



BellSouth Telecommunications, Inc.  
Suite 2101  
333 Commerce Street  
Nashville, Tennessee 37201-3300

615 214-6301  
Fax 615 214-7406

Guy M. Hicks  
General Counsel

May 16, 1997

VIA HAND DELIVERY

David Waddell, Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37238

Re: *United Telephone-Southeast, Inc. Tariff No. 96-201 to Reflect Annual Price Cap  
Adjustment*  
Docket No. 96-01423

EXECUTIVE SECRETARY  
MAY 16 PM 4:11  
TENN. REG. AUTH.

Dear Mr. Waddell:

This is in response to your request of this afternoon for certain verbatim copies of the legislative history. Enclosed are pages 36-45 of the May 24, 1995 Senate Session. Also enclosed are pages 16-20 of the House Session of May 24, 1995. I have also included pages 14 and 15 in order to make clear who is speaking on pages 16 and 17.

I am also enclosing pages from the transcript responsive to your request No. 3.

By copy of this letter, I am providing copies of the attached to counsel of record.

Very truly yours,

  
Guy M. Hicks

GMH:ch  
Enclosure

cc: James Wright, Esquire  
Vincent Williams, Esquire

ROCHELLE: Then I would ask you not to adopt Amendment No. 18.

SPEAKER: On the Amendment - are you ready? Those favoring vote "I" when the bell rings, opposed "no" - two-thirds. Every Senator vote. On the amendment every Senator vote on the amendment. Has every Senator voted? Does any Senator desire to change his vote? Take the roll Mr. Clerk.

CLERK: "I's" 11, nays 19.

SPEAKER: It fails.

CLERK: Amendment No. 19, by Senator Haun, filed today.

SPEAKER: Senator Haun.

HAUN: I withdraw.

CLERK: That's all the amendments.

SPEAKER: All the amendments. Senator Rochelle. Senator Kyle is recognized. Senator Henry is recognized. Would the sponsor yield. Senator Kyle.

KYLE: The questions I have for you on the bill as amended, Senator Rochelle, the same questions I've asked the previous - on the issue of universal service sir, does this bill change the funding mechanism of how the 911 - does one get 911 service in universal service on this bill?

SPEAKER: Senator Rochelle.

ROCHELLE: Yes and no. My understanding is that that's a topic desired to be proposed by a group in the House and then we expect that they will propose it and we expect that we will be able to agree to it when they propose it. But, it was felt that we should allow them to propose it. So, it is not in there now but I would anticipate that it will be in there. It will be coming back to the Senate to approve it.

SPEAKER: Senator Kyle.

KYLE: The second question concerns directory assistance - 411 service. Does one get directory assistance under universal service of this bill?

SPEAKER: Senator Rochelle.

ROCHELLE: One does not get directory service under the basic set of services - basic services, no. They don't now, I don't believe. Right now there is competition out there. And so, so because there is competition now, that's now addressed in the bill.

SPEAKER: Senator Henry. Senator Kyle, sir - I thought you yield, Senator Kyle, I apologize.

KYLE: In directory assistance - I believe and I assume the Senate is going to go forward and pass this legislation today based upon the (inaudible) I've seen and the mood that I feel on the floor. I hope that the House addresses the issue of 911 service. I question the wisdom of hoping they are going to do something and hoping that we are going to agree with it because by then we are getting in that (inaudible) that we are concurring in amendments that we can't amend how the House deals with the 911 issue and to me it is a very simple concept that we need to make sure that everybody has got a telephone in this state has 911 service and doesn't have the option of not having it. I don't know how that is funding, I don't know how that is funded. I don't know how that is funded when two or three people are in the phone business. This is not something I have raised today, I mean I asked this question four weeks ago. Well, on that -- but I hope that the House can resolve that and I know there are not amendments on the point. I haven't entered into the debate on that particular issue.

The second matter ....

SPEAKER: Senator Rochelle.

ROCHELLE: If I could clarify the answer to that on that - my understanding is that 911 - again it was assumed that it would be in there because you have got a separate 911 statute. There has been the request made by a House group that has been looking at the bill to expressly state it. That's what we anticipate will be done, but yes, my understanding the 911 service will be included in the basic...

SPEAKER: Senator Kyle. Senator Kyle.

KYLE: Secondly, the directory assistance issue, I didn't realize .. I hope that is addressed over there also. Perhaps it will be, and perhaps it will not. Perhaps there is full competition on directory information services today. I was unaware of that particular matter. Mr. Speaker, I want to clarify to everyone in this room

why I am going to vote as I am going to vote as I am going to vote on this bill. And, I guess it goes back to the very first matter that we had and I realize I am the most unpersuasive person in this Senate to this point, but I will predict to you that this time next year, we will have passed a telecommunications bill, there will be competition, it will be pre-weeks of end of session and you won't have agreed as to who your regulator is going to be unless that bill that Senator Haynes passes, pass this Senate. And you need to ask yourself where you are going to be at this time next year if you don't agree - if you don't vote today and agree today that you are going to support the creation of a regulatory body this year. You are going to find yourself right down here, right now at the end. And, until we determine the viability of that particular bill, I am not in a position to support this legislation.

SPEAKER: I have Senator Henry, I think and then Senator Dixon.

