P U B L I C   H E A R I N G

before

ASSEMBLY TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

ASSEMBLY BILL 2225

(Designated the "Universal Telephone Service Act," provides certain citizens with financial assistance for telephone service)

Held:
October 9, 1984
Camden County Hall of Justice
Camden, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Wayne R. Bryant, Chairman

ALSO PRESENT:

Laurence A. Gurman, Research Associate
Office of Legislative Services
Aide, Assembly Transportation and
Communications Committee

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ASSEMBLY, No. 2225

STATE OF NEW JERSEY

INTRODUCED JUNE 25 1984

By Assemblyman BRYANT

An Act providing certain citizens with financial assistance for telephone service, establishing a Universal Telephone Service Fund, and supplementing Title 48 of the Revised Statutes.

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. This act shall be known and may be cited as the "Universal Telephone Service Act."

2. The Legislature finds and declares that:

a. Communication by telephone is a basic human need in modern society, and should be made available to all New Jersey residents at a reasonable cost for basic minimum use.

b. Potential rate structures for telephone service brought about by federal decisions, the American Telephone and Telegraph Company antitrust settlement, new technological developments, and the rising costs of providing telephone service will result in greater costs for consumers of basic local minimum telephone service.

c. It is in the public interest to ensure the availability of basic local minimum telephone service for the elderly, the disabled, the infirm, and the economically disadvantaged.

3. As used in this act:

a. "Board" means the Board of Public Utilities.

b. "Fund" means the Universal Telephone Service Fund established in section 4 of this act.

c. "Gross revenues" means all revenues derived from billing by a service supplier for the provision of intrastate telecommunications services, including revenues derived from monthly service flat rate charges, message unit charges, toll charges, and intrastate-wide area telephone service charges, and any other flat rate or usage charge, excluding all federal, State, and local taxes and all taxes and all accounts which have been found to be worthless and written off for income tax purposes or, if the service supplier is not required to file income tax returns, written off in accordance with generally accepted accounting principles.

d. "InterLATA" means between one LATA and another.

e. "IntraLATA" means within a single LATA.

f. "Intrastate telecommunication service" means any of the following:

(1) A telecommunication for which there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and where the point of origin and the point of destination are located within this State.

(2) A service which entitles the service customer, upon payment of a periodic charge, to the privilege of an unlimited number of telecommunications to or from persons having telephone, data, or radiotelephone stations which are outside the exchange area in which the station provided with the service is located and where the point of origin and the point of destination are located within this State. The charge shall be determined as a flat amount or upon the basis of total elapsed transmission time.

(3) A service which entitles the service customer, upon payment, to transfer or move information, whether the information is voice, data, digital, or video in nature, and where the point or points of origin and the point of destination of the service are located in different exchanges in this State.

g. "LATA" means a local access and transport area as defined and approved by the United States District Court for the District of Columbia circuit in the case of the United States v. Western Electric Co., Inc., and American Telephone and Telegraph Co., CA82-0192, April 20 and July 8, 1983, and in a Memorandum and Order of August 5, 1983.

h. "Service supplier" means any person supplying any of the following:

(1) InterLATA intrastate telecommunications services.

(2) IntraLATA intrastate telecommunications services, if the board, after public hearings, determines that these intraLATA intrastate telecommunications services shall be subject to the tax imposed in accordance with the intent of the Legislature as set forth in section 2 of this act.

(3) Intrastate telecommunications services on a basis not defined by LATA boundaries.

i. "Service user" or "service customer" means any person using intrastate telecommunications services in this State.

j. "Telecommunications" means the transmissions, between or among points specified by the service user, of information of the service user's choosing, without change in the form or content of the information as sent and received, by means of electromagnetic transmission, including microwave and satellite, with or without benefit of any closed transmission medium, including all instrumentalities, facilities, apparatus, and services, including the collection, storage, forwarding, switching, and delivery of that information essential to the transmission.

k. "Treasurer" means State Treasurer.

