

REMARKS OF CHAIRMAN PATRICIA M. WORTHY,
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U.S. REGULATORY UPDATE SESSION:
PRESENT AND FUTURE IMPLICATIONS

VIDEOTEX INDUSTRY ASSOCIATION'S
THIRD ANNUAL CONFERENCE
JUNE 14, 1988
9:00 A.M.

GOOD MORNING. I AM PLEASED TO HAVE THE OPPORTUNITY TO PROVIDE THE STATE PERSPECTIVE ON ISSUES AFFECTING THE MARKETING AND AVAILABILITY OF VIDEOTEX SERVICES AS WELL AS SOME OF THE BROADER ISSUES REGARDING ENHANCED COMMUNICATIONS SERVICES.

THERE HAVE BEEN FEW INDUSTRIES ANTICIPATED BY SO MANY FOR SO LONG AS HAS VIDEOTEX. THE MIRACLES OF INTERACTIVE COMPUTER COMMUNICATIONS FOR BUSINESS, EDUCATIONAL, AND ENTERTAINMENT PURPOSES HAVE BEEN PROMISED FOR DECADES, AND THE PUBLIC STILL WANTS. AT THE SAME TIME, NO INDUSTRY DEMONSTRATES MORE CLEARLY TO THE PUBLIC THE FACT THAT AMERICA'S TELECOMMUNICATIONS SYSTEM IS NO LONGER THE WORLD'S LEADER. WE ARE TOLD TO LOOK ABROAD, TO FRANCE, TO SEE A STATE OF THE ART VIDEOTEX SERVICE, WHILE HERE IN THE UNITED STATES VIDEOTEX REMAINS AVAILABLE TO ONLY A SMALL PORTION OF THE POPULATION.

BUT THE LANDSCAPE IS CHANGING. JUDGE GREENE'S INFORMATION SERVICES ORDER IN MARCH, IN CONJUNCTION WITH THE FCC'S THIRD COMPUTER INQUIRY DECISION, HAS ALLOWED, THE BELL TELEPHONE COMPANIES TO BECOME PLAYERS IN THE VIDEOTEX MARKET, AT LEAST TO THE EXTENT OF OFFERING UNREGULATED INFORMATION GATEWAYS AND THE BILLING AND COLLECTION SERVICES NECESSARY TO MAKE THEM WORK. WHILE THE POLICY DECISIONS LEADING TO THE CREATION OF BELL GATEWAYS HAVE BEEN MADE UP TO THIS POINT PRIMARILY ON THE FEDERAL LEVEL, EITHER BY THE FCC OR BY THE COURTS, IN THE FUTURE, THE STATES WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN DECIDING MAJOR POLICY ISSUES, AND, AS SUCH, IT IS APPROPRIATE THAT YOUR INDUSTRY ASSOCIATION IS RECOGNIZING THE NEED TO BETTER UNDERSTAND THE PROBLEMS AND CONCERNS OF STATE REGULATORS. IN THE NEXT FEW MINUTES, I WOULD LIKE TO DISCUSS THE REGULATORY PERSPECTIVE OF THE D.C. COMMISSION AND OTHERS REGARDING VIDEOTEX SERVICES AND THE HOW THEY FIT INTO THE PRESENT AND FUTURE TELECOMMUNICATIONS ENVIRONMENT.

THE COMPUTER III PROCEEDING HAS CREATED THE REGULATORY

ENVIRONMENT THE FCC ,AND TO A LIMITED EXTENT, JUDGE GREENE, BELIEVE IS ADEQUATE TO ALLOW THE BELL OPERATING COMPANIES TO ENTER UNREGULATED ENHANCED SERVICES MARKETS, INCLUDING THE PROVISION OF GATEWAY SERVICE SO IMPORTANT TO THE WIDESPREAD DEVELOPMENT OF THE VIDEOTEX INDUSTRY. THERE IS NO DOUBT THAT COMPUTER III WILL ULTIMATELY ENRICH THE NUMBER AND TYPES OF FEATURES AVAILABLE FROM THE PUBLIC TELEPHONE NETWORK. BUT A FIRST QUESTION REMAINS UNANSWERED FOR STATE REGULATORS: CAN NETWORK FEATURE RICHNESS BE ACHIEVED WITH LESS RISK OF BOC ANTICOMPETITIVE ACTIONS IF REGULATORS INVOKE STRUCTURAL RATHER THAN NON-STRUCTURAL SAFEGUARDS?

