

## COMPETITION IN RURAL MARKETS

The second cardinal rule is that blind allegiance to competition will hurt rural telecommunications delivery. The fact is that competition—without conditions—does not serve rural markets. Airline deregulation is but one example. In a deregulated environment, airlines have chosen not to serve many rural areas. Why? Because the economics of competitive industry do not drive service into rural areas.

The fundamental premise in the telecommunications reform legislation we considered last year—and that is emerging this year—is that competition will lead to lower rates and encourage investment. In most cases, this is the correct approach. Competition should be introduced into all aspects of telecommunications. When the old Ma Bell was divested of its local monopolies, separating long distance and manufacturing services into competitive markets, competition led to lower long-distance prices and a flood of new equipment into the marketplace. Nobody can question that consumers have benefited from the emergence of hundreds of long distance companies and the thousands of new products that were borne from a competitive equipment manufacturing industry. Consumers have benefited from allowing competition in long distance and manufacturing industries and I am confident that consumers will also benefit under competitive local exchange service. Introducing competition into local telephone service can produce the same positive result—but only if it is done right and a one-size-fits-all approach is not taken.

If unstructured competition is permitted in rural markets and competitors are allowed to cherry pick only the high revenue customers, serious destruction of the incumbent carrier, who is obligated to serve all customers, including the high cost residents, will occur. A local telephone exchange is like a tent and if a competitor is permitted to take out the center pole, the whole tent collapses. Larger markets may be able to sustain some cherry picking, but in smaller rural markets, the results could be higher residential rates.

The fact is that competition can be destructive in markets that cannot sustain multiple competitors. A blind allegiance to competition could result in higher costs and diminished services for rural Americans. The question is not whether or not competition should occur in rural areas. Rather the question is how can the rules of competition be structured to ensure that rural consumers continued to receive quality, affordable service. Without caution, we could be setting the stage for competition to jeopardize the national public switched network—and universal service—that almost all Americans enjoy today.

Unstructured competition could lead to geographic winners and losers. We must not agree to any policy that cre-

ates a system of information-age haves and have-nots. I cannot and will not support public policy that leaves rural Americans reeling in its wake. An unrestricted competitive and deregulatory telecommunications policy will not work in rural America. Such policy in fact threatens higher, not lower, consumer prices. Such policy in fact threatens less, not more, consumer choice. And such policy in fact will cost taxpayers more, not less, when it forces existing LEC's out of business.

Telecommunications reform should not adopt a one-size-fits-all policy of competition and deregulation for the entire Nation. Competition and deregulation cannot work as a national policy without rural safeguards.

I am not interested in giving telephone companies a competitive advantage over other telecommunications carriers. But I am interested in ensuring an affordable, high-quality telecommunications network in rural America. The cable industry and electric utilities want to compete in the local exchange market and phone companies want to compete in cable. I support breaking down the barriers that prohibit these industries from competing in each other's businesses. However, we must adopt safeguards that are in the interest of rural consumers who must be our first concern. Only with safeguards are all rural Americans guaranteed to receive the high-quality, affordable telecommunications service they deserve. That's the bottom line. New telecommunications policy must be about rural consumers.

In exchange for universal service support mechanisms, telephone companies serving rural and high-cost areas have undertaken the obligation to serve areas that market forces would leave behind. The only reason why thousands of Americans living in rural areas have phone service is because our existing policies require certain carriers to provide that service. In addition, necessary support mechanisms to ensure that service are available so that service can be provided at an affordable rate. It seems to me that if competition is going to enter into rural and high-cost areas, competitors ought to be required to undertake the same responsibilities. Let's not close the door to competition—but let's require competitors and incumbents alike to carry the same burdens. This is the only way we can have fair competition in rural areas.

The fact is that U.S. telecommunications policy has always recognized local exchange service as essential to the well-being of all Americans. The same cannot be said of cable TV or other related services. The key point here is that we must not adopt any policy that would jeopardize the provision of essential local exchange service. And we must certainly not adopt any policy that would alter current policy so dramatically that the interests of rural consumers would suffer.

## CONCLUSION

In summary, preserving universal service is sound public policy. Universal service benefits the entire Nation, not just rural areas. As we pursue new telecommunications policy, we must also ensure that real, effective mechanisms remain in place to preserve and advance universal service. It is equally important to provide rural safeguards to ensure that competition results in positive benefits for rural consumers. The conventional wisdom of free-market economics generally does not apply to the different conditions in rural America where low population density and vast service areas translate to less demand and higher costs.

Telecommunications reform legislation is one of the most comprehensive and significant pieces of legislation that many of us will work on in our congressional careers. Not only does billions of dollars hang in the balance between some of the largest corporations in the world, but more importantly, the affordability and effectiveness of a central element of economic and social life of Americans is at stake—an advanced telecommunications network. I urge my colleagues to address this legislation with an understanding and appreciation for the complexities involved and not to resort to easy ideological solutions. There is too much at stake. Not only do all Senators have a common national goal to promote the development of an advanced telecommunications network, but we share the same responsibility to ensure that all Americans have access to that network—regardless of their geographic residence.

## LEGISLATIVE LINE-ITEM VETO ACT

The Senate continued with the consideration of the bill.

Mr. MCCAIN. Mr. President, I now move to S. 4, debate on the line-item veto.

The PRESIDING OFFICER. The bill is pending.

## CLOTURE MOTION

Mr. MCCAIN. Mr. President, I send a cloture motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The cloture motion having been presented under rule XXII, the Chair directs the clerk to read the motion.

The legislative clerk read as follows:

## CLOTURE MOTION

We the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby move to bring to a close debate on S. 4, the line-item veto bill:

Bob Dole, Trent Lott, Dan Coats, Slade Gorton, Robert Bennett, John McCain, Ted Stevens, James Inhofe, Mike DeWine, John Ashcroft, Craig Thomas, Bob Smith, Alfonse D'Amato, Mitch McConnell, Larry Pressler, Don Nickles, Pete Domenici.