4. a. There is established in the General Fund a special fund to be known as the "Universal Telephone Service Fund," to be derived from a tax imposed on every service supplier in the State measured by the gross revenues received from intrastate telecommunications services provided on or after July 1, 1985.

b. Moneys in the fund shall be appropriated to the board by the Legislature in order to effectuate the provisions of this act.

c. All revenues generated by the tax imposed by this act shall be collected and invested by the Treasurer pursuant to law. Earnings received from the investment or deposit of revenues in the fund shall be paid into and become part of the fund.

d. Any revenues in the fund not appropriated to the board shall remain in the fund.

5. a. The Board of Public Utilities shall institute an investigation for purposes of designing and implementing a program which will designate a class of universal telephone service necessary to meet minimum residential communications needs of the elderly, the disabled, the infirm, and the economically disadvantaged, including access to telephone service for emergency communications with public agencies and private medical services and for the maintenance of necessary social contacts by members of those groups. The board shall take into account differentials in communication needs, costs of providing service caused by geographical differences in the locales of residences, personal income of customers, and other factors appropriate to designating the characteristics of a class of universal telephone service. On completion of its investigation, the board shall issue a report to the Legislature, which shall be presented on or before January 1, 1985, indicating its decision designating the characteristics of a class of universal telephone service and the rates and charges for that service, and eligibility criteria for that service.

b. The universal service rates shall be not greater than 50% of the basic rate for measured service, exclusive of federally mandated access charges, available to the residential customer. In the event measured service is not available in a residential customer's service area, then the universal service rates shall be not greater than 50% of the rates for basic flat rate service, exclusive of federally mandated access charges, available to the universal service subscriber. The universal service rate shall not apply to any other service or charge except the basic rate.

6. Nothing in this act shall preclude the board from changing any rate established pursuant to any general restructuring of all telephone rates, charges, and classifications.

7. a. The universal service rates established pursuant to this act shall take effect on July 1, 1985, and shall remain in effect through June 30, 1986.

b. Beginning in 1986, the board shall determine annually, on or before May 1, a tax rate that its estimates will produce sufficient revenue to fund the Universal Telephone Service Fund requirements for the period from July 1 of the current calendar year to June 30 of the succeeding calendar year. The tax rate shall be determined by dividing the costs which the board estimates for that 12-month period of universal telephone service requirements, less the available balance in the Universal Telephone Service Fund, by the board's estimate of the gross revenues received by all service suppliers for provision of intrastate telecommunications services to which the tax will apply for the period of July 1 of the current calendar year to June 30 of the next succeeding calendar year.

c. The board shall make its determination of the tax rate and list the service suppliers no later than May 1 of each year and shall notify the Treasurer of the new rate and the service suppliers. The board shall also notify every affected service supplier by mail of the new tax rate. In no event shall the rate of tax exceed 4% of the gross revenues received by a service supplier.

d. On an annual basis, within 30 days of fixing the tax rate and designating the service suppliers, the board shall report to the Legislature the reasons for its determination of the new tax rate and its designation of service suppliers, including, but not limited to, the following:

(1) How it determined the characteristics of the class of universal telephone service and eligibility criteria for universal telephone service;

(2) How it determined service suppliers to be liable for the tax and the identity of those service suppliers;

(3) An accounting of the administrative costs incurred by the board and other State agencies in carrying out the provisions of this act; and

(4) Any other related information the Legislature may request.

8. a. The tax imposed by this act and the amounts required to be paid are due quarterly. On or before the last day of the second month following the preceding calendar quarter, or at any other time as determined by the board, each service supplier shall deliver to the office of the board a return in a form which the board shall prescribe, together with a remittance of the amount of the tax payable.

b. The board for good cause may extend, not to exceed one month, the time for making any return or paying any amount required to be paid under this act. The extension may be granted at any time provided a request therefor is filed with the board within or prior to the period for which the extension may be granted.

c. The service supplier shall maintain the records which are necessary to determine the amount of gross revenue subject to the tax imposed under the provisions of this act. These records shall be maintained for a period of three years from the time the tax is due.