MANY OF THE STATES BELIEVE THAT THE ANSWER TO THAT QUESTION IS YES. THE BOCS INTEND TO INVEST BILLIONS OF DOLLARS INTO NONREGULATED ENHANCED SERVICES IN THE FUTURE, GATEWAYS BEING ONLY THE FIRST INITIAL STEPS. FOR EXAMPLE, THE COST OF MODIFYING CENTRAL OFFICE FACILITIES TO ENABLE THE BILLING AND COLLECTION FUNCTION NECESSARY FOR GATEWAY SERVICE HAS BEEN ESTIMATED AT \$1 MILLION PER SWITCH. WHO WILL BEAR THE BURDEN OF THESE COSTS AND

THE RISK OF WHAT COULD BE A POOR INVESTMENT? STATE REGULATORS WANT ASSURANCES THAT RESPONSIBILITIES AREN'T IMPOSED UPON CAPTIVE RATEPAYERS THROUGH CROSS-SUBSIDIZATION. THE STATES WANT TO BE SURE THAT COSTS OF UNREGULATED INVESTMENT ARE NOT PLACED INAPPROPRIATELY, BUT KNOWINGLY, INTO TELEPHONE COMPANY'S REGULATED ACCOUNTS TO BE TALLIED IN THE CALCULATION OF RATES FOR BASIC LOCAL SERVICES.

THERE IS REASON FOR CONCERN THAT THIS MAY OCCUR UNDER A NONSTRUCTURAL SEPARATION REGIME. PUBLIC UTILITY ACCOUNTING IS REMARKABLY COMPLEX AND EXCRUCIATINGLY INTRICATE IN ITS DETAIL. IT IS IMPOSSIBLE FOR EVEN THE MOST VIGILANT REGULATOR TO TRACK EVERY TRANSACTION AND BALANCE EVERY ACCOUNT. YET THIS IS WHAT THE FCC IMPOSED PROCEDURE WOULD REQUIRE TO ENSURE ADEQUATE SEPARATION OF REGULATED AND UNREGULATED COSTS AND REVENUES. TO AVOID THESE POTENTIAL ABUSES, MANY STATE REGULATORS, INCLUDING MYSELF, HAVE URGED THE FCC TO RETAIN THE STRUCTURAL SAFEGUARD FORMAT ESTABLISHED BY THE FCC ONLY A FEW YEARS AGO, BUT ABANDONED DURING THE RECENT ROUND OF COMPUTER INQUIRY DECISIONS. UNDER THE STATE

PREFERRED STRUCTURAL SAFEGUARD SYSTEM, ANY BOC PROVIDING ENHANCED SERVICES, INCLUDING GATEWAY, WOULD HAVE TO BE OFFERED THROUGH A SEPARATE CORPORATION EMPLOYING SEPARATE EMPLOYEES, KEEPING SEPARATE BOOKS, AND FINANCED INDEPENDENTLY OF THE PARENT COMPANY. THE ACTIVITIES OF THE SINGLE, DISCREET COMPANY WOULD BE FAR EASIER TO TRACK THAN UNRAVELING COMPLEX TRANSACTIONS WITHIN THE SAME COMPANY. THE ADMINISTRATIVE BURDENS FOR REGULATORS WOULD BE FAR MORE MANAGEABLE THAN UNDER NON-STRUCTURAL SEPARATION, AND THE PUBLIC BETTER PROTECTED. I MIGHT ADD THAT BETTER STILL WOULD BE A REGIME IN WHICH MANY TELEPHONE COMPANY SERVICES WOULD REMAIN TARIFFED AND REGULATED. THE EXPERTISE OF THE COMPANIES COULD THEN BE UTILIZED, REVENUES WOULD INURE MORE DIRECTLY TO THE PUBLIC BENEFIT, AND ANTICOMPETITIVE CONDUCT WOULD BE MORE EASILY ABATED.

