

MARCH 15, 1989

TO: SENATOR DOLE
FROM: GREG SCHNACKE
SUBJECT: USTA SPEECH

APPROXIMATELY 175 PERSONS WILL BE AT THE SPEECH REPRESENTING ALL TYPES OF TELEPHONE COMPANIES, INCLUDING AT&T, THE BELL COMPANIES AND SMALL INDEPENDENTS. WARD WHITE WILL MEET YOU AT THE DOOR.

THE FIRST HALF OF THE SPEECH IS BASIC BUDGET STUFF DEVELOPED BY CAROLYN. THE SECOND HALF TOUCHES ON SEVERAL TELEPHONE ISSUES INCLUDING ENTRY INTO VIDEO SERVICES MARKET, TELECOMMUNICATIONS TRADE DEFICIT, MODIFICATION OF FINAL JUDGEMENT LEGISLATION, TAX NORMALIZATION AND RURAL ISSUES, INCLUDING SUPPORT FOR KEEPING REA.

March 16

Joyce

Speak



United States Telephone Association

900 19th Street, N.W., Suite 800
Washington, D.C. 20006-2105
(202) 835-3100

February 21, 1989

The Honorable Robert Dole
United States Senate
Washington, D.C. 20510

Dear Bob:

Thank you for agreeing to address the 1989 USTA Government Relations Seminar on March 16 at 8:30 a.m. at the Mayflower.

Because of your long support for the Rural Electrification Administration and the keen interest in its programs among many of our small company members, we would appreciate hearing your thoughts on the administration's REA budget proposal and its reception in Congress. We would be pleased to have you address any other issues of concern to you.

We will call your office to arrange transportation and an appropriate honorarium, and we look forward to seeing you on the 16th.

Sincerely,

Ray
RAY NOLIN
Vice President
BellSouth Corporation
Chairman
USTA Government Relations Committee

W.H. White
WARD H. WHITE
Vice President
Government & Public Affairs

March 16
Thurs
8:30 am

Speck



*Joyce
copy to Greg*

United States Telephone Association

900 19th Street, N.W., Suite 800
Washington, D.C. 20006-2105
(202) 835-3100

February 6, 1989

8:00 am

*Mayflower
State Rm*

The Honorable Bob Dole
United States Senate
141 Hart SOB
Washington, D.C. 20510

Dear Bob:

On behalf of the United States Telephone Association, we invite you to participate in the 1989 USTA Government Relations Seminar to be held March 15-17 at the Mayflower Hotel in Washington.

USTA, the trade association for the local exchange industry, represents more than 1100 telephone companies of all sizes, from the regional Bell companies to the smallest of independents. The annual Seminar brings to Washington more than 200 of our members to discuss a range of policy issues of concern to the industry.

Last year's seminar also attracted an array of influential policymakers who offered their views and projections. We look forward once again to the opportunity to bring together industry leaders and key policymakers to exchange their ideas and discuss mutual concerns.

We would like you to provide ^{8:00}keynote remarks on Thursday, March 16, at ~~8:30~~ 8:30 a.m. We would be pleased to provide you with an honorarium, if appropriate, and furnish transportation.

Please consider our invitation, as your knowledge of the industry will contribute greatly to the program. You may let us know of your availability by contacting Karen Irons at (202) 835-3149.

Sincerely,

Ray Nolin

RAY NOLIN
Senior Vice President
BellSouth Corporation
Chairman
USTA Government Relations Committee

W H

WARD H. WHITE
Vice President
Government & Public Affairs

TALKING POINTS
UNITED STATES TELEPHONE ASSN -- MARCH 16, 1989

- O THANK YOU FOR INVITING ME TO SPEAK WITH YOU
THIS MORNING.