9. The board shall require every telephone company providing local telephone service to file a schedule of rates and charges for a class of universal telephone service. Every telephone company providing local telephone service shall accept applications for universal telephone service and shall inform its customers how they may qualify for and obtain universal telephone service in accordance with procedures specified by the board.

10. A universal telephone service customer shall be provided with one single party line in his principal place of residence. An applicant for universal telephone service may report only one address in this State as the principal place of residence. Individual members of a family maintaining together one principal place of residence and additional places of residence which are not principal are eligible for universal telephone service only at their principal place of residence, and they shall not be provided with more than one single party line if any family member residing at the principal place of residence receives universal telephone service.

11. a. The board is authorized to promulgate any rules and regulations pursuant to the "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1 et seq.) which are necessary to effectuate the purposes of this act.

b. The board is entitled to call upon the assistance, or contract for the services, of any State department, board, bureau, commission, or agency as may be necessary to implement the provisions of this act.

12. The taxes imposed by this act shall be governed in all respects by the provisions of the State Tax Uniform Procedure Law (subtitle 9 of Title 54 of the Revised Statutes) except only to the extent that a specific provision of this act may be in conflict therewith.

13. This act shall take effect immediately and shall expire on July 1, 1991, except that the expiration of this act shall not impair any existing tax lien which the State may have under this act.

STATEMENT

This bill directs the Board of Public Utilities to institute an investigation for purposes of establishing universal telephone service in New Jersey for eligible residential users and to require telephone companies to file a schedule of universal rates and charges not greater than 50% of the basic rate for measured service, exclusive of federally mandated access charges, to be made available to eligible residential customers. The board is to designate a class of universal telephone service necessary to meet minimum residential communications needs of the elderly, the disabled, the infirm, and the economically disadvantaged, including access to telephone service for emergency communications with public agencies and private medical services and for the maintenance of necessary social contacts by members of those groups.

The bill creates the Universal Telephone Service Fund. It imposes a tax on gross revenue received for the provision of intrastate telecommunication services in an amount not greater than 4% of gross revenues. The tax is to be determined by the Board of Public Utilities in an amount sufficient to maintain universal telephone service and is to be adjusted annually.

The bill shall expire on July 1, 1991.

ASSEMBLYMAN WAYNE R. BRYANT (Chairman): Good morning, ladies and gentlemen. This is a public hearing being held by the Assembly Transportation and Communications Committee. I am Assemblyman Wayne Bryant, Chairman of the Committee.

Today we are going to hear some testimony on the effects of divestiture, and specifically about Assembly Bill 2225, which is my bill dealing with Lifeline. The proposal basically establishes a procedure whereby BPU would do an investigation with regard to basic telephone services for senior citizens and handicapped and disadvantaged individuals.

I should mention that we feel this hearing will be somewhat broader than that, because we will talk about some of the other problems that divestiture has caused our citizens. This will probably be the first of at least two hearings, and possibly three. We are planning to have another public hearing sometime in late November, and everyone will be notified. It will probably be in Trenton. We will then have a third hearing if, in fact, we feel it is necessary to get more information, in the northern portion of the State, somewhere in Essex County or Hudson County.

Today we have at least four people who have signed up to testify. If there is anyone else here who would like to testify, please let us know after we have gone through the first four speakers. Mr. Heikki Leesment, Director of Telecommunications, Board of Public Utilities. Good morning.

HEIKKI LEESMENT: Good morning, Assemblyman Bryant. First of all, I would like to thank the Committee for permitting the Board of Public Utilities to express its viewpoint on the pending legislation. The Board has read it, and has asked me to express some of its concerns with it. Following that perhaps, if the Committee is interested, we could discuss some generalized concepts and some generalized questions that have arisen in telecommunications recently, some of them related to the recent divestiture of AT&T, what the New Jersey Board of Public Utilities, as well as the Legislature, may be able to do or may wish to do, and the problems which have arisen that may require resolution.

