GOP Senators Expect to Introduce Plan For Bells to Offer Long-Distance Service
By Daniel Pearl

WASHINGTON - Senate Republicans plan to introduce legislation that would allow the regional Bell telephone companies to offer long-distance service by 1998 or sooner.

The Republicans' package, hashed out in a private meeting this week, also would allow local phone companies to sell video services to their customers by next year, and would let Bell companies manufacture phone equipment by 1998. The goal of the legislation is an eventual "end to regulation" in telecommunications, according to a one-page summary scheduled to be released today.

The proposal, as Republicans promised, is more deregulatory than legislation that passed the House, but not the Senate, last year. It is likely to attract criticism from Democrats, who were barely consulted as Senate Republican staffers worked out a framework for the bill.

Among other things, the Republican proposal has no requirement that the Justice Department review the seven giant Bell companies' attempts to enter businesses they have been barred from entering under the 1982 consent decree that broke up the Bell system.

Sen. Larry Pressler (R., S.D.), who heads the Senate Commerce Committee, said yesterday he hopes the telecommunications bill will proceed on a "bipartisan basis." But he acknowledged that "there's going to be changes made" before he introduces an actual bill, near the end of the month.

Also, House Republicans may be less eager than their Senate colleagues to promise Bell companies entry to long-distance by a certain date. House leaders have challenged long-distance and Bell companies to reach an agreement among themselves regarding the terms of the Bells' entry into long-distance service-the issue that killed last year's Senate bill.

Unlike last year's bill, which would have forced Bell companies to open their monopolies to competition before entering the long-distance market, the Republican proposal merely requires Bell companies to cooperate with potential competitors.

It envisions striking down states' barriers to local-phone competition within a year. In the meantime, companies wishing to compete with local phone monopolies would negotiate with them, under the supervision of state regulators. The telephone company could be fined for failing to give the competitor connections to the phone company's local customers, or for not removing other obstacles to competition. The Federal Communications Commission would pass judgment on the telephone company's cooperation to determine how early it could enter the long-distance market, a Senate aide said.

"Good actors will be rewarded and bad actors will be punished," the aide said. Unless a Bell company were especially good or bad, the entry date for long-distance service would be 1998.
Sen. Pressler had consulted a slew of long-distance, cable, television, and Bell executives before hatching the proposal, but Bell companies appear to have gotten the most from it. A BellSouth Corp. spokesman said the framework is "encouraging," though the company needs to see more details. AT&T Corp., the largest long-distance provider, wasn't as happy.

"We're concerned it places too much emphasis on a specific date for determining when the Bells can enter long distance," an AT&T spokesman said. "The only date that matters is when competition exists in the local exchange market—not some arbitrary point in the future." The proposal, he said, defines "too loosely" the steps the Bells would have to take to open themselves to competition.

On the other hand, AT&T likes some provisions, including the Republicans' proposal to make it easier for long-distance companies to compete for toll-call service within regions, by 1998.

Cable operators, meanwhile, would get changes they've sought in the 1992 Cable Act to make it easier for them to escape rate regulation. Electric utilities would be allowed to provide telecommunications service on their fiber-optic networks by 1996. And broadcasters would get their main goal: flexibility to use part of their spectrum for services such as paging and data transmission. The broadcasters would have to pay licensing fees based on the prices that spectrum is fetching in current auctions, a Senate aide said.

The Republican proposal parallels last year's bills in at least one respect—providing explicit subsidies for continued telecommunications services in rural and residential areas. That reflects the heavy influence of rural-state Republicans, including Sen. Ted Stevens of Alaska and Senate Majority Leader Robert Dole of Kansas.

But unlike last year's Senate bill, sponsored by Ernest Hollings (D., S.C.), the Republican proposal would place no domestic-content requirements on Bell companies' manufacturing of telephone equipment. Also, it envisions relaxing restrictions on foreign investments in U.S. television stations and telephone companies, to match foreign-ownership restrictions in the investing company's home country, a Senate aide said.

Republicans in both Houses expect Congress to pass a bill by July 4. Sen. Pressler said he expects the Senate to move faster than the House on telecommunications reform, and added that, "If we don't get done by April, we won't get it done," partly because the 1996 presidential election campaign will have begun. "Two more years of productivity will be lost," he said.

As for the "end to regulation," Sen. Pressler said that would be "nirvana," which the Republican bill would pursue by requiring a review of all regulations every two years.