FOR THESE REASONS, THE STATES HAVE TAKEN THE THREAT OF THE COMPUTER III REGIME VERY SERIOUSLY. A NUMBER OF STATE COMMISSIONS, INCLUDING CALIFORNIA, MICHIGAN, NEW YORK, FLORIDA, MISSOURI, AND THE DISTRICT OF COLUMBIA, AMONG OTHERS, HAVE

APPEALED THE FCC'S COMPUTER III ORDERS IN THE UNITED STATE COURT OF APPEALS IN SAN FRANCISCO. THE STATES ARE ARGUING THAT THE FCC VIOLATED FEDERAL COMMUNICATIONS LAW WHEN IT PREEMPTED THE STATES FROM ADOPTING STRUCTURAL SEPARATIONS FOR BOC-PROVIDED ENHANCED SERVICES PROVIDED WITHIN A SINGLE STATE, AND FROM PROHIBITING STATES FROM REQUIRING THAT INTRASTATE ENHANCED SERVICES BE OFFERED THROUGH TARIFFS. WRITTEN ARGUMENTS IN THE COMPUTER III APPEAL ARE BEING FILED BY THE PARTIES NOW, AND A DECISION MAY BE EXPECTED EARLY NEXT YEAR.

IN LIGHT OF THE APPEAL, MANY PARTICIPANTS, INCLUDING THE D.C. COMMISSION, BELIEVE THAT THE BOC'S IMPLEMENTATION OF GATEWAY SERVICES SHOULD BE HELD IN ABEYANCE PENDING FINAL JUDICIAL RESOLUTION. PRUDENT ENHANCED SERVICE PROVIDERS SHOULD MONITOR BOTH THE COMPUTER III APPEAL AS WELL AS THE APPEAL OF JUDGE GREEN'S SEPTEMBER AND MARCH DECISIONS. IF THE STATES WIN IN THE CALIFORNIA CIRCUIT, FURTHER RESTRUCTURING COULD SIGNIFICANTLY CHANGE THE GATEWAY LANDSCAPE. STATES BELIEVE THE CHANGES TO BE FOR THE BETTER, BUT THE CHANGES WOULD TAKE SOME TIME. IN MY

OPINION, HAD THE FCC ADOPTED A LAWFUL AND COOPERATIVE STANCE FROM THE BEGINNING, ANY SUCH DELAY COULD HAVE BEEN AVOIDED.

HAVING DISCUSSED COMPUTER III IN A GENERAL SENSE, LET ME DISCUSS SOME OF THE SPECIFICS, PARTICULARLY OPEN NETWORK ARCHITECTURE AND COMPARABLY EFFICIENT INTERCONNECTION (ONA AND CEI). ONA AND CEI COMPRISE ONE OF THE FOUR PRONGS OF THE FCC'S COMPUTER III PROGRAM THAT WILL ALLOW THE BOCS TO OFFER ENHANCED SERVICES ON AN INTEGRATED BASIS. CEI IS A CONCEPT THAT ENSURES THAT BOC'S ENHANCED SERVICE COMPETITORS ARE AFFORDED EQUAL ACCESS TO BOC BOTTLENECK FACILITIES (THAT IS, THE LOCAL EXCHANGE NETWORK) ON THE SAME BASIS AS THE BOC ACCESSES THOSE FACILITIES ITSELF. THIS IS INTENDED TO ENSURE THAT THE BOCS RECEIVE NO UNDUE COMPETITIVE ADVANTAGE FROM THEIR OWNERSHIP AND CONTROL OF THOSE FACILITIES. CEI ITSELF IS BROKEN DOWN INTO A NUMBER OF TECHNICAL CRITERIA GOVERNING PHYSICAL INTERCONNECTION, UNBUNDLING OF BASIC SERVICES, COMPARABILITY OF INSTALLATION, MAINTENANCE, AND REPAIR SERVICES, TRANSPORT PRICING, AND OTHER MATTERS. CEI REQUIREMENTS ARE PRESENTLY CARRIED OUT THROUGH INTERIM CEI APPROVAL

PROCEDURES. PURSUANT TO THESE PROCEDURES, THE BOC MUST OBTAIN FCC APPROVAL PRIOR TO OFFERING ANY ENHANCED SERVICE, INCLUDING GATEWAY SERVICE, TO ENSURE THAT THE SERVICE SATISFIES EACH OF THE CEI REQUIREMENTS.