With respect to A-2225, the Board has no objection to the Legislature conceptualizing a Lifeline rate and making its rate a certain proportion of another tariff service offering of the telephone company. This is appropriately a matter of legislative discretion and, of course, that discretion should be unbridled in the Legislature. Several of the other operative provisions of the bill, however, we believe do present practical difficulties which we would ask you to consider. We have some suggestions of how they perhaps can be resolved.

One of them is, the bill has proposed effective dates for this new Lifeline rate. The problem we perceive is this: If the new service offering is to be established as a fixed percentage of some other service, the Lifeline rate will automatically rise or fall as the underlying residential rate is adjusted. That underlying residential rate may be adjusted each time a new rate proceeding is concluded. New Jersey Bell has recently filed a petition to raise rates. The hearings on that petition will commence this month and the Board will likely decide the matter in the first months of 1985. However thereafter, depending upon the health of the economy, the effects of competition in telecommunications, and a whole array of other factors, it is impossible to say that another rate proceeding may not be concluded before the June 30, 1986 date that the proposed legislation has as an outside date for the maintenance of this new rate.

The Committee should realize that since telephone rate proceedings of major utilities such as New Jersey Bell ordinarily take up to nine months to complete from the filing through the final Board order, it is highly unlikely that adjustments of rates set in one proceeding will be adjusted very soon thereafter. Thus, frequent adjustments of rates will be highly unlikely. In our opinion, to impose the strictures inherent in this bill involving the time intervals would be an undue administrative burden and would needlessly complicate the rate-making process.

With respect to the issue of eligibility requirements, that is certainly a matter that can be addressed by the Board, if the Legislature so directs. However, it is the Board's position that it would really make much more sense, and would greatly reduce the amount of work needed to start operating under the proposed bill, for the Legislature to utilize some of the existing eligibility criteria under which various forms of public assistance are presently being extended. We have some specifics in mind. For instance, with respect to the elderly and disabled, there are existing eligibility standards under which Lifeline credits for gas and electric usage are paid to these qualifying individuals. Those standards may provide an entirely appropriate basis for eligibility under A-2225 as well.

To the extent that the reach of this bill is also intended to provide assistance to the economically disadvantaged, the Legislature may consider the appropriateness of criteria such as welfare qualifications to be the appropriate measure of economic disadvantage.

What we are essentially saying is that there may already exist several clearly defined, readily understood, and entirely workable definitions of the various classes sought to be helped by this bill. The suitability of those criteria should be carefully explored, since if those existing criteria are found to be appropriate, it will spare another State agency the necessity of having to sort of reinvent the wheel for the purposes of this Act. We would ask you to consider possibly utilizing those criteria.

With respect to the tax aspect of funding the program, the Board is seriously concerned that any attempt to provide funding solely by payments from telecommunications service providers, and thus ultimately from the telephone-using public through their rates, will raise substantial constitutional questions. It should be recalled that the Legislature, at one time, contemplated a similar approach to funding for the Lifeline program for gas and electric utilities, essentially through payments assessed against the customers of those utilities. Upon closer consideration of the constitutional implications of this approach, the Legislature ultimately directed that Lifeline credits be funded from casino revenues, and the program today operates on that basis.

The suggestion in the proposed legislation that service suppliers "not identified by LATA boundaries" may also be taxed, presents many practical problems in addition to the constitutional question that we have noted. If the Committee is suggesting that interstate telecommunications carriers be assessed a proportionate share of the New Jersey local exchange Lifeline program, those carriers will undoubtedly intercede with the SEC and claim that the State is interfering in interstate telecommunications, which is the sole province of the SEC, and they will likely prevail on that basis. If the language is meant to tax private telecommunications systems that operate outside of and independent of the public switch network, the practical problem of identifying and locating these private systems will be enormous and probably impractical.

The very broad language of the proposed statute in its present form would also seem to include police, fire, and emergency medical communications systems within its reach, which we think was probably an unintended result. But, that really points up the over-breadth of the approach in the proposed legislation.

The major point, however, and we think that this bears emphasis, is that the legality of taxing any communications system as a funding source for this program must be closely and very carefully considered before embarking on this legislation in its present form.