HENRY: Mr. Speaker, I'd like to make a statement on this bill. I think everybody agrees that right now Tennessee enjoys very advantageous telephone rates. I believe that is agreed to by the proponents and opponents of this bill. If that's the case, you start the math and yesterday I spend more than an hour or two with the very best lawyers in Tennessee on an opposition to this bill and I spent the same amount of time with knowledgeable people who are for it. And, what I make it out to be in final analysis is this. When the competition begins, the new companies will pick off the best accounts from the Bell Company. In order to counteract that and to have some money to operate on the two will have to meet this competition, they need to make some money and under this bill they would have four years to see if by economy they can do better than these low rates which we already have which are guaranteed for four years. And, if they are able to do that by economizing they'll have a fighting chance even though their best accounts will have been picked off. Now it seems to me that's what the bill is all about.

SPEAKER: Senator Dixon, then Senator Gilbert, and then Senator Burks. Senator Dixon you are recognized.

DIXON: Thank you Mr. Speaker, members of the Senate. I too rise to say that I won't vote for this bill. This is a bad bill. We haven't done our homework on this bill. There is so many unanswered questions. The simple - what are the basic service provided in this bill? When we look at it --- what going to happen if somebody orders a phone? If they just disconnect that telephone? None of those

points have been addressed. We always seem to be in a hurry but just about every citizen in this state has a telephone and you are going to impact their lives as you make a decision here today. If we are going to vote for this bill we ought to do it in a responsible, diligent fashion. If we are going to support this legislation, we need to take the necessary time - time ought not to be an object. We should be looking out for the interest of the citizens of this state first. I'm not concerned about what South Central Bell or AT&T - I'm concerned about those seniors that we will see this summer and them asking me, "Why did you raise my phone bill?" or "Why did you change the way services were provided without at least talking to me about that?" We haven't done that. We'll go back home and at some point down the road changes will be made and when they be made, I don't think we'll have an adequate answer for those persons who are just common everyday citizens. We came here to represent them first and the interest of these other forces secondly and I hope we'd never forget that. Are we here to represent the 5 million people of Tennessee first and then those other interests second? Too many questions have been unanswered and the information is readily available. Senator Gilbert talked about Mississippi. They've got a piece of legislation you can look at. Florida's got a piece of legislation you can look at. Georgia's got a piece of legislation you can look at. Pennsylvania's got a piece of legislation you can look at. And none of those pieces of legislation, ladies and gentlemen, look like what you are about to pass today.

SPEAKER: Senator Gilbert.

GILBERT: Mr. Speaker, members of the Senate. First of all I just wanted to applaud Senator Rochelle. He has done an excellent job on a very difficult bill and I am glad he is part of the Senate, I enjoy serving with him. It is a privilege and a pleasure. Uh, I also wanted to just compliment all of the telecommunication companies and their employees that are here. We banded your names about for the last couple of weeks and you are great corporate citizens and we appreciate what you contribute and obviously we are going to pass the bill here in a little bit and hopefully it will be for the best for Tennessee. Senator Rochelle, I need to ask you four simple questions just to make sure the record is straight. So that I will understand and so that everybody in the Senate will appreciate what the impact of this bill would be.

First question so, if you would be so kind to tell us. Is it not true that under the bill that is before us with

the amendments, that the telecommunication company, let me just use Bell - could institute charges for directory assistance?

SPEAKER: Senator Rochelle. Senator Rochelle.

ROCHELLE: I believe they already are authorized to institute charges for directory assistance and they don't do any now, so that's my understanding that it doesn't really change that.

SPEAKER: Senator Gilbert. ,

GILBERT: First answer, let me just add, I did not know that they could charge residential customers for directory service assistance and as I understood it, it took some kind of requirement by the PSC to do it, but I think the answer is under this bill they would be permitted to do it without PSC approval.

Second, one of the things that many of us have enjoyed in our own counties, is county-wide calling, Metropolitan calling, that's something that the PSC has ordered in past years and it has been of great benefit, economic development. Is it not true, under the bill as you passed that telephone companies could choose to take that system away and start charging again?

SPEAKER: Senator Rochelle.

ROCHELLE: I'm told by the balcony that it is not. Can they take away? ... Ask me again? What can they take away -- what are you asking about?

SPEAKER: Senator Gilbert.

GILBERT: Can they start charging again for it? Is it a basic service?

SPEAKER: Senator Rochelle.

ROCHELLE: For what?

SPEAKER: Senator Gilbert.

GILBERT: For instance, in the Knox County region we can now call into the adjoining counties without a toll charge. That was something that the PSC mandated. Now the question is under this system can that be taken away and can charges be assessed for those kinds of calls.

SPEAKER: Senator Rochelle.

ROCHELLE: Again, that's a question I've been trying to get ya'll for months now to ask me questions, so that I can get you the answers. I'm told from the balcony because I haven't heard that one before. I'm told from the balcony the answer to you is no.

SPEAKER: Senator Gilbert.

GILBERT: I would submit to the ladies and gentlemen of this Senate body that it is not a universal service, it is not basic service, and that is not controlled under this bill so that they could. Indeed, I spent two years in the City of Los Angeles as a resident there and as ya'll may know if you've been in some of the bigger cities the cost system that they use in some of the larger cities is they charge you per call, even if it is a call within the city limits, it is per call and per time and there is nothing in this bill that will prohibit that kind of regulatory scheme to be self-imposed as long as they stay under the price caps.

Third question. Is there anything in this bill that would permit the Public Service Commission to initiate something like FYI which they did several years back in which we hoped to reap great benefits from. Where is that in the bill - that would allow that kind of innovative future thinking as we get into more technological advancements?

SPEAKER: Senator Rochelle.