ONA IS INTENDED TO BE A TECHNICAL RESTRUCTURING OF THE NETWORK TO INCORPORATE THE CEI PRINCIPLES INTO THE FABRIC OF THE NATION'S TELEPHONE SYSTEM. AS THE BOCS CURRENTLY PROPOSE ONA, SERVICES WOULD BE BROKEN OUT INTO A SERIES OF BASIC INTERCONNECTIONS WHICH WOULD EACH HOST A NUMBER OF BASIC SERVICE ELEMENTS, WHICH COMPRISE THE BUILDING BLOCKS OF ENHANCED SERVICE.

THERE ARE MANY PROBLEMS WITH THE FCC'S PROPOSALS-----
BASICALLY, ONA WILL NOT WORK UNTIL THE TECHNOLOGY IS AVAILABLE.
MORE IMPORTANTLY, NOT UNTIL THE BOC'S HAVE PURSUED EVERY AVENUE IN AN EFFORT TO NULLIFY THE MFJ RESTRICTIONS AND FAILED WILL THEY APPROACH ONA IN THE SPIRIT NECESSARY TO INSURE ITS SUCCESS.

PERHAPS ANOTHER BASIC PROBLEM WITH ONA AND THE COMPUTER III CONCEPT IS THAT IT SEEKS TO CREATE COMPETITION WHERE NONE SHOULD RIGHTFULLY EXIST. WHEN COMPLETE, ONA IS SUPPOSED TO PUT IN PLACE

A LEVEL PAYING FIELD THROUGH WHICH COMPETITORS WILL HAVE THE SAME NETWORK CAPABILITIES AS THE BOCS TO ENABLE THEM TO CREATE (THEORETICALLY) THE SAME ENHANCED SERVICES AS THE BOCS. FOR VIDEOTEX INDUSTRY, THIS WILL MEAN THAT RATHER THAN HAVING A SINGLE GATEWAY, THERE CAN BE MANY. BUT FOR WHAT PURPOSE? HOW MANY GATEWAYS DO LOCAL SUBSCRIBERS REALISTICALLY NEED? IT APPEARS TO PARALLEL THE CONCEPT BEHIND THE YELLOW PAGES. ISN'T THE WHOLE IDEA TO HAVE ONLY ONE DIRECTORY FOR EASE AND CONVENIENCE? TO HAVE ONE COMPANY PERFORMING A NATURAL MONOPOLY SERVICE CREATING AN ENVIRONMENT FOR THE COMPETITIVE MARKETS TO COMPETE IN?

THE FRENCH EXAMPLE THAT YOUR INDUSTRY CONTINUES TO DISCUSS PROVES THAT REGULATED GATEWAYS ARE BOTH SUCCESSFUL AND WORKABLE, AND THAT THEY MAY BE A GOOD MODEL TO FOLLOW. THE VIDEOTEX WORLD POINTS TO FRENCH MINITEL SYSTEM AS THE PARAGON OF A SUCCESSFUL CONSUMER VIDEOTEX SERVICE. IT IS ALSO THE PRODUCT OF A REGULATED TELEPHONE MONOPOLY, AND UNDERSCORES A FACT AMERICANS SEEM TO HAVE FORGOTTEN: REGULATION OF MONOPOLY SERVICES CAN WORK WELL IN

INTRODUCING NEW SERVICES TO THE PUBLIC. SOMETIMES, COMPETITION CAN RESULT IN UNNECESSARY DUPLICATION OF SERVICES WITHOUT COMMENSURATE BENEFITS AND, IN MY OPINION, GATEWAYS FALL INTO THIS CATEGORY.

