

Chronological: H.R. 1542, Internet Freedom and Broadband Deployment

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SENATOR DANIEL K. INOUE
HEARING ON H.R. 1542, THE INTERNET FREEDOM AND
BROADBAND DEPLOYMENT ACT OF 2001
MARCH 20, 2002

Thank you, Mr. Chairman, for this opportunity to discuss H.R. 1542. I regret that I must leave this hearing early to chair a hearing before the Defense Appropriations Subcommittee. However, I wish to say that I share the concerns you raised about this measure.

● A preeminent goal of the Telecommunications Act of 1996 is to open the local telecommunications market to competition. Competition is the key to sparking innovation, improving service, and reducing prices for residents and businesses. It is also helping to drive the rollout of broadband services.

● Regrettably, we have yet to realize the enormous benefits of competition, primarily because of the obstacles that have been placed in its way by the Bell Companies since the passage of the 1996 Act. The Bells have dragged their feet every step of the way.

● Instead of embracing competition, the Bells have sought to squelch it by delaying access to their networks by companies seeking to compete with them.

● The record shows that when given a chance to compete, the new competitive local exchange carriers — or CLECs (pronounced "see-lecks") — have made progress in offering competition in the local markets. In New York, CLECs have captured 23 percent of the local telecommunications market; in Texas CLECs have gained a 14 percent market share; in Massachusetts 12 percent; and in Pennsylvania 13 percent.

- These developments have resulted in lower rates and a higher quality of service to customers, as was reported in a survey by the Yankee Group.

Unfortunately, the success of CLECs has been limited by the fact that former Bell companies

- have met the market opening provisions of the 1996 Act in only ten states.

● With that said, the House passed H.R. 1542 in February. My reading of the bill suggests that it assumes that competition should only be between local phone monopolies and cable companies, on the ground that consumers are best served by having two huge players in a market.

● Furthermore, the Bells claim they need the legislation in order to more rapidly deploy broadband services.

- They argue it is too costly to upgrade their infrastructure and at the same time open their network to competitors. However, they make these claims, notwithstanding the fact that the Bells, in some cases, have already deployed DSL technology to more than 70 percent of their market areas. This statistic alone suggests that there is no need for the House bill.
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● The Bells claim that, through the House legislation, they are merely seeking regulatory parity with cable companies. However, while the cable industry is working, even in the absence of a statutory requirement, to open their networks to competition, the Bells, on the other hand, continue to stifle competition in their main markets.

- Moreover, the Bells continue to dominate the lucrative business data market -- a market in which the cable industry does not compete and where CLECs are the Bells' only real competitors. The reality is that the Bells lag behind in the residential market only because they waited to deploy DSL service — and deployed only after they were faced with competition from CLECs and cable.

● Having multiple players in a given industry results in consumers having more choices, better service, innovative products, and lower prices.

- - In the wireless industry, the companies are elbowing each other out of the way to offer new calling and Internet features at lower prices;

- As competition became intense in the long distance sector, companies began offering a variety of calling plans, collect call services, and discount cards.

- As the market opened in the satellite industry, satellite television companies began providing free installation and highly attractive programming packages.

● We look forward to a day when consumers are courted in the same way with competitive offers for local telecommunications voice and data services -- from multiple local telecommunications companies, multiple cable companies, multiple satellite companies, multiple wireless companies, and multiple Internet service providers.

● If our concern is for consumers, I believe our choice is clear -- simply allow state and federal regulators to enforce the law. State and federal regulators, however, must have the courage to do just that. Taking any action such as those proposed in H.R. 1542 would only be a major step backwards from the ultimate goal of bringing competition to the local marketplace, and truly unleashing the power of the Internet.