ROCHELLE: First, let me tell you on the directory assistance, the companies have an agreement with the consumer advocate that would be effective on that to prevent your concern there and that under the rules as they would exist after this pass, no they would not be able to charge tolls for what's now toll free.

In regard to the -- the -- you are talking about the fiber optics network. What would encourage them to be forward thinking in the future? Uh, I guess, you know, I have to say to you, the company that is the best equipment, the company that has become the most technologically advanced is the company that is going to be operating the most efficiently in this state and so that's -- that basic principle of the free market that you gotta consider not only your income, you gotta consider the state of your technology. And, so I think that is what would encourage every competitor to try to be as technology -- technologically advanced as possible.

SPEAKER: Senator Gilbert.

what's expected of them. So, Mr. Speaker, I urge you to give careful consideration now to majority leader Purcell as he explains to you and gives to you, the Amendment No. 1 which is a rewrite of the bill and I think a tremendously better bill than we had when we started out. Thank you very much.

SPEAKER: The gentleman renews his motion. Mr. Clerk, call up the first Amendment.

CLERK: Amendment --

SPEAKER: The next amendment.

CLERK: Amendment No. 17 by Representative Purcell spread on the members desk.

SPEAKER: Representative Purcell.

PURCELL: Thank you, Mr. Speaker, members of the House. If the House members will remember where we were last week when we last took up this matter, at that time, the previous 16 amendments were withdrawn or in the case of one amendment was rolled down. But this amendment is the heart of everything that Mr. Bragg just talked about in the heart of our vision and I hope your vision for the future of telecommunications in Tennessee. This is the amendment that rewrites in most important ways, the Senate bill that was sent to us now, I suppose two weeks ago. I don't care to talk at any length about perhaps the deficiencies that we found, I think it's perhaps better to emphasize the positive. As Mr. Bragg said, we looked at that bill over a period of weeks and made the improvements that we think give us the confidence that this is not only the right thing for Tennessee as a whole but the right thing for your constituents and therefore the right thing for you today. The rewrite of this bill begins right with Section 1. We restated the declaration of policy, the basic foundation upon which this bill will stand and that policy now stated, taking language that was proposed initially by one of the wisest telecommunications lawyers in this State. A policy that says straight-forwardly and in a simple way, that not only a court but a citizen can understand that what we're trying to do here is foster the development of an efficient and advanced state-wide system of services and it's a system that needs to remain affordable. That's the basic statement of policy, that's the promise on which everything else stands and the amendment that's before you, you have that assurance. We make clear the powers of both the Public Service Commission and then the success with the Tennessee Regulatory Authority in



Section 4 of the bill, the authority of that body to issue orders and do those things that they need to do, to be a regulator. We make clear for the first time, their ability to monitor the continued functioning of universal service. There were many issues when the bill first came before us as to whether or not that was a one time snatch-shot look or whether it would enable the Authority to continue to look on a regular basis on where we were on universal service. The change in this amendment makes that clear. There were those who were concerned that the FYI plan that had been established by the Public Service Commission and upon which many promises were based, would in some way be set aside or that the promises put a -- put an easier way, wouldn't be fulfilled. Section 10 of the bill, Section 10K of the amendment rather, makes it absolutely clear that those funded requirements that were placed upon the companies in this State must be fulfilled. The direction is clear, there should be no question about it. There were concerns that the productivity factor that was placed in the bill was not a -- sufficient to protect consumers. Many of you have heard the discussion, let me just say that we changed the productivity factor so that the consumers get the benefit of productivity whether inflation is high or inflation is low. We placed in the bill a provision that is identical in effect to the provision placed in the Georgia Legislation by the Georgia Legislature that make sure again, that whatever the inflationary situation in this State, it's low now and our change is particularly directed toward low inflation times that the consumers will be protected whatever later increases may be required in telephone rates. We made absolutely clear in this Legislation through this amendment that white pages listings for example, nine hundred and nine seventy six blocking services, for example, that 911 emergency services, for example, would be maintained as basis service. That any consumer that signs up for basis service would know that these things they would receive and at the same time we made sure that it would be at least at the same level of quality that they now receive their services. Many were concerned that quality might slip, that competition might change the quality level of the voice transmission and data transmission that your constituents receive -- this amendment makes it absolutely clear that cannot occur. There are further protection for consumers placed within the bill. We made sure, for example again, that the services that I described are included. We further clarified basic protections to make sure that it's not just the monthly bill that is maintained, that is frozen for four years in basis services but as well, that non-recurring cost that was not assured in the Senate bill. That means the cost

of installing that single line, that means the cost of installing the basic services that are protected. The non-recurring costs are similarly frozen and similarly controlled. We also made it clear that smaller competitors need protection. That was the issue you heard about, inner connection -- this amendment makes it absolutely clear what rights those inner connection companies have and that's what brought back to this amendment and to this bill -- the smaller companies that needed to enter telecommunications so to us to assure the competition in the markets that we want. Medium-sized companies needed to be there too. We assured the responsibilities and the rights of the Consumer Advocate. We also continued to assure the Investigatory Responsibility and Authority of the service -- Public Service Commission as well as the Authority itself and again Representative Charley Curtis, many of you may know, in the Commerce Committee. Representative Curtis brought an important issue of oversight by this General Assembly to the Legislation in the Commerce Committee -- the language in this amendment is even stronger at the request and recommendation of Representative Curtis, that we needed to make sure that we would continue to get the information we need. Every two years, the Public Service Commission and then the Tennessee Regulatory Authority would be required to report to you a whole wide range of facts of information that you will need to decide whether this bill is working and whether these people are playing fair or whether this law needs changing in some way. And then finally, an issue arose as to what would happen when we went into competition generally. Our hope, you know, is that there's not going to be one single monopoly anymore, in local service or any other service. Our hope is that there will be a whole wide range of people through a whole wide range of technologies who get involved, who are interested in what we're doing and what their money and their expertise on the line in Tennessee to give us the best system we can have but to give us the cheapest and most affordable system we can have. The bill that came to us from the Senate, in our opinion, did not provide all of that. One concern was those middle level companies, I described that a moment ago. But another concern was, how do we get smaller competitors involved in this industry quickly because competition needs to come just as soon and as quickly as it can come. We need small business involved too, it's not just enough that big companies from California and other places, come into Tennessee and compete, we want Tennessee companies, home-grown companies, small companies in your district involved in competition. We want your neighbors to reap the benefit of competition in Tennessee, we want the people that you go to church with that you see in