- O FIRST OF ALL, I BELIEVE THAT PRESIDENT BUSH IS
OFF TO A GOOD START. UNLIKE PRESIDENT REAGAN
WHEN HE TOOK OFFICE, THIS PRESIDENT IS ON A
FIRST NAME BASIS WITH MOST MEMBERS OF
CONGRESS -- BOTH DEMOCRAT AND REPUBLICAN.
AND HE IS COMFORTABLE DEALING WITH CONGRESS.

-2-

O THE PRESIDENT HAS MADE REDUCING THE BUDGET DEFICIT HIS NUMBER ONE LEGISLATIVE PRIORITY. HIS FIRST MEETING WITH CONGRESSIONAL LEADERS, WHICH I ATTENDED, WAS A BIPARTISAN MEETING ON THE DEFICIT THAT LASTED TWO HOURS. SINCE THEN A BIPARTISAN WORKING GROUP OF CONGRESSIONAL LEADERS AND ADMINISTRATION OFFICIALS HAS BEEN FORMED AND IS WORKING TOWARD NEGOTIATING A DEFICIT REDUCTION AGREEMENT.

THE BUSH BUDGET

- O IN ADDITION, PRESIDENT BUSH HAS MADE GOOD ON HIS CAMPAIGN PROMISES TO PRODUCE A KINDER AND GENTLER BUDGET AND TO MEET THE GRAMM-RUDMAN-HOLLINGS TARGETS WITHOUT RAISING TAXES. NOW I DIDN'T REALLY APPRECIATE THE MERITS OF THE FLEXIBLE FREEZE UNTIL NEW HAMPSHIRE. BUT THE CONCEPT IS REALLY QUITE SIMPLE. IT MERELY RESTRAINS THE GROWTH IN FEDERAL SPENDING TO THE RATE OF INFLATION.

- O EVEN WITHOUT ANY CHANGES IN CURRENT POLICY, FEDERAL REVENUES WILL INCREASE BY MORE THAN \$80 BILLION IN 1990. WITH THIS REVENUE GROWTH, IT WILL BE POSSIBLE TO MEET THE 1990 G-R-H DEFICIT TARGET, IF CONGRESS STICKS TO THE PRESIDENT'S PLAN.

O MOREOVER, IN SPITE OF THE CLAIMS MADE BY SOME DEMOCRATS, THIS BUDGET DOES NOT LEAVE THE TOUGH CHOICES TO CONGRESS. THE PRESIDENT HOLDS DEFENSE GROWTH TO THE RATE OF INFLATION, AND SIGNIFICANTLY CUTS OTHER PROGRAMS.

WHY CONGRESS NEEDS TO COME TO THE
BARGAINING TABLE

O PRESIDENT BUSH'S BUDGET MAY NOT BE ALL THINGS TO ALL PEOPLE -- NO RESPONSIBLE BUDGET EVER IS -- , BUT HIS BUDGET IS A SERIOUS, WORKABLE FIRST STEP. NOW, THE DEMOCRATS NEED TO LAY THEIR CARDS ON THE TABLE, SO THAT BUDGET NEGOTIATIONS CAN PROCEED.

- O MOREOVER, AS YET NO DEMOCRAT, NOT EVEN THE DEMOCRATIC APPOINTEES TO THE NATIONAL ECONOMIC COMMISSION WHO DISAGREE WITH THE PRESIDENT, HAS COME UP WITH A CONSTRUCTIVE ALTERNATIVE. THE DEMOCRATS APPARENTLY PREFER TO CRITICIZE THE PRESIDENT, RATHER THAN PROPOSE THEIR OWN SOLUTIONS.

- O I BELIEVE THAT IT IS IMPORTANT THAT WE
ACCELERATE THE NORMAL BUDGET PROCESS WHICH
CAN DRAG ON UNTIL OCTOBER OR NOVEMBER.
IMPORTANT DEADLINES ARE LOOMING: THE SENATE
BUDGET COMMITTEE IS REQUIRED TO REPORT A
BUDGET RESOLUTION BY APRIL 1. WITH A TWO WEEK
EASTER RECESS AT THE END OF MARCH, ONLY TWO
DAYS ARE LEFT TO COMPLETE THAT WORK ON TIME.

