basic tier consisting only of local broadcast stations — a significant easing of the restrictions that Congress slapped on cable carriers in 1992. More companies would be exempted entirely from price regulations on the grounds that they face competition. *(1992 Almanac, p. 171)*

- **Reduce regulation on the television broadcasters.** After one year, broadcasters would be permitted more flexibility in using their spectrum for program-related services. The bill also calls for a re-examination of the current restrictions on the number of outlets owned by a single broadcaster.

"The game should not begin on some arbitrary date without rules at all on the mistaken assumption that a calendar can replace a rulebook."

—Vice President Al Gore

- **Lift the restrictions on foreign ownership of broadcast and telephone companies.** The current limits on foreign investment in U.S. telecommunications companies would be eliminated, subject to similar action by foreign governments. This provision, which a number of cable, broadcast and telephone companies have lobbied hard for, is intended to help open overseas markets for U.S. telecommunications companies.

Notably absent from the Republican proposal are a number of the new regulations proposed in the Hollings-Danforth bill last year.

These include proposed requirements that any new Bell manufacturing operations be located in the United States, that telecommunications carriers reserve a portion of their systems for schools and public broadcasters and that the telephone companies limit the use of the personal information they glean from customers' dialing habits.

The Republicans' framework would bar the Bells from offering alarm services for three years, lifting the restrictions when the Bells had opened their local networks to competition. The Hollings-Danforth bill would have barred the Bells' entry into alarm services for 5½ years.

One general theme of the proposed framework is that all competitors face the same regulations, regardless of how they entered the market.

Setting the Tone

The Commerce Committee started its public deliberations on telecommunications legislation Jan. 9 by hearing from three top Republicans: Dole, House Commerce Chairman Thomas J. Bliley Jr., R-Va., and House Telecommunications and Finance Subcommittee Chairman Jack Fields, R-Texas.

All urged the committee to take a less regulatory approach to overhauling the nation's communications laws than it did last year in the Hollings-Danforth bill. "We need to underscore the competition. Not regulation but competition. Not regulation but deregulation," Dole said.

Pressler said he had invited one leading Democrat — Vice President Al Gore — to testify, but Gore declined, citing the custom against vice presidents testifying before Congress. Also missing was Hollings, who was in Africa on a State Department trip.

Despite calls for bipartisanship from both sides, the hearing took on a partisan edge when Packwood and McCain took issue with Gore, in his absence, over a key issue: whether Congress should give the regional Bell telephone monopolies a date certain for their entry into the long-distance market and other fields now forbidden to them.

Packwood and McCain strongly support such an approach, and Dole, Fields and Bliley all endorse it to varying degrees. Relying on news media reports, Packwood asserted that Gore would oppose any bill with a date certain for the Bells.

Sen. John B. Breaux, a Democrat from Louisiana who has supported giving the Bells a date certain, suggested that remarks Gore made at a telecommunications "summit" that morning were misinterpreted. Gore said, "The game should not begin on some arbitrary date without rules at all on the mistaken assumption that a calendar can replace a rulebook."

Pressler seemed to take a similar position in a statement released at the hearing. ■