community to have an opportunity to be players at the table in Telecommunications Deregulation and Reform. That's what the last piece of what this amendment does. It gives those people across this State, the opportunity to have the financial ability to be players, to be competitors and to be successful just like the big guys in Atlanta and California and other places. That's Section 17 and 16 of the bill -- you've heard a lot about that but that's what that's about at its heart. It's about making it possible for those other people to compete with our hope that they'll succeed and when they succeed, your constituents will succeed because rates will go lower. Mr. Speaker, at this time if I could...ah...pending any questions concerning this amendment and with everyone here remembering that this amendment makes the bill, makes the bill and acceptable bill in our view, makes a bill that all of the people Mr. Bragg recommended -- rather referred to just a moment ago, puts them in a position to support. Let me say as to this amendment, there is no objection, all support the amendment. There may be those who think it doesn't go far enough, there may be those who like something else but there's no objection as to this amendment and so Mr. Speaker, with that understanding and explanation at this time, I move adoption for Amendment No. 17.

SPEAKER: Gentleman moves adoption of Amendment No. 17, properly seconded -- Representative Bird.

BIRD: Ah...Thank you, Mr. Speaker. Will the sponsor yield?

PURCELL: I will.

BIRD: I think it's kind of like in this modern day tele -- telecommunications bill of '95, it's kind of like the Warden said in "Cool Hand Luck" -- we have a -- what we have here is a failure to communicate and I think the last part of your bill Mr. Purcell, as I understand it, is Ten Million Dollars ah...that's to be given to small businesses, if I'm correct about this ah...this -- actually it's a tax upon a consumer of the phone users in the State of Tennessee. This is Ten Million Dollars tax over the next five years. I -- I feel like that we -- we cannot afford to do that. I've heard of the generosity of some of our fine folks in telecommunications, their generosity in wanting to subsidize or make these long guarantees and I appreciate your generosity and their benevolent attitude but I'm afraid that, that money is the money that belongs to or has come out of the pocket of the telephone users in the State of Tennessee. Ah...that's where the money comes from -- they don't sell other things on the side. It's the -- the people of

Tennessee have paid their phone bill ah...they've paid and paid the profits. I'm for profit -- for every company to make profit -- this is the only part of the bill that I disagree with and I -- I -- is the fact that we are -- this Ten Million Dollars, we dress it up -- it's kind of like the fellow in Tennessee down here that wanted a Tennessee walking horse -- he finally decided, he came to the conclusion that he couldn't afford a Tennessee walking horse -- he had an old jackass and ah...he couldn't afford a Tennessee walker. So he bought what saddles he could and ah...and the other accoutrements to make it appear like a Tennessee walker and he called it a Tennessee walker but after all was said and done, he still had just an old humble jackass and I'm afraid that we can talk about the generosity, the wanting to subsidize small business, we can talk about all these wonderful and glorious things but what we have here, is a Ten Million Dollar tax bill on the State of Tennessee of the phone users in the State of Tennessee. If you vote for this bill or this amendment as it is, you've voted a Ten Million Dollar Tax increase for the State of Tennessee -- you've voted for a Ten Million Dollar tax increase -- call it what you will -- call it what you will. You can call it a Tennessee walker, you can call it generosity of the great companies and corporation but what you got is a lowly jackass tax bill. Thank you.

SPEAKER: I'm going to ask the members to watch your language in the House of Chamber -- Representative Dunn.

DUNN: Mr. Speaker, he's got an amendment.

SPEAKER: I'm sorry, Representative Purcell had asked to respond and then I'll come to you.

PURCELL: Let me just say, that I ah...appreciate the strength of ah...the speaker's conviction. The amendment is in my opinion, as described. I'd be happy to discuss it at some greater length but there is a -- an additional amendment which will place this issue directly before the body. It is the next amendment in order -- it is Amendment No. 16 which was moved down by Representative Dunn the last time we were together. It was moved down behind this amendment so that the issue that was raised by the Representative in the Northwest corner of the Chamber could be addressed. Now we can debate it now or we can debate later and that I'm -- and that Mr. Speaker, I'm at the will of the body but the only way for that issue to be in my opinion completely and fully placed before the House is for us to get into a procedural posture where Representative Dunn's amendment can be

considered and debated and discussed. That's what will occur if we place Amendment No. 17 on the bill and then take up Amendment No. 16 after that. The speaker ah...the individual who spoke indicated that there's nothing else in the amendment that he disagrees with and that being the case ah...Mr. Speaker, I would just hope that those who for whatever reason ah...for whatever reason that -- that I probably would not agree with might have some feelings alone those lines, would allow us to get Amendment No. 17 on the bill and then allow No. 16 to come up and be discussed at that time. Ah...that would be my position, on the other hand, if the House would prefer at this point to discuss 16 before we get 17 on the bill, I do that as well. I leave it in the hands of the House.

