

HOLLINGS STATEMENT - OCTOBER 1, 2002
GOVERNMENT'S ROLE IN PROMOTING THE TELECOM INDUSTRY AND
BROADBAND

TODAY WE EXAMINE THE DEPRESSION IN THE TELECOMMUNICATIONS INDUSTRY AND BEGIN TO CONSIDER POLICY TO HELP REVIVE THE SECTOR. WHAT PERPLEXES ME IS THAT THIS INDUSTRY WAS DESTINED TO ENSURE AMERICA'S ECONOMIC SUPERIORITY IN THE 21ST CENTURY. INSTEAD, THE TELECOM DEPRESSION DRAGGED OUR ECONOMY INTO RECESSION, AND NOW THREATENS OUR GLOBAL COMPETITIVENESS AS CRITICAL EQUIPMENT MAKERS LIKE CORNING AND LUCENT ARE STARING BANKRUPTCY IN THE FACE.

OUR TELECOMMUNICATIONS INDUSTRY HAS ALWAYS BEEN UNMATCHED IN ITS PREEMINENCE. IN 1996, WE SOUGHT TO EXTEND THAT SUPREMACY WITH THE TELECOMMUNICATIONS ACT. SIX YEARS LATER, MOST OF THE DAZZLING PROMISES THAT LED US TO PASS THAT LEGISLATION REMAIN UNFULFILLED.

ONLY NOW, ARE SOME PROMISES COMING TRUE. THE BELLS ARE SUDDENLY MAKING PROGRESS OPENING THEIR LOCAL MARKETS. DUANE ACKERMAN AND MY BELL SOUTH ARE CLOSEST TO COMPLETION AND SHOULD BE COMMENDED. CABLE IS FINALLY OFFERING VOICE COMPETITION IN MORE MARKETS. THERE IS REAL COMPETITION IN THE BUSINESS MARKET. MILLIONS OF RESIDENTIAL CUSTOMERS HAVE A CHOICE FOR LOCAL PHONE SERVICE. RATES ARE LOWER THAN EVER IN THE LONG DISTANCE AND WIRELESS SECTORS. BROADBAND IS AVAILABLE TO 80% OF AMERICANS.

BUT, JUST AS CUSTOMERS ARE ENJOYING THE FRUITS OF COMPETITION, TIMES HAVE NEVER BEEN WORSE FOR OUR COMPANIES, THEIR SHAREHOLDERS, AND THEIR EMPLOYEES, OVER HALF A MILLION OF WHOM HAVE LOST THEIR JOBS. BANKRUPTCIES, ACCOUNTING SCANDALS, ABSURD OVERCAPACITY, AND DOZENS OF BAD BUSINESS PLANS HAVE DESTROYED CONFIDENCE IN THE INDUSTRY. THIS IS NOT HOW IT WAS SUPPOSED TO BE. AND WHILE THERE IS A LOT OF FINGER POINTING GOING ON AMONG THE COMPANIES AND HERE IN CONGRESS, WE NEED TO MOVE BEYOND THAT.

WE NEED TO MOVE BEYOND THE INTRAMURALS UP HERE OVER TAUZIN-DINGELL, AND "PARITY." IF THE MARKET DEMONSTRATES ANYTHING, IT IS THAT COMPETITION, NOT DEREGULATION DRIVES THE BELLS TO INVEST IN THEIR NETWORKS AND COMPLY WITH SECTION 271 TO OPEN THEIR MARKETS. THAT IS THE RECORD IN THE BUSINESS MARKET, WHERE THE BELLS RESPONDED WITH CHEAPER, NEW OFFERINGS TO COMBAT THE CLECS. AND IT IS TRUE IN THE RESIDENTIAL MARKET, WHERE UNE-P LINES LOST TO COMPETITORS ARE FORCING THE BELLS TO HURRY UP AND COMPLY WITH THE ACT WHERE THEY HAVE YET TO DO SO.

DEREGULATION WILL NOT RESCUE THIS SECTOR FROM DEPRESSION. WHAT AILS TELECOM GOES FAR BEYOND THE REGULATIONS GOVERNING THE BELL COMPANIES. ANY POLICY SOLUTION MUST RECOGNIZE THAT. I FEAR MY FRIEND CHAIRMAN POWELL HAS YET TO REACH THIS REALIZATION.

ABRAHAM LINCOLN ONCE SAID THAT "THE DOGMAS OF THE QUIET PAST ARE INADEQUATE TO THE STORMY PRESENT. THE OCCASION IS PILED HIGH WITH DIFFICULTY, AND WE MUST RISE WITH THE OCCASION. AS OUR CASE IS NEW, SO WE MUST THINK ANEW AND ACT ANEW." THAT IS WHAT WE MUST DO WITH TODAY'S TELECOMMUNICATIONS INDUSTRY.

WIRELESS COMPANIES MAY NEED TO CONSOLIDATE AND OBTAIN MORE SPECTRUM. WHAT WE CALL "BROADBAND" MAY NOT ACTUALLY BE FAST ENOUGH. THE GOVERNMENT MAY NEED TO SUBSIDIZE DEMAND AND/OR INFRASTRUCTURE TO PROMOTE THE HIGHER SPEEDS NEEDED TO JUMP START THE INDUSTRY. WE SHOULD CONSIDER NEW TECHNOLOGIES LIKE "WI-FI" IN UNLICENCED SPECTRUM AS HIGH SPEED ALTERNATIVES. AND WHILE I TEND TO DOUBT BELL CLAIMS THAT WHOLESALE PRICING REGIMES DISCOURAGE INVESTMENT, PERHAPS WE SHOULD EXAMINE THOSE TOO.

THE FEDERAL GOVERNMENT HAS A HISTORY OF ASSISTING INDUSTRIES TO PRESERVE AMERICA'S GLOBAL COMPETITIVENESS: IN THE 70'S WITH THE AEROSPACE INDUSTRY AND LOCKHEED MARTIN; IN THE 80'S WITH THE AUTO INDUSTRY AND CHRYSLER, AND WITH THE SEMICONDUCTOR INDUSTRY AND SEMATECH. AMERICA HAS ALSO INVESTED IN INFRASTRUCTURE TO BENEFIT THE ECONOMY AS A WHOLE - AS WITH THE CANALS AND RAILROADS IN THE 19TH CENTURY AND RURAL ELECTRIFICATION AND FEDERAL INTERSTATE HIGHWAY PROGRAMS IN THE 20TH CENTURY, ALL OF WHICH EXPANDED INTERSTATE TRADE. INVESTMENTS IN HIGHER SPEED BROADBAND INFRASTRUCTURES COULD

PAY SIMILAR DIVIDENDS.

TODAY WE'LL HEAR FROM A DISTINGUISHED PANEL WITH
DIFFERENT RECOMMENDATIONS FOR REVIVAL. I LOOK FORWARD TO
THEIR TESTIMONY.