

Chronological: S. 173, Telecom Manufacturing Restriction Lifting

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STATEMENT OF SENATOR DANIEL K. INOUE
FEBRUARY 26TH HEARING ON S. 173,
LEGISLATION TO LIFT THE TELECOMMUNICATIONS MANUFACTURING
RESTRICTION ON THE BELL OPERATING COMPANIES

The Communications Subcommittee meets this afternoon to hear testimony on S. 173, Chairman Hollings' legislation to alter the Modification of Final Judgment by repealing the communications manufacturing restriction on the Bell Operating Companies. The full Committee approved similar legislation last Congress, but, that legislation was not considered by the full Senate.

The Chairman of our Committee believes that the time has come to lift the communications manufacturing restriction and institute a new series of administrative safeguards against anticompetitive behavior. Because of the Chairman's longstanding and in depth involvement in telecommunications issues, I generally agree with his position on most issues. Thus, I deeply regret that I find myself at odds with the Chairman on this legislation.

I continue to believe that on balance, the Modified Final Judgment is of great benefit to our telecommunications market, its businesses and users. Thousands of new manufacturers have entered the market since the AT&T divestiture. As a result, consumers have benefited from cheaper and more innovative equipment and many new services. The trade deficit in communications equipment has been

reduced from \$2.6 billion in 1988 to \$0.8 billion in 1990 according to the Department of Commerce. In the area of research and development, spending by U.S. companies, including the RBOC's, has increased, not decreased, since divestiture.

Further, we simply cannot ignore the Regional Bell Operating Companies' incentives and capabilities to engage in anticompetitive acts that stemming from their control of the "bottleneck" over local telephone service. The recent violations by NYNEX and US West are only the latest examples of the Bell Companies' potential to cross-subsidize and engage in discriminatory pricing.

This hearing, however, gives all of us an opportunity to hear both sides of the issue and raise any concerns that we may have. I am pleased that we have a compromise proposal to discuss this afternoon. I consider the proposal that has been put forth by TIA, IDCMA and NATA to be a constructive step to resolving this dispute. I recognize that the Bell Companies do not believe that this proposal goes far enough, but I would like the Bell Companies to respond to the proposal and to indicate if there are any aspects of the proposal that appeal to them. For example, at last year's hearing the Bell Companies suggested that their primary concerns were design and development, not with fabrication. I would be interested to know whether this proposal would

address the Bell Companies concern about design and development.

Rather than take up any more time with my concerns, I will raise the remaining issues in my questions.

To lead off our hearing we have the honor of hearing testimony from our distinguished colleague from the House of Representatives, Congresswoman Cardiss Collins, who will be introduced by Senator Simon. After serving many years on the Telecommunications Subcommittee, Ms. Collins now Chairs the Commerce, Consumer Protection and Competitiveness Subcommittee. She is the first black and the first woman to chair that Subcommittee. Because of her long association with telecommunications issues she is very familiar with the implications of the bill we considering today.

Ms. Collins will be followed by a panel consisting of: Alfred Sikes, the Chairman of the Federal Communications Commission; Janice Obuchowski, Asistant Secretary for Communications and Information, National Telecommunications and Information Administration; and James Rill, Assistant Attorney General, Antitrust Division of the Department of Justice.

Our next panel will consist of the President and Chief Executive Officer of Pacific Telesis Group, Mr. Sam Ginn and the Senior Vice President of AT&T, Mr. Jim Kilpatrick.

The final panel will include: Ms. Barbara J. Easterling, Executive Vice President, Communications Workers of America; Paul Vishney, General Counsel, Telecommunications, Inc.; Mr. Stuart Gibson, President, Concept Communications Inc.; Mr. Michael S. Weinstock, President, Morse Security Group; and Mr. Ron Binz, President of the National Association of State Utility Consumer Advocates.

I welcome all of you to the Subcommittee and look forward to hearing your testimony.