SPEAKER: Further discussion on the bill -- Representative Dunn.

DUNN: Will sponsor yield?

PURCELL: I will.

DUNN: First of all, I think the first thing that need to have been said was, thank you to you and to Chairman Bragg and to Stansel Ford and all the people who worked so hard on this bill. I know you've gone through a lot. That representative who sits close to me who's been telling me how you've been working on it, you've tried to go through it, you have done all that you can and believe me, I appreciate hard work and now I do want to thank you for that. Um...in your working, you sat down with the telephone companies, you sat down with the lobbyists, the special interests, you stood up for your constituents and spoke and now I feel at the table where everyone has sat down to make the deal, there's still one chair left and that is the floor of the House. And the reason that I would like to discuss Section No. 17 now is -- I haven't been here too long but I've figured when an amendment comes up it can get tabled and disappear before everyone has a chance to speak, so I would really like to address Section No. 17, ask some questions, get some answers and that might affect what happens with Amendment 16. So, with that could I comment on No. 17 and perhaps ask you some questions?

SPEAKER: Representative Dunn that is your prerogative to ask any question you want to about the amendment that's before us...

DUNN: Right.

SPEAKER: ...and you're recognized.

DUNN:

Thank you. When this -- when telecommunications were first -- when I first started hearing about them way back right after the election in November and they were talking about the big telecommunications bill, one little sound bite I kept hearing over and over from representatives, from senators -- what we're going what's best for the folks back home, we're gonna do what we can to get the rates down and I really believe that is how it's been working. As I've been watching and with my limited knowledge of telecommunications, I've figured out that there has been a good faith effort by all parties involved to get the rates down for the consumers to bring competition into the field. However, I believe it was last Tuesday I first heard about Section 17 and to me it stuck out like a sore thumb, it just didn't seem to fit and when the ah...sponsor of the bill first came up and spoke about what the bill did, he mentioned many things like capping rate and the different things that this bill would do but he failed to mention Section 17 and then the ah...sponsor of the amendment came up and said the -- the sponsor just spoke to the heart of the matter and I think that's what we have. We have the heart of the matter in Sections 1-16 skip 17 take the rest but 17 is sort of stuck on there, sort of like there's a train going, you can see the train going and someone has stuck a car on there in order to get a program and as I read Section 17 -- why I don't know that much about telecommunications, I did work for the government for about eight years and some of the language in Section 17 bring back memories not all that fund about exactly what government programs, the well intention can turn into. And I believe there's no doubt that Section 17 is a new state government program, a program that is repetitive -- we already have things like the Small Business Administration and TIPS that help people get into the business -- they help make loans, they help make it possible for the small folks in our counties to get involved in business. We don't need to create another state government program that does exactly what we already have, especially with a ah...a bill to the rate payers of Ten Million Dollars. In here, I've talked with the lobbyists -- they've come in, they've all been the ladies and gentlemen and they've been very honest in answering the questions that I have asked. And in answering -- in getting their answers I've come to some conclusions and number one, indeed, the Ten Million Dollars will eventually come out of the pocket of the rate payers. The questions that I asked and I tried to get to the bottom of it, the final answer was "yes, indeed" the Ten Million Dollars come from the rate payers -- there's not a pot of gold sitting out there. Also, I'm very concerned about this new government program and especially some of the wording. We have a feeling that -

ROCHELLE: One does not get directory service under the basic set of services - basic services, no. They don't now, I don't believe. Right now there is competition out there. And so, so because there is competition now, that's now addressed in the bill.

SPEAKER: Senator Henry. Senator Kyle, sir - I thought you yield, Senator Kyle, I apologize.

KYLE: In directory assistance - I believe and I assume the Senate is going to go forward and pass this legislation today based upon the (inaudible) I've seen and the mood that I feel on the floor. I hope that the House addresses the issue of 911 service. I question the wisdom of hoping they are going to do something and hoping that we are going to agree with it because by then we are getting in that (inaudible) that we are concurring in amendments that we can't amend how the House deals with the 911 issue and to me it is a very simple concept that we need to make sure that everybody has got a telephone in this state has 911 service and doesn't have the option of not having it. I don't know how that is funding, I don't know how that is funded. I don't know how that is funded when two or three people are in the phone business. This is not something I have raised today, I mean I asked this question four weeks ago. Well, on that -- but I hope that the House can resolve that and I know there are not amendments on the point. I haven't entered into the debate on that particular issue.

The second matter ....

SPEAKER: Senator Rochelle.

ROCHELLE: If I could clarify the answer to that on that - my understanding is that 911 - again it was assumed that it would be in there because you have got a separate 911 statute. There has been the request made by a House group that has been looking at the bill to expressly state it. That's what we anticipate will be done, but yes, my understanding the 911 service will be included in the basic...

SPEAKER: Senator Kyle. Senator Kyle.