Perhaps the most appropriate vehicle for financing it would be the same casino fund presently providing funding for the gas and electric Lifeline programs, and we would ask you to consider the public policy underlying the determination that the casino fund would be providing these Lifeline credits in the other utilities, and consider their applicability in the utility in the present bill as well.

Finally, we ask the Committee to closely consider whether the proposed program is genuinely needed in New Jersey. New Jersey already has the lowest residential local exchange rates and the lowest toll rates in the United States. Under present tariff offerings, there already exist optional, usage-sensitive local exchange residential services that provide a saving over flat-rate service. In New Jersey Bell's service area, which comprises most of the State, there are two kinds of local measured service offerings available. There is a moderate-use measured service, which allows 75 message units per month and is priced at 20% below the flat rate, and there is a low-use measured service, which allows 20 message units per month and is priced at 35% below the flat rate. For additional message units for moderate usage, each unit above the allowance is priced at six and a half cents, and for the low measured usage, each additional usage beyond the allowance is priced at ten cents.

New Jersey Bell's present tariff provides for four rate groups. The rate groups differ in the rate in order to reflect the population density in any exchange area, and thus the number of households that are connected and, therefore, the value of that service to any given customer. A comparison of the lowest and the highest rate groups for the three calling options is really the following: For the lowest there presently exists a flat rate of $6.30 a month. A customer in that area would be entitled to subscribe to the moderate measured usage plan at $5.05 a month, and also to the low-use measured plan for $4.05 a month. On the other hand, at the high end of the spectrum for the higher density areas, the highest flat rate is $7.75 a month; moderate measured usage for customers in that area would be $6.20 a month. The low use measured option is $5.05 a month. The remaining areas of the State are served by independent telephone companies which provide service solely on a flat-rate basis. All New Jersey telephone rates compare quite favorably to those charged in other states, where monthly flat-rate residence charges of $15.00, $20.00, and more are common.

The foregoing is not to suggest that the Board is opposed to the legislation. The Board merely wishes to ensure that the Committee determines that there is a true need for it, considering the cost of telephone service today, and we are concerned that assistance be directed only to those truly in need. Since that determination is presently made for several existing assistance programs, those existing eligibility criteria should perhaps be employed for the purposes of this bill as well.

However, the Board looks forward to working with the Committee and the Legislature on this matter, and stands available to assist in any area where participation is requested. That concludes our remarks on the bill. Thank you.

ASSEMBLYMAN BRYANT: Thank you for your testimony and for your insight. As the sponsor, first of all, the bill was contemplated for intra-service, as opposed to inter-service, since we realize the problems you have in controlling from a State level to inter-service. So, any misconceptions of how broadly the bill would apply-- I think we will make sure that we technically tighten that up.

Can you give me any information on whether or not they have dealt with intra-service in any other states, in terms of having that as a basis for supplementing certain residential services?

MR. LEESMENT: Are you asking essentially about Lifeline programs in other states?

ASSEMBLYMAN BRYANT: Yes.

MR. LEESMENT: I have asked our local Bell operating company to put together a list of low-use options available in the other states. Although the list is not quite as obvious as it appears, it has some specific rates and some specific determinations of allowances under those rates. It should be clear that there is a variety in the states in what the rates are for a given locality. There are variations in rates depending upon whether or not they are served by a Bell company or an independent company. So, this is hardly an exhaustive list of all the conditions applicable to the provision of low-use type service.

With respect to Lifelines, I believe that California has a pending bill that has an $11,000 annual income threshold to qualify for the Lifeline rates. I understand, also, that some states, although they are very few, have considerations for the elderly and poor as a separate category for a different rate treatment. However, the list I have primarily includes the idea of a low-use measured service, or an economy rate, which is available to all subscribers on an across-the-board basis, regardless of income or qualifications. That list indicates that there is, again, a range from $3.11 in the District of Columbia through $10.46, which is considered a low-use rate in Mississippi for low measured use options. What I am suggesting is, if we consider where New Jersey falls, with its presently available low measured use options, it certainly falls well within the low end of that.