FRANCE TELECOMMUNICATIONS, A MONOPOLY, CREATED AN ENVIRONMENT IN WHICH INFORMATION SERVICE PROVIDERS COULD FLOURISH. MINITEL BECAME SUCCESSFUL QUICKLY NOT ONLY BECAUSE OF THE WIDESPREAD AVAILABILITY OF CHEAP TERMINALS, BUT EQUALLY IMPORTANT IS THE FACT THAT FRANCE TELECOM CREATED A SINGLE GATEWAY IMMEDIATELY ACCESSIBLE TO THE PUBLIC AT LARGE, WITH MINIMUM LIKELIHOOD OF PUBLIC CONFUSION AND WITH REGULATORY SAFEGUARDS BUILT IN. PERHAPS THE SINGLE GREATEST SAFEGUARD IS THAT FRANCE TELECOM ITSELF DOES NOT PROVIDE INFORMATION SERVICES ITSELF. IT MERELY CREATES AN ENVIRONMENT THAT ALLOWS OTHERS TO PROVIDE THEM. AT THE SAME TIME, USERS OF MINITEL SERVICES HELP PAY THE COSTS OF PROVIDING BASIC TELEPHONE SERVICE TO EVERYONE, THEREBY PROMOTING THE GENERAL WELFARE. IN LIGHT OF THE FRENCH EXPERIENCE, PERHAPS CONGRESS, THE FCC, AND JUDGE GREEN WOULD BE

WISE TO ASSESS THE FEDERAL APPROACH TO THE PROVISIONS OF GATEWAYS AND OTHER ENHANCED SERVICES.

THE VIDEOTEX INDUSTRY HAS MADE CLEAR, HOWEVER, THAT THE MERE PRESENCE OF A GATEWAY SERVICE AVAILABLE TO CONSUMERS IS INADEQUATE IN ITSELF TO FOSTER RAPID GROWTH OF MARKET VIDEOTEX APPLICATIONS. WHAT IS NECESSARY, YOU ASSERT, IS AN ANCHOR SERVICE, MUCH AS A SUBURBAN SHOPPING MALL NEEDS A LARGE DEPARTMENT STORE. THE ANCHORS WOULD SERVE THE FUNDAMENTAL NEED TO ENCOURAGE THE PUBLIC TO TAKE THAT NECESSARY STEP TO TAKE ADVANTAGE OF THE SERVICE. IN THE CASE OF A DEPARTMENT STORE EXAMPLE, THE EXTRA INCENTIVE TO DRIVE OUT TO THE MALL. IN THE CASE OF VIDEOTEX, THE ANCHOR YOU CLAIM WILL PROMPT THE PUBLIC TO INVEST IN HOME COMPUTERS IS ELECTRONIC YELLOW PAGES PROVIDED BY THE BOCS USING ITS EXISTING DATA BASE.

THERE IS OF COURSE, A STUMBLING BLOCK. THE AT&T CONSENT DECREE BARS THE BOCS FROM PROVIDING INFORMATION SERVICES, AND JUDGE GREENE RULED IN SEPTEMBER THAT HE WILL NOT SOFTEN THAT RESTRICTION TO INCLUDE COMPUTERIZED YELLOW PAGES. JUDGE GREENE

CITED TO THE FACT THAT BOC PROVISION OF ELECTRONIC YELLOW PAGES "WOULD GIVE THE COMPANIES THE INCENTIVE AND ABILITY TO DISCRIMINATE AGAINST COMPETING PROVIDERS OF DIRECTORY SERVICES AND AGAINST THE PUBLISHERS OF CLASSIFIED AND OTHER ADVERTISEMENTS. MARCH 7 ORDER AT 38, CITING SEPTEMBER 10 ORDER, 673 F. SUPP. AT 596. THE COURT DID, HOWEVER, AUTHORIZE THE COMPANIES TO PROVIDE ELECTRONIC WHITE PAGES, PROVIDED THOSE LISTINGS DO NOT INCLUDE MORE THAN THE NAME, ADDRESS, AND TELEPHONE NUMBER OF THE SUBSCRIBER ARRANGED IN ALPHABETICAL ORDER. MARCH 7 ORDER AT 40.