KYLE: Secondly, the directory assistance issue, I didn't realize .. I hope that is addressed over there also. Perhaps it will be, and perhaps it will not. Perhaps there is full competition on directory information services today. I was unaware of that particular matter. Mr. Speaker, I want to clarify to everyone in this room



why I am going to vote as I am going to vote as I am going to vote on this bill. And, I guess it goes back to the very first matter that we had and I realize I am the most unpersuasive person in this Senate to this point, but I will predict to you that this time next year, we will have passed a telecommunications bill, there will be competition, it will be pre-weeks of end of session and you won't have agreed as to who your regulator is going to be unless that bill that Senator Haynes passes, pass this Senate. And you need to ask yourself where you are going to be at this time next year if you don't agree - if you don't vote today and agree today that you are going to support the creation of a regulatory body this year. You are going to find yourself right down here, right now at the end. And, until we determine the viability of that particular bill, I am not in a position to support this legislation.

SPEAKER: I have Senator Henry, I think and then Senator Dixon.

HENRY: Mr. Speaker, I'd like to make a statement on this bill. I think everybody agrees that right now Tennessee enjoys very advantageous telephone rates. I believe that is agreed to by the proponents and opponents of this bill. If that's the case, you start the math and yesterday I spend more than an hour or two with the very best lawyers in Tennessee on an opposition to this bill and I spent the same amount of time with knowledgeable people who are for it. And, what I make it out to be in final analysis is this. When the competition begins, the new companies will pick off the best accounts from the Bell Company. In order to counteract that and to have some money to operate on the two will have to meet this competition, they need to make some money and under this bill they would have four years to see if by economy they can do better than these low rates which we already have which are guaranteed for four years. And, if they are able to do that by economizing they'll have a fighting chance even though their best accounts will have been picked off. Now it seems to me that's what the bill is all about.

SPEAKER: Senator Dixon, then Senator Gilbert, and then Senator Burks. Senator Dixon you are recognized.

DIXON: Thank you Mr. Speaker, members of the Senate. I too rise to say that I won't vote for this bill. This is a bad bill. We haven't done our homework on this bill. There is so many unanswered questions. The simple - what are the basic service provided in this bill? When we look at it --- what going to happen if somebody orders a phone? If they just disconnect that telephone? None of those



points have been addressed. We always seem to be in a hurry but just about every citizen in this state has a telephone and you are going to impact their lives as you make a decision here today. If we are going to vote for this bill we ought to do it in a responsible, diligent fashion. If we are going to support this legislation, we need to take the necessary time - time ought not to be an object. We should be looking out for the interest of the citizens of this state first. I'm not concerned about what South Central Bell or AT&T - I'm concerned about those seniors that we will see this summer and them asking me, "Why did you raise my phone bill?" or "Why did you change the way services were provided without at least talking to me about that?" We haven't done that. We'll go back home and at some point down the road changes will be made and when they be made, I don't think we'll have an adequate answer for those persons who are just common everyday citizens. We came here to represent them first and the interest of these other forces secondly and I hope we'd never forget that. Are we here to represent the 5 million people of Tennessee first and then those other interests second? Too many questions have been unanswered and the information is readily available. Senator Gilbert talked about Mississippi. They've got a piece of legislation you can look at. Florida's got a piece of legislation you can look at. Georgia's got a piece of legislation you can look at. Pennsylvania's got a piece of legislation you can look at. And none of those pieces of legislation, ladies and gentlemen, look like what you are about to pass today.

SPEAKER: Senator Gilbert.

GILBERT: Mr. Speaker, members of the Senate. First of all I just wanted to applaud Senator Rochelle. He has done an excellent job on a very difficult bill and I am glad he is part of the Senate, I enjoy serving with him. It is a privilege and a pleasure. Uh, I also wanted to just compliment all of the telecommunication companies and their employees that are here. We banded your names about for the last couple of weeks and you are great corporate citizens and we appreciate what you contribute and obviously we are going to pass the bill here in a little bit and hopefully it will be for the best for Tennessee. Senator Rochelle, I need to ask you four simple questions just to make sure the record is straight. So that I will understand and so that everybody in the Senate will appreciate what the impact of this bill would be.

First question so, if you would be so kind to tell us. Is it not true that under the bill that is before us with

the amendments, that the telecommunication company, let me just use Bell - could institute charges for directory assistance?

SPEAKER: Senator Rochelle. Senator Rochelle.

ROCHELLE: I believe they already are authorized to institute charges for directory assistance and they don't do any now, so that's my understanding that it doesn't really change that.

SPEAKER: Senator Gilbert. ,

GILBERT: First answer, let me just add, I did not know that they could charge residential customers for directory service assistance and as I understood it, it took some kind of requirement by the PSC to do it, but I think the answer is under this bill they would be permitted to do it without PSC approval.

Second, one of the things that many of us have enjoyed in our own counties, is county-wide calling, Metropolitan calling, that's something that the PSC has ordered in past years and it has been of great benefit, economic development. Is it not true, under the bill as you passed that telephone companies could choose to take that system away and start charging again?

SPEAKER: Senator Rochelle.

ROCHELLE: I'm told by the balcony that it is not. Can they take away? ... Ask me again? What can they take away -- what are you asking about?

SPEAKER: Senator Gilbert.

GILBERT: Can they start charging again for it? Is it a basic service?

SPEAKER: Senator Rochelle.

ROCHELLE: For what?

SPEAKER: Senator Gilbert.

GILBERT: For instance, in the Knox County region we can now call into the adjoining counties without a toll charge. That was something that the PSC mandated. Now the question is under this system can that be taken away and can charges be assessed for those kinds of calls.

SPEAKER: Senator Rochelle.

ROCHELLE: Again, that's a question I've been trying to get ya'll for months now to ask me questions, so that I can get you the answers. I'm told from the balcony because I haven't heard that one before. I'm told from the balcony the answer to you is no.

SPEAKER: Senator Gilbert.