ASSEMBLYMAN BRYANT: What are those options, do you know?

MR. LEESMENT: For New Jersey?

ASSEMBLYMAN BRYANT: Yes.

MR. LEESMENT: There is a moderate use measured service for customers, and for that service a customer-- It is priced 20% below the residential flat rate and, using that service, they are entitled to 75 message units per month as part of the allowance. Any additional message units beyond 75 per month are priced at six and a half cents each. Okay? Then there is also a low-use measured option, which is priced 35% below the flat rate. That has an allowance of 20 local message units per month, with usage beyond the allowance priced at ten cents each. And, as I indicated, the low-use measured rate presently in effect is as low as $4.05 per month and as high as $5.05 per month, depending upon the density of the local exchange area.

ASSEMBLYMAN BRYANT: Does this effect installation costs or deposits in any way? One of the things I am driving at in terms of senior citizens and disabled and disadvantaged individuals is, it seems from what I hear in my office that there is a disproportionately high fee for deposits. In other words, you can have the best service in the world at the lowest price, but if you can't afford the deposit, you can't have the service to begin with. Are there any types of things in existence that you know of dealing with those areas?

MR. LEESMENT: There is an existing policy -- and I'm sure the companies have their own policies -- on deposits and deposit requirements. I am not aware that the deposit requirements have varied substantially since divestiture, and I am not aware that deposits have been a problem particularly for the old and the infirm. Certainly, I don't recall that the Board has received any substantial complaints along those lines. Historically, the phone company does not require and insist upon any deposit for extension of service if the customer has been a customer of long standing and of credit worthiness with the company. If he has a history of having paid his bills, ordinarily the deposit requirement is waived. So, I am surprised that it is a problem for the elderly because we have not been alerted to the fact.

ASSEMBLYMAN BRYANT: Well, I used the three categories, the disadvantaged, the elderly, and the disabled. You made a point about those who have a history, but some people have to start out without a history.

MR. LEESMENT: Of course.

ASSEMBLYMAN BRYANT: It seems from what I get from my constituents that initiating the service is a problem. One might be young, but disadvantaged. Since they have no pay history, I'm wondering if there are any present regulations by BPU with regard to deposits.

Let me explain my viewpoint. I basically feel that a telephone today is not a luxury, but a necessity in terms of the health and welfare of individuals, especially when they are of substantial age. I think today to communicate properly, whether it is to summon police, or the fire department, or if there is an emergency requiring hospitalization, it has become such a basic service that it should be provided to all our citizens. I guess that is what led to the thought that now that we have more control over the telephone companies and the communications systems, we need to structure something so that in the future there is a base rate that is affordable to all.

That is how this bill came about. Number one, I designed the bill to give BPU investigative possibilities, and number two, to come up with recommendations of what would be good. I'm not sure if I hear from your testimony that BPU does not think that is something they would want to have.

MR. LEESMENT: Well, what I am really suggesting is this: The type of criteria you are asking the Board to establish, we feel has been established in various pieces of legislation and various programs that are intended to provide assistance of various kinds. I am really asking the Committee to perhaps look at the existing criteria and, if you find the existing criteria are not appropriate for the purposes of the bill, perhaps you might want to give that power to the Board, sort of giving maybe a little bit more guidance as to how you find the existing criteria to be inappropriate. However, we would suggest that if the existing criteria are found to be appropriate, they should really be utilized, rather than having to--

ASSEMBLYMAN BRYANT: (interrupting) I guess my approach is, sometimes we tend to take existing criteria for another program to naturally substitute for something else, without looking at it in terms of what we are trying to accomplish. I guess why we wanted some investigation was because one of the investigative techniques, to me, would be to find out what you determine, as BPU, with the expertise you have, the needs are. They might be different than the needs people have for energy, or senior citizens' needs from the casino funds. Therefore, the criteria might be higher, as opposed to lower. For me to just take those criteria and put them into a piece of legislation without having some background in terms of what one might determine need might be with this particular vehicle -- the telephone -- might be somewhat unwise. But, if BPU is telling me they think that is the most sound approach--