O STARTING BUDGET NEGOTIATIONS NOW IS THE ONLY RESPONSIBLE THING TO DO. THE FINANCIAL MARKETS ARE NERVOUSLY AWAITING A SIGNAL THAT CONGRESS INTENDS TO ACT RESPONSIBLY TO MEET ITS DEFICIT REDUCTION TARGETS WITHOUT A SEQUESTER. IN RESPONSE TO ACCELERATING PRICE GROWTH, THE FEDERAL RESERVE HAS RAISED THE DISCOUNT RATE FOR THE FIRST TIME SINCE AUGUST, 1988, AFFECTING EVERYTHING FROM THE PRIME RATE TO HOME MORTGAGES.

-10-

- O SQUABBLING OVER THE BUDGET PREVENTS US FROM MOVING FORWARD ON THE APPROPRIATIONS PROCESS, AS WELL AS TACKLING IMPORTANT PROBLEMS LIKE THE SAVINGS AND LOAN CRISIS. THE PRESIDENT SHOULD NOT HAVE HIS LEGISLATIVE AGENDA HELD HOSTAGE BY A CONGRESS THAT PREFERS TO POINT FINGERS RATHER THAN FACE UP TO THE TOUGH BUDGET CHOICES.

-11-

TAXES

- O I AGREE WITH THE PRESIDENT THAT TO BALANCE THE BUDGET WE NEED TO LOOK AT SPENDING CUTS AND NOT NEW TAXES. I DO NOT BELIEVE TAX INCREASES ARE A SUBSTITUTE FOR SPENDING RESTRAINT TO REDUCE THE FEDERAL BUDGET DEFICIT.

-12-

O I ALSO BELIEVE THAT KEEPING THE LOWER RATES ENACTED IN 1986 IS VERY IMPORTANT, BOTH AS AN ECONOMIC INCENTIVE AND TO CONVINCING TAXPAYERS THAT OUR TAX LAWS ARE FAIR. IN 1987, I INTRODUCED A RESOLUTION ADOPTED BY THE SENATE THAT WE SHOULD NOT ATTEMPT TO REDUCE THE DEFICIT BY TAMPERING WITH TAX RATES.

O THE BUDGET PROPOSED BY PRESIDENT BUSH MAKES GOOD ON HIS CAMPAIGN PROMISES TO MEET THE GRAMM-RUDMAN-HOLLINGS DEFICIT TARGETS WITHOUT RAISING TAXES. SOME DEMOCRATS HAVE INDICATED THAT THE PRICE FOR ENACTING SOME OF THE PRESIDENT'S PROGRAMS, SUCH AS LOWER CAPITAL GAINS TAXES, MUST BE INCOME TAX RATE INCREASES. I BELIEVE THEY WILL FIND THAT WHEN THE PRESIDENT SAID "NO NEW TAXES", HE MEANT IT. THAT INCLUDES EXCISE TAXES, AS WELL AS RATE INCREASES.

-14-

O THE BOTTOM LINE -- WHEN WE'RE TALKING ABOUT KEY ECONOMIC ISSUES LIKE THE DEFICIT, TAXES, AND GOVERNMENT REGULATION -- IS THAT THESE PROBLEMS WON'T BE SOLVED UNLESS WE ALL START WORKING TOGETHER. THAT INCLUDES NOT ONLY THE PRESIDENT AND CONGRESS, BUT ALSO THE BUSINESS COMMUNITY.

-15-

O I KNOW THIS IS AN EXCITING TIME FOR THE
TELEPHONE INDUSTRY. BIG OR SMALL, AMERICA'S
TELEPHONE COMPANIES ARE WITNESSING, AND
PARTICIPATING IN, A VAST TECHNOLOGICAL
REVOLUTION.