GILBERT: I would submit to the ladies and gentlemen of this Senate body that it is not a universal service, it is not basic service, and that is not controlled under this bill so that they could. Indeed, I spent two years in the City of Los Angeles as a resident there and as ya'll may know if you've been in some of the bigger cities the cost system that they use in some of the larger cities is they charge you per call, even if it is a call within the city limits, it is per call and per time and there is nothing in this bill that will prohibit that kind of regulatory scheme to be self-imposed as long as they stay under the price caps.

Third question. Is there anything in this bill that would permit the Public Service Commission to initiate something like FYI which they did several years back in which we hoped to reap great benefits from. Where is that in the bill - that would allow that kind of innovative future thinking as we get into more technological advancements?

SPEAKER: Senator Rochelle.

ROCHELLE: First, let me tell you on the directory assistance, the companies have an agreement with the consumer advocate that would be effective on that to prevent your concern there and that under the rules as they would exist after this pass, no they would not be able to charge tolls for what's now toll free.

In regard to the -- the -- you are talking about the fiber optics network. What would encourage them to be forward thinking in the future? Uh, I guess, you know, I have to say to you, the company that is the best equipment, the company that has become the most technologically advanced is the company that is going to be operating the most efficiently in this state and so that's -- that basic principle of the free market that you gotta consider not only your income, you gotta consider the state of your technology. And, so I think that is what would encourage every competitor to try to be as technology -- technologically advanced as possible.

SPEAKER: Senator Gilbert.

GILBERT: My (inaudible) members of the Senate, all I can say to you is the reason we got FYI is because the Public Service Commission instead of ordering that profits that come from decreased costs go back as a rate refund, they ordered that they reinvest it in modern technology. That is not provided for under this bill.

Fourth question, then I'll be quiet and we can vote. Is it not true under the system that is set up under your amendment, that if indeed costs continued to the client in this industry as they have in the last five years, as technological advances occurred, that even if those costs - the savings that you get from the cost decline, which they call the productivity factor, let's say it's 6%, 7%, I don't know what the number, but let's say it's a lot more than inflation and that could happen. There is nothing in this bill that requires those savings to be passed on to the citizenry of Tennessee.

SPEAKER: Mr. Rochelle.

ROCHELLE: That's the whole essence of the bill. Is to take what you've learned all your life. To take what you've learned about America is that competition drives costs down and improves services.

SPEAKER: Senator Gilbert.

GILBERT: I would just reply to the benefit of the Senate that that is exactly what Louisiana took up and considered and said that there has been no proof that we are going to have it. I agree there is going to be competition, its going to be meaningful. I just don't know when. And, for the essence of this bill boils down to whether you think it is going to occur tomorrow, two years or three years. And if you think it is going to be out there somewhere, a year or two years or three years down the road, I would just ask you to think about who is getting the profits in the intervening time. Where are they going and whether the citizens of Tennessee are getting a fair deal. In Louisiana and Mississippi, there regulatory body said it wasn't a fair bill and they instituted proceedings so that Tennessee --- so that their consumers would have a fair chance. I don't think we are doing that today.

SPEAKER: Senator Burks, Senator Cohen, Senator Ford. Senator Burks.

BURKS: Mr. Speaker, members of the Senate, I believe Senator Henry a moment ago was talking about the companies and how they would have to compete and uh, really watch their dollars (laughter) but you know looking at the four

companies that are involved in this being worth 70 billion dollars, I don't believe they are going to support a bill Senator Henry, that's going to cause them to lose money. They are not going to do that. They didn't get to be 70 billion dollars and come and introduce a bill that is going to cause that. The thing that worries me is that - these are monopoly type companies that have been under the PSC and who is to say that four companies of this size cannot come together in collusion and do what they want to do out in the public. Because anti trust works very slow -- (laughter) very slow. (laughter) And I look at this bill like going and buying a new car. They could give you the car, the basic rate that you are charged at your home, but the accessories that you put on that car or the accessories that you put within that home, the number of different supply units in that home, the number of phones, call waiting and all of these things, I don't believe that's addressed in this bill and I believe that any company could agree to keep that base rate the same on the homeowner and then all these other charges come in. And I think that is what you are getting ready to land on you and that is all these accessories and that's like I had on old bulldozer at Thompson Green. I told them they ought give me the dozer and just sell me the part, cause they could make a living off the parts. And, that's exactly what you are going to have happen with this legislation, the way it is worded with all the regulations that we have took out of it and competition is the finest thing that has ever been if you don't have certain singular economy that's got control of the economy. And these few companies have control. They don't just anybody up and go out here and get in the phone business like a retail establishment (inaudible). And it is altogether different than the regular free enterprise system because you don't have the numbers of people that can be involved in it. So, I tell you, I think the bill is going to pass but I'm thinking that you are gonna be down here - some of you are going to have some sad looks on your face when these things go to happening out here. Because companies of this size and this amount of dollars that really - they outweigh state government nearly. The entire state government in value and things that they've got going but -- I wonder sometimes they say there is two sides to this issue but I'm wondering if both sides are not involved in and would like to see this bill. Some times there is a lotta games played and that's something to think about. And, the people that have been lobbying on it are fine people and they get paid fine for doing and that's uh, their job to do is to try and sell legislation like this but when you are representing a constituency out here and they expect

you to be watching out for their interest, then think about this bill when you vote on it today, as to whether you are representing them, or what is really taking place in these accessories that are going to be charged and profits are going to be made all the while that we are saying that the basic rates are the same. Maybe, six or seven dollars but that built in a month maybe \$55.00.