MR. LEESMENT: (interrupting) Well, Assemblyman, I'm really also saying this: BPU is not an agency that ordinarily makes these kinds of determinations. It is the agency which regulates the industry, but it does not necessarily-- I don't know of any instances where it has gotten involved in questions of need, which is really a human sort of requirement. I think there are existing State agencies which do that on a day-to-day basis, such as the Department of Human Services, or any of the others that administer existing programs. I think that their ability is to make determinations about human needs, and to determine what the thresholds are for needing assistance. Perhaps their insight might be a lot more important than ours.

ASSEMBLYMAN BRYANT: That is a very good point. Do you have any figures on the present Lifeline programs -- I guess the 20% and the 35% -- based on how many people are utilizing those programs?

MR. LEESMENT: I do not have specific figures. I did not bring them with me; however, I can certainly supply them.

ASSEMBLYMAN BRYANT: We would appreciate that. They might be helpful to the Committee.

MR. LEESMENT: The indication seems to be that it is a growing sort of service. There are more subscribers apparently considering and taking the telephone company up on the low measured, as well as the moderate measured use services.

ASSEMBLYMAN BRYANT: Do you know how these programs are publicized? I mean, how do people hear about these programs?

MR. LEESMENT: I'm sure you have representatives here from the phone company who can probably tell you a lot better, but company representatives are obligated to tell prospective customers of the availability of these alternative services. Since the phone company is generally desirous of moving its customers to a measured usage sensitive type tariff, I'm sure that they explore that possibility quite closely with any customers seeking service.

ASSEMBLYMAN BRYANT: Now, I would like to ask a few questions which are a little broader than this particular bill. I note that under divestiture, Bell Atlantic, which is regulated on a state-by-state basis, is permitted to form subsidiaries which are not to be regulated. What can be done to ensure that the public interest is protected, for instance, in the area of accounting practices concerning the parent company and the subsidiaries?

MR. LEESMENT: The issue of the subsidiaries and the unregulated subsidiaries of the telephone companies has been a matter of some concern in several arenas.

ASSEMBLYMAN BRYANT: Excuse me, maybe if I ask questions-- Did you want to give a formal presentation on something that has passed?

MR. LEESMENT: I have made some notes about other, sort of, driving forces in the telecommunications industry today, things that are happening, and things that I am not sure this bill can address and should address; but, they are more in the guise of perhaps sensitizing legislators, who do not deal with telecommunications on a regular basis, to what is in the offing and what is coming, so that when these developments do occur, maybe they won't be a complete surprise.

First of all, I have the apprehension that A-2225 may be more a reaction to the Legislature's concern about what may be happening to the basic exchange rates following divestiture, rather than what has actually happened to basic rates in New Jersey. I think it is important to recall that since divestiture, New Jersey basic residential exchange telephone rates have gone up thirty cents a month. That is not a very substantial increase.

I think we have all been exposed to the sensational headlines which claim that basic exchange rates will have to double or triple as a result of divestiture, but those kinds of things have just not occurred in New Jersey. I should also note one more thing. There are several driving forces behind this eventuality of higher rates that are generally perceived. Some of these factors have nothing to do with divestiture. One of the major factors is FCC's action in handling the whole issue of telephone plants and depreciation. Over a series of many decisions predating divestiture, the FCC has essentially preempted states from dealing with depreciation of telephone plants. Depreciation has been greatly speeded up and, as a result, the companies have substantially increased revenue requirements just to make up the higher depreciation.

The other thing that the FCC has mandated, and which is being followed also in New Jersey, is that, as much as possible, expenditures be expensed rather than capitalized, so that they will not be depreciated and, of course, everything that is expensed is a revenue requirement of the company right off the bat. What that really means is that a substantial part of the current rate case going on now is grounded on facts and considerations, i.e., depreciation, which really has nothing to do with divestiture. But, that all adds to the pressure on telephone rates.

