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Senators at FCC Confirmation Hearings Press Kennard on Telecommunications

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WASHINGTON -- Senators, frustrated that their vision of telecommunications deregulation has been clouded by mergers and price increases, pressed the would-be chief of the Federal Communications Commission to bring the benefits of competition to U.S. telephone customers -- but still preserve the system of subsidies that assures affordable phone rates.

At his confirmation hearing yesterday, William Kennard said he, too, isn't happy that competition hasn't taken off in the local telephone market. While he pledged to speed the process, he said that balancing competition and subsidies would remain the FCC's "biggest challenge" over the next few years.

Mr. Kennard, the FCC's 40-year-old general counsel, promised to work closely with state regulators to make sure phone rates remain reasonable. "The commission clearly has a continuing obligation to ensure that telephone service remains affordable and accessible to all Americans," he said.

But as part of last year's law, the agency must revamp the complicated system of subsidies, called "universal service," that has kept local telephone rates low in rural areas where it's expensive to string phone lines. The law requires that the subsidies not favor one competitor over another. While Mr. Kennard offered assurances that consumers will be protected, he provided few specifics.

Lawmakers, particularly those from rural states, worry that their constituents will face sharply higher monthly phone bills. Should that happen, said Sen. Byron Dorgan (D., N.D.), "I and many others will rue the day we passed" the law.

The hearings before the Senate Commerce Committee came amid growing criticism from lawmakers, state regulators and many companies that the FCC has failed to follow Congress's orders in crafting rules to implement the new law.

In addition, they complain that telecommunications companies are choosing to combine rather than compete, cable-television rates are outpacing inflation and most residential consumers still don't have a choice when it comes to picking a local telephone company.

"The results so far have not met the expectations of the sponsors of the bill," said Commerce Committee Chairman John McCain (R., Ariz.), who voted against the legislation. Pointing out WorldCom Inc.'s surprise bid to buy longdistance giant MCI Communications Corp., Sen. McCain added, "The whole industry is buying each other instead of competing against each other."

Mr. Kennard, a Democrat, would replace Reed Hundt, the high-profile FCC chairman who plans to step down soon. In addition, the Senate is considering three others to fill vacancies on the five-member commission. The Commerce Committee is expected to approve all four nominees Tuesday, aides said, and a vote by the full Senate is expected soon after.

On Tuesday, the committee quizzed Michael Powell, 34, chief of staff to the head of the Justice Department's antitrust division and son of retired Gen. Colin Powell; Harold Furchtgott-Roth, 40, chief economist for the House Commerce Committee; and Gloria Tristani, 43, a New Mexico utility regulator.

Messrs. Powell and Furchtgott-Roth are Republicans, and Ms. Tristani is a Democrat. If confirmed, they will join Commissioner Susan Ness, a Democrat.

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