SPEAKER: Senator Koella.

KOELLA: Senator Rochelle, would you take a very friendly amendment on this bill. This friendly amendment wouldn't cost too much, but would do a heck a lot of good to a heck of a lot of us. Is the next time, that one of these bills comes through here and I want your help to require the telephone pages and their writing on it be just a little blacker and not quite as small - could you do that for me?

SPEAKER: I have Senator Ford, Senator Jordan. Senator Ford.

FORD: Mr. Speaker, let me say this right over here. PSC for years has regulated the phone industry, to answer some of the questions Senator Gilbert and other raised, they regulate them to the extent that they told them South Central has been the only carrier for local phone service, I'm not talking about long distance. They haven't regulated long distance. They have given access. And, what they said that you can have only a certain rate of return. It is a rate of return on your over all investment. If any of you know anything about finance and accounting, a return on investment - that's not the same as profit and loss, not the same. Two different things altogether. That's what they have allowed them to do. We don't need the expert down here sitting with us telling us that, I can tell you that and that's a fact and that's the truth. When you are the only person in that business and someone tells you, you can have this percent, 11%, 10% you look at over the years. They've gone anywhere from 8, to 12% for the rate of return on investment. They don't necessarily have to invest in equipment and technology that will yield you the lowest possible cost. Not necessarily. The answer is so very simple. You know the reason why? If you don't have any competition, --I'm in funeral business and whatever other kind of business, if I have don't have competition, I can invest in 1932 model hearses. You got competition you are going to invest in the latest of equipment because your competitor has it and you are going to keep the prices low.

South Central Bell for whatever reason, did not necessarily invest in all the latest - we have a fiber optic system in place today - there are others up there that are putting in place today, a fiber optic system, the latest in technology. Guarantee in three years they'll have one. Senator Gilbert, they'll have one. Who's to insure that? The competition. They are up there. This bill brings about competition in effect that will yield the best popular -- the best possible rate, Senator Dixon, for the consumer. That's what it will do. When will it do it? I will start after it goes into effect. It's not going to go into effect in one or two months, give them 15 to 18 months, you'll see a change. If we need to regulate something, we'll be back here in January, we can regulate by statute whatever we want to do. Whatever we want to do! We can regulate by statute and we can regulate behavior. This bill is a good bill, as it has been amended, I'll going to vote for it.

SPEAKER: Senator Jordan.

JORDAN: Mr. Speaker, I, I'm going to try and be very brief. I have some concerns about the legislation and I address the body about those concerns in effect, I share what Senator Henry expressed. The fear that what's coming to happen is that competition is going to be fierce, it's going to be strong, but it is going to be directed toward a small share of the market. And, that the effect of that on the consumer, particularly those in the rural areas will not be a good effect. But, we have to start from some place and I trust this legislature will continue to exercise responsible oversight in the intervening years to assure that the assumptions we are making today are in fact correct assumptions. And, that we will continue to provide efficient, cost effective telephone service to the citizens of our state. And, uh, for that reason and that reason only, I'm going to be voting for the bill.

SPEAKER: Further discussion. Its ready on the bill. On the bill. Those favor in passage -- Senator Cohen is recognized.

COHEN: Thank you. I liked to move for division of the question. (Laughter) Just joking, Senator Rochelle. (Laughter)

SPEAKER: That's a proper request. Uh, if you wanted to ride Senator Gilbert and Senator Rochelle.

? No, he was joking. (Laughter)

SPEAKER: Are you ready on the bill? Those favoring vote "I" when the bell rings, opposed vote "no". Every Senator vote on

the bill. Has every Senator voted? Does any Senator desire to change his vote? Take the roll Mr. Clerk.

CLERK: "I's" 24, nays 8. Its adopt.

SPEAKER: Without objection, the motion to reconsider goes to the table. Senator Rochelle.

ROCHELLE: Mr. Speaker and members of the Senate, if I could have a moment of personal privilege.

SPEAKER: Personal privilege.

ROCHELLE: Uh, a movie in the early 70's where uh, in the distance they showed (inaudible) approaching over to the left side they showed Montgomery's forces and uh, they were standing on the ancient ruins probably where the Romans had defeated the Carthagians, the folks from Carthage. And, uh had been over the years many battles there and great decisions made that effected the history of the world-- effected the history of the world and uh, General George Patton turned to his aid and he said, "God help me I love it so." And, I guess as I experienced today with the quality of the debate and with the quality of the debaters and those whose voted for, those who voted against and I want you all to know that I appreciate you and that's why I love this body and why I appreciate the contributions of each and every one of you. And, uh, I look forward to doing things with each of you in the future to accomplish things for the citizens of Tennessee and uh, for those who could vote with us today I appreciate it. Those who couldn't, I'll try to get you next time. But, uh, "God help me, I do love it so."

SPEAKER: Senator Cohen.

COHEN: Thank you Mr. Speaker. Senator Rochelle, I appreciate your remarks and on behalf of Senator Gilbert, Cooper and Burks and others, we feel a whole lot like Floyd Patterson did after Sonny L... said the same thing.

SPEAKER: Senator Haun.

HAUN: For the records Mr. Speaker, I need to declare a 13 on all previous votes on the previous bill. These are small amounts of stock and AT&T and all of baby Bell.

SPEAKER: Senator Crutchfield.

CRUTCH-

FIELD : Mr. Speaker, whether we are referring to (Inaudible) Alexander the Great, I'd like to move the schedule,