IN ORDER TO UNDERSTAND STATE REGULATORS' CONCERNS WITH JUDGE GREENE'S ORDERS IN GENERAL, AND THE ELECTRONIC YELLOW PAGES IN PARTICULAR, ONE MUST UNDERSTAND THAT THE ROLE OF A FEDERAL JUDGE ENFORCING THE ANTITRUST LAWS IS DISTINCT FROM, AND ON SOME ISSUES, IN CONFLICT WITH, THE ROLE OF STATE UTILITY COMMISSIONERS OVERSEEING THE LOCAL OPERATIONS OF TELEPHONE COMPANIES. THE INFORMATION SERVICES ORDER IS EXPLICIT IN THIS REGARD. JUDGE GREENE EXPLAINS THAT THE "FUNDAMENTAL PRINCIPLE OF

JURISPRUDENCE IS THAT THE ANTITRUST LAWS PROTECT COMPETITION, NOT COMPETITORS". MARCH 7 ORDER AT 60. AT THE SAME TIME, HE NOTES THAT ANY BENEFITS REAPED BY RATEPAYERS AND CONSUMERS ARE ONLY TANGENTIAL IN NATURE. WHILE CONSUMERS BENEFIT FROM FAIR COMPETITION, THEIR INTERESTS ARE OF ONLY INDIRECT CONCERN. THE COURT EXPLAINED THAT "[THE ANTITRUST] LAWS SEEK TO FOSTER COMPETITION BY INCREASING THE NUMBER OF PROVIDERS IN THE MARKETPLACE AND THEREBY ALLOWING THE CONSUMERS, THROUGH DEMAND FOR SERVICES, TO SELECT THE WINNING FIRM".

ID. THAT IS NOT TO SAY THAT JUDGE GREENE'S DECISIONS FAIL TO CONSIDER THE PLIGHT OF OUR CITIZENS, FOR IN HIS SEPTEMBER 10, ORDER HE STATED, MOST EMPHATICALLY, THAT "THE PROTECTION OF CONSUMERS IS A FOREMOST OBJECTIVE OF THE ANTITRUST LAWS." NEVERTHELESS, HE TEMPERED THAT POSITION BY STATING THAT THE "COURT'S DECISIONS ON THE CORE RESTRICTIONS DO NOT TURN ON THE FACTORS OF PROTECTION OF RATEPAYERS FROM PRICE GOUGING OR THAT OF UNIVERSAL SERVICE". ID. AT N. 267. JUDGE GREENE FURTHER NOTED THAT "UNIVERSAL SERVICE HAS BEEN EXPLICITLY DECLARED BY THE

CONGRESS TO BE A PARAMOUNT NATIONAL OBJECTIVE, AND THE COURTS MAY BE EXPECTED TO AVOID TAKING ACTIONS, IF THAT CAN LEGITIMATELY BE DONE, THAT ARE INCONSISTENT WITH THIS OBJECTIVE". 673 F. SUPP. AT 585.

UNLIKE THE ROLE DESCRIBED BY JUDGE GREENE FOR HIS COURT, THE PRIMARY ROLE OF STATE REGULATORS IS TO ENSURE UNIVERSAL SERVICE, THROUGH AFFORDABLE, REASONABLE AND NONDISCRIMINATORY RATES. IN THIS CONTEXT, I BELIEVE THERE MAY BE A ROLE FOR BOC PROVIDED ELECTRONIC YELLOW PAGES OFFERED ON THE SAME BASIS AS BOC PROVIDED PRINT YELLOW PAGES: AS A SEMI-REGULATED SERVICE WITH REVENUES CONTRIBUTING TO THE COST OF PROVIDING REGULATED SERVICES.

REGULATED ELECTRONIC YELLOW PAGES MAKES SENSE IN A NUMBER OF WAYS. THE MFJ ALREADY RESERVES TO THE BOCS THE RIGHT TO PUBLISH PRINTED YELLOW PAGES ON THE EXPRESS RATIONALE THAT THESE DIRECTORIES MAKE A VALUABLE CONTRIBUTION TO REGULATED SERVICES. EXTENDING THIS RATIONALE TO THE ELECTRONIC ARENA IS LOGICAL IN THAT THE SAME ADVERTISING MATERIALS AVAILABLE IN PRINT WOULD BE

APPLIED TO THE ELECTRONIC MEDIUM. THE RESOURCE IS THERE, AND IT SHOULD BE PUT TO THE PUBLIC'S BENEFIT. MOREOVER, THERE WOULD BE GRETA ECONOMIES OF SCALE GIVEN THIS APPLICATION.

