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# Baby Bells Hoping for a Reprieve

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In the clubby world of Senate policy-making, a single senator in a critical position can effectively bring legislation to a standstill.

Senator Ernest F. Hollings, Democrat of South Carolina, largely accomplished just that in the costliest lobbying battle over the last year — one that may decide which companies will have an edge in the next generation of telecommunications.

The senator's gatekeeper role as chairman of the Commerce Committee helped to stifle a bill that was backed by the regional Bell telephone companies and had passed the House by an almost two-thirds majority. The legislation, which would have freed the Bells from being forced to lease their advanced data communications networks to competitors, had been opposed by [AT&T](#) and other communications carriers who count Senator Hollings among their allies.

But now that the Republicans have regained control of the Senate, Senator Hollings will be replaced as the committee's chairman by John McCain, the Arizona Republican who had led the panel until a year and a half ago and has a close relationship with the chairman of the Federal Communications Commission. By tradition, the Commerce Committee typically takes the lead on communications issues.

While telecommunications is not generally a partisan issue, the Baby Bells are welcoming a reprieve from one of their harshest opponents.

"Senator Hollings has historically been very clear about his opinion of the Bells," said William M. Daley, a secretary of commerce in the Clinton administration who now serves as president of [SBC Communications](#). SBC is second only to [Verizon Communications](#), another offspring of the breakup of the Bell System, among the nation's largest local phone companies. "McCain may be a little more open to some of the positions that we as an industry articulate."

Still, while Senator McCain generally favors deregulation as a way to stimulate competition, the Baby Bells will not necessarily find him a strong ally, given his populist tones.

"Senator McCain places consumer interests above special interests," Pia Pialorsi, his spokeswoman, said. "He advocates a deregulatory environment that he believes will best support the growth of competitive markets and benefit consumers."

As with many aspects of his policy-making, Senator McCain has historically chosen an independent path on telecommunications issues. He was one of five senators — and the only Republican — to vote against the Telecommunications Act of 1996, which helped begin a process of relaxing many telephone industry

regulations and easing the Bells' way into the long-distance market.

At the time, Senator McCain argued that the law did not take deregulation far enough and would lead to prolonged litigation. Indeed, a number of provisions of the 1996 law wound up in federal courts.

For the Bells and their competitors, the big contest involves the future of the broadband, or high-capacity high-speed networks, that business customers and consumers are demanding. It is a business worth billions of dollars in annual revenues, and the open questions around the network include who will build it, who will have access to it, who will control it and who will subsidize it.

The Baby Bells — which in addition to Verizon and SBC are [BellSouth](#) and [Qwest Communications International](#) — argue that they need to be unshackled from their obligations under the 1996 law. To promote local competition, the law required the Bell companies to open their longtime monopoly networks to rivals, generally by leasing access to all the pieces of those networks at wholesale prices.

But the Bells say this process has put them at an economic disadvantage to cable television companies, which do not face such requirements and which have sprinted ahead of the local phone companies in offering broadband Internet service to residential customers. Last February, a bill sponsored by Representatives Billy Tauzin, Republican of Louisiana, and John D. Dingell, Democrat of Michigan, passed the House in a bipartisan vote of 273 to 157, freeing the Bells from many of the leasing requirements.

"Tauzin-Dingell was all about telling the F.C.C. that the majority of house thought the Telecom Act was broken," said Scott Cleland, the chief executive of the Precursor Group, a communications research firm in Washington. "That message was sent and received."

Opposing the Bells is a large coalition of long-distance carriers like AT&T, [WorldCom](#) and [Sprint](#); Internet service providers; upstart phone companies; and cable companies.

"We're not opposed to deregulation, but we think the competition ought to be developed first," said Peter G. Jacoby, vice president of Congressional relations at AT&T.

Along with the House majority, Senator McCain and Michael K. Powell, the chairman of the Federal Communications Commission, seem to be in general agreement that deregulation is the solution to stimulating the telecommunications markets. The differences may lie in the details, methods and timing.

In August, Senator McCain introduced a bill on broadband deregulation, one seen as more of an intellectual exercise than as a pragmatic piece of legislation. The proposal, in which both sides find things to like and dislike, was seen as the senator's way of injecting his views into the debate, without taking sides.

"Unlike other bills which clearly favored one side or another, it takes a much more market-by-market approach," said Blair Levin, a former chief of staff at the F.C.C. who is now an analyst for the investment firm Legg Mason Wood Walker.

The bill, for example, continues to provide the Bells' competitors with access to the older technologies in the Bells' networks, while taking a hands-off approach to broadband facilities that the Bells may build.

The proposal, focusing on the residential market, also takes an antiregulation stance, by restricting the ability of the F.C.C. and state agencies to impose requirements on high-speed Internet providers.

While Senator McCain's legislation is dormant, it serves as a signal of his thinking to the F.C.C., which is now conducting evaluations that are very likely to remove a number of the obstacles for the Baby Bells, industry analysts say. Senator McCain and Mr. Powell share a cordial relationship and deregulatory philosophy. It was Senator McCain's intervention in 1997, after all, that helped Mr. Powell win a seat on the F.C.C. during the Clinton administration.

It is at the F.C.C. where the industry now expects the broadband matter to be decided. But Senator McCain will still be able to use the Commerce Committee as a bully pulpit on his other pet telecommunications issues — like rising cable television prices. In April, he asked the General Accounting Office to conduct a review of why cable prices have climbed so steeply. Since 1996, cable rates have risen 36 percent, almost three times the pace of inflation, the Consumers Union said.

While he has not taken a position on [EchoStar's](#) proposed acquisition of its satellite television rival DirecTV, which the Justice Department and F.C.C. have both rejected, Senator McCain has said that the satellite industry needs more support to make inroads into cable's market share. He has also criticized the broadcast industry for what he considers its foot-dragging in the transition to digital television.

A maverick proposal is the senator's call to broadcasters to grant free air time for political candidates — a campaign reform measure which the National Association of Broadcasters, one of the largest and most influential lobbying groups, strictly opposes. Senator McCain said free time would de-emphasize large contributions by reducing candidates dependence on fund-raising.