With respect to divestiture and what it means to New Jersey, there are essentially, I think, two perspectives. There has to be a consumer perspective. I think consumers have always been used to looking at telephones as a singular package-type service. With the placement of one call to the local operating company, they got their telephones installed, they got wiring in their houses if they needed it, they got local service, they got long distance within the State, they got long distance through the United States and, you know, hookups into the other continents and throughout the world, everything essentially provided on the basis of one call. This really dates back to the time when the entire servcie was pretty much owned, governed, regulated, and run by one entity, i.e., AT&T and its subsidiaries.

With divestiture, and also with some of the other FCC determinations prior to divestiture, that is no longer the case. Telephone service is not a singular unified service provided on a full-package basis. Instead -- and I think this is where the consumers have to sort of reorient their thinking on how to perceive telecommunications out of the service -- the customer has a choice in almost all areas of telecommunications service purchases. The only areas in which he has no choice are in local exchange, and service within the local access and traffic areas. With respect to all other piece parts of telephone service, the customer has a choice. He can buy a phone from various vendors with all kinds of different features. Obviously, he can still rent a telephone. The customer is not locked into getting his inside wiring from the phone company. An electrician can do it; the customer himself can do it, or he can get several competing firms to provide it.

With respect to intrastate long distance service, we are about to see many new competitors coming on the horizon as a result of the Board's recent decision. It is important that the customers understand that they can rate shop. They can subscribe to one company for one type of long distance service, i.e., intrastate, let's say, and subscribe to a different long distance carrier for interstate service. Depending upon the distances covered, they might want to use, for specific types of calls, a third carrier altogether. It is important that the customers understand that they are not locked into one provider or a one-service offering, and that there are price differences in the various competitive offerings. It is well to their advantage to make discriminate consumer-type choices based upon what is available in the marketplace.

However, with that kind of division of the entire telephone plant and the service into various discreet purchasable parts, there are some negative aspects. First of all, when your line goes down, it is not clear what the problem is. Is the problem in the line, is it in the house wire, or is it in the telephone? There are three discreet possibilities as to who may be responsible for it. If your toll is disrupted, you don't know whether it is in the central office or in the toll carrier. So, the customer does not now have the ready available medium of placing a single call to get all of his problems taken care. Depending upon who caused the problem, there may be a separate party to look to.

Secondly, with the large number of new carriers coming on the horizon, there are differences in the capabilities, in the switching quality, and in the transmission characteristics of the various competing carriers. Customers have to sort of understand that if they don't like the kind of service they are getting from one company, they have the choice of terminating service and going with another carrier, or even keeping accounts with two of them to see how one service compares to another. The telephone is not just a package service which is given on a take it or leave it basis anymore. Customers should look at several services to see which costs and transmission features meet their needs before making a determination on a given provider.

With respect to divestiture, there is also the regulatory perspective wholly separate and apart from the consumer perspective. First of all, the Board is, and always has been, committed to universal service. I understand that is a very important ingredient in this bill as well. The Board is certainly sensitive to the need to maintain universal service for a whole host of reasons. Quite aside from what Assemblyman Bryant has said about the telephone being a necessity today, it is also a fact that the value of the service, and how that value is perceived, depends upon the number of people who are on that network. The more people who subscribe, the more valuable it is to all of us.

You mentioned the subsidiaries of the holding companies. That is something that has received considerable press, and it will certainly be looked at by the Board in the rate cases to follow. As you know, the regional Bell holding companies, such as Bell Atlantic, have many subsidiaries. Some of them are regulated, but the vast majority of them are not regulated. The Board is closely scrutinizing, and will be closely scrutinizing, the books of the operating companies to ensure that telephone company customers are not subsidizing, but are capitalizing competitive ventures for the unregulated subsidiaries. That is essentially an accounting and an auditing requirement. As a result of divestiture, the Division of Telecommunications in the Board of Public Utilities has expanded greatly. I came to the Division in February as its Director and I have been authorized a strength of 42 individuals. We are not quite up to strength yet, but we have made substantial headway. When I got there we had five people; we are probably at a level of 25 or so presently, with additional personnel expected within