IN AREAS OTHER THAN ELECTRONIC YELLOW PAGES, HOWEVER IT IS MY STRONG BELIEF THAT THE BOCS SHOULD BE KEPT OUT OF INFORMATION SERVICES. ALLOWING THE BOCS INTO THIS MARKET IN AN UNRESTRICTED WAY WOULD ALLOW SEVEN GIANT COMPANIES WITH MASSIVE RESOURCES AND EXPERTISE TO GAIN A TOE HOLD IN A NEW MARKET WITH ENORMOUS PROFIT POTENTIAL. MEMBERS OF THE HIGH LEVEL MANAGEMENT OF THESE COMPANIES WERE GROOMED IN A MONOPOLIST ENVIRONMENT. THEIR TACTICS AND THOSE OF THEIR MENTORS RESULTED IN ONE OF THE MOST FUNDAMENTAL COURT-INDUCED MARKET RESTRUCTURINGS IN HISTORY. ALLOWING THESE COMPANIES IN THE EARLIEST STAGES OF MARKET DEVELOPMENT COULD EXTINGUISH ANY HOPE FOR THE VAST MAJORITY OF SMALLER VIA MEMBERS TO FLOURISH.

DISAGGREGATION OF THE TELEPHONE NETWORK IS A TWO EDGED SWORD: REMOVAL OF THE BOTTLENECK HAS HELPED ENABLE INFORMATION SERVICE PROVIDERS AND CARRIERS TO OFFER SERVICES THEY COULD NOT

BEFORE OFFER. AT THE SAME TIME, INFORMATION SERVICE PROVIDERS CANNOT JOIN IN A CONSPIRACY WITH THE BOCS TO USE THE BOTTLENECK TO THREATEN DISCONNECTION OF LOCAL SERVICE FOR NON PAYMENT OF UNRELATED BILLS. LOCAL SERVICE IS NOT A KNIFE TO BE HELD AT THE THROAT OF CAPTIVE TELEPHONE CUSTOMERS.

IN SUMMING UP, LET ME SAY THAT IN MANY WAYS, INTERESTS OF VIDEOTEX INDUSTRY AND STATE COMMISSIONS ARE THE SAME. AS FAR AS STATES ARE CONCERNED, PROMOTION OF VIDEOTEX WILL ENHANCE NETWORK USAGE, AND SPREAD COSTS OVER A BROADER BASE, INCREASING THE EFFECTIVENESS OF TARIFF RATE DESIGNS, AND LOWERING THE OVERALL COST OF TELCO SERVICES. MOREOVER, NEITHER STATES NOR INFORMATION PROVIDERS WANT THE BOCS TO BE ALLOWED TOO FAR INTO INFORMATION CONTENT GENERATION, ALTHOUGH FOR DIFFERENT REASONS. THE INFORMATION INDUSTRY DOES NOT WANT TO BE CRUSHED BY THE COLLECTIVE COMPETITIVE WEIGHT OF THE BOCS, WHILE STATES WANT TO AVOID PROBLEMS OF CROSS-SUBSIDIZATION BETWEEN REGULATED AND UNREGULATED REVENUES, WE WANT TO AVOID RISKING THE FINANCIAL INTEGRITY OF PUBLIC UTILITIES THROUGH RISKY COMPETITIVE VENTURES,

AND WE WANT TO KEEP BOC'S ATTENTIONS FOCUSED ON PROVIDING BASIC TELEPHONE SERVICE RATHER THAN AN ARRAY OF ENHANCED SERVICES. THE GOAL BEFORE OUR RESPECTIVE ORGANIZATIONS NOW IS TO FURTHER DEFINE THE COMMON GROUND AND TO SEEK REDRESS OF OUR COLLECTIVE GRIEVANCES BEFORE CONGRESS, THE COURTS, AND THE FCC.