

Statement of

# The Honorable Patrick Leahy

United States Senator  
Vermont  
March 15, 2005

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Ranking Member, Senate Judiciary Committee  
"SBC/ATT and Verizon/MCI Mergers -  
Remaking the Telecommunications Industry"  
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I am pleased the Committee is convening a hearing today for the telecommunications industry is in the midst of a tumultuous transformation. Our society is catapulting from the days of the party line, operator-mediated calls and expensive long-distance bills to an era of portability of service, intramodal competition among providers, and multi-use devices. This transformation raises many important and difficult questions about how we can best ensure that the benefits of the rapidly changing technologies, the rapid globalization of communication, and the aftermath of the Telecommunications Act of 1996 are all harnessed to bring the highest quality of communications services to all Americans, with the broadest variety of choices at the lowest possible prices. This is no small task, and hearings in the relevant Committees are certainly a useful first step in what will doubtless be a long and involved process. As we all go through that process, I hope we will bear in mind that the much-vaunted competition goals of the 1996 Act were not fully realized, and that we must be particularly careful to avoid the pitfalls of that legislation again.

A great deal of our usefulness rests on our ability to respond to - and engage in - important events that may bear upon the legislative process. Six weeks have passed since the announcement of the SBC-ATT merger, and more than a month has passed since Verizon announced plans to merge with MCI. These are the latest in a string of three multi-billion dollar deals. The Committee and Antitrust Subcommittee will want to follow through after today's hearing to hear other perspectives and create a balanced record. Today, I will ask consent to at least insert in the record testimony from Consumers Union and the Consumers Federation of America.

When I cast one of only five votes against the Telecommunications Act of 1996, I did so in large part due to my belief that the competition anticipated by that bill was an empty promise. Time has borne out the truth of my prediction, and inadequate competition has not been isolated to telephone service. Cable rates have continued to skyrocket well beyond the pace of inflation, and, according to the International Telecommunications Union, the United States is thirteenth in the world in broadband deployment. Many consumers are fed up, and rightly so, they deserve better.

In light of the failure of the 1996 Act to spur effective competition, we should closely scrutinize deals that would put more and more of our telecommunications infrastructure under the control of fewer companies. At the same time, we must also acknowledge and consider the rapid pace of technological change that has taken place within this industry in the past several years. Telephones, and making telephone calls, used to be pretty straightforward. Some of us still remember phones with dials rather than buttons. And some of us even recall when operators connected callers and when the industry was dominated by a single company: AT&T. Times certainly have changed.

The growing popularity and shrinking size of cellular phones mean that a growing number of consumers do not use wireline telephone service at all. At the same time, Voice over IP can bring us telephone calls in large part by using the infrastructure of the Internet. Cable companies look forward to developing a substantial new revenue stream in providing telecommunications services. In the not-too-distant future, we may find that Broadband over Power Lines allows Internet calling wherever there is electricity. And WiFi access on BPL could make Internet calls a viable possibility for wireless customers. These are just a few of the myriad developments - and many new acronyms - that have entered this arena since the break up of the old Bell System.

While anti-trust enforcement always requires some attempt to predict the future, we in Congress must attempt to draft legislation that not only accommodates technological innovation, but protects and promotes it. This will be particularly

important as Congress revisits the Telecommunications Act of 1996.

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