I BELIEVE BY THE TURN OF THE CENTURY MANY OF
THE TECHNOLOGIES WE ARE USED TO TODAY WILL
HAVE CHANGED.

-16-

O AS YOU KNOW, TELEPHONE COMPANIES ARE MAKING
A MAJOR LONG-TERM INVESTMENT IN FIBER OPTICS.
THIS TECHNOLOGY WILL EVENTUALLY DISPLACE
COPPER AND SIGNIFICANTLY INCREASE THE ABILITY
OF TELEPHONE COMPANIES TO PROVIDE BETTER
SERVICE. THE DEPLOYMENT OF FIBER WILL ENSURE
THE THE UNITED STATES REMAINS COMPETITIVE IN
TELECOMMUNICATIONS.

-17-

O MANY OF YOU ARE INTERESTED IN THE ISSUE OF WHETHER TELEPHONE COMPANIES SHOULD BE ALLOWED TO PROVIDE VIDEO SERVICES. THIS ISSUE HAS ALREADY RECEIVED MUCH ATTENTION WITHIN YOUR INDUSTRY AND AMONG OTHER INTERESTED COMPETITORS AS WELL. I HAVE NO DOUBT THAT THERE WILL BE A LOT MORE DEBATE BOTH INSIDE AND OUTSIDE OF CONGRESS.

-18-

0 FCC RULES THAT WERE ADOPTED 20 YEARS AGO,
AND CODIFIED IN 1984 IN THE CABLE
COMMUNICATIONS POLICY ACT, RESTRICT
TELEPHONE COMPANIES FROM OFFERING VIDEO
SERVICES. IN ADDITION, THE CONSENT DECREE
GOVERNING THE AT&T DIVESTITURE RESTRICTS THE
BELL OPERATING COMPANIES FROM PROVIDING
CONTENT-RELATED SERVICES.

-19-

O THE DEBATE IS FAR FROM OVER. I INTEND TO LISTEN TO THE FACTS. I APPRECIATE USTA'S WILLINGNESS TO PROVIDE ME AND MY STAFF INFORMATION RELATIVE TO THIS ISSUE. I ASSURE YOU I INTEND TO STUDY THIS ISSUE VERY CAREFULLY AND WELCOME YOUR COMMENTS AS THE DEBATE PROGRESSES.

-20-

O AS YOU KNOW, A FEW YEARS AGO I BECAME QUITE INTERESTED IN THE QUESTION OF WHO SHOULD BE MAKING COMMUNICATIONS POLICY IN THIS COUNTRY. I WAS, AND REMAIN, QUITE CONCERNED THAT AN UNELECTED FEDERAL JUDGE HAS THAT MUCH POWER IN SHAPING OUR NATIONAL TELECOMMUNICATIONS POLICY.

-21-

0 I BELIEVE IT IS TIME FOR CONGRESS TO STEP UP TO
THE PLATE AND REASSERT ITSELF ON THIS AND
OTHER ISSUES. FOR INSTANCE, GOVERNMENT
ANTITRUST POLICY IS AN IMPORTANT ISSUE, THE
ONLY ISSUE JUDGE GREENE IS CONCERNED WITH,
BUT OTHER TELECOMMUNICATIONS ISSUES MUST BE
ADDRESSED AS WELL.

-22-

O THE TRADE DEFICIT FIGURES FOR
TELECOMMUNICATIONS EQUIPMENT ARE
DISTRESSING. IN 1988, THE TRADE DEFICIT FOR
TELECOMMUNICATIONS EQUIPMENT WAS NEARLY \$3
BILLION.

0 WHILE TRADE AND LEGISLATION CHANGING THE
MODIFIED FINAL JUDGEMENT BETWEEN THE BELL
OPERATING COMPANIES AND AT&T MAY BE ON THE
FRONT BURNER AGAIN THIS YEAR, THE BIGGER ISSUE
IS: CONGRESS MUST BE INVOLVED IN THESE
DECISIONS AND BE DIRECTLY RESPONSIBLE TO THE
PEOPLE FOR THE ACTION TAKEN.

-24-

O MANY OF YOU ARE INTERESTED IN WHETHER THERE WILL BE ACTION IN THE TAX ARENA THIS YEAR - PARTICULARLY CHANGES IN DEFERRED TAX NORMALIZATION. AS YOU KNOW, THIS YEAR WE ARE "READING LIPS", SO I DO NOT ANTICIPATE MUCH OPPORTUNITY, IF YOU WOULD CALL IT AN OPPORTUNITY, TO ALTER THE TAX CODE ONE WAY OR ANOTHER. WE WILL BE DEALING WITH THE TAX CODE WHEN WE TAKE UP CHILD CARE, BUT IT IS NOT CLEAR AT THIS POINT WHETHER OTHER SENATORS WILL WANT TO TRY TO TACKLE ADDITIONAL TAX LEGISLATION.

-25-

O I WOULD LIKE TO ADDRESS A COUPLE OF ISSUES
THAT PRIMARILY AFFECT SMALL, RURAL TELEPHONE
COMPANIES. MANY OF YOU ARE CONCERNED ABOUT
CURRENT PROPOSALS TO MAKE SUBSTANTIAL CUTS
IN THE REA AND RURAL TELEPHONE BANK LOAN
PROGRAMS.

-26-

O AS YOU KNOW, THE PROPOSALS WOULD:

-- ELIMINATE 5% INSURED AND 100% GUARANTEED
LOANS.

-- REPEAL RTB INTEREST RATE REFORMS AND
ADDITIONAL CAPITAL FOR THE BANK.

-- SUBSTANTIALLY REDUCE THE RTB LENDING
PROGRAM.

-- INCLUDES A NEW 70% GUARANTEED LOAN
PROGRAM UTILIZING PRIVATE CAPITAL.

-27-

O I HAVE BEEN A LONG TIME SUPPORTER OF THE REA. I BELIEVE EVERY AGENCY AND DEPARTMENT OF THE FEDERAL GOVERNMENT HAS ROOM TO CUT WASTE - INCLUDING THE REA. HOWEVER, I HAVE CONSISTENTLY OPPOSED ELIMINATION OF THE REA BECAUSE I BELIEVE THE REA WORKS.

-28-

O THIS NATION'S TELEPHONE SYSTEM IS MOST
EFFICIENT AND MOST VALUABLE WHEN IT IS MOST
COMPLETE. WHEN YOU ARE OUT ON THE FARM OR
IN THE WILDS OF THE ROCKY MOUNTAINS AND YOU
CAN'T FIND A PHONE TO REACH A DOCTOR OR THE
FIRE DEPARTMENT THEN ITS A LITTLE LATE TO
REALIZE THE IMPORTANCE OF UNIVERSAL
TELEPHONE SERVICE.

-29-

- O UNIVERSAL SERVICE MEANS THAT PHONE SERVICE MUST BE PROVIDED AT COMPARABLE RATES TO WHAT THE URBAN DWELLER PAYS. THAT IS WHAT THE REA AND THE RURAL TELEPHONE BANK ARE ALL ABOUT. THESE ARE NOT GRANTS. THEY ARE ALL LOANS AND THE RECORD OF REPAYMENT IN THE TELEPHONE PROGRAM IS IMPECCABLE.

- O THOSE OF US ON THE ON THE AGRICULTURE COMMITTEE WILL BE CLOSELY WATCHING ANY PROGRAM CHANGES THAT ARE RECOMMENDED.

-30-

O AGAIN, THANK YOU FOR HAVING ME HERE THIS
MORNING. I HAVE ALWAYS ENJOYED WORKING WITH
USTA AND LOOK FORWARD TO WORKING WITH YOU
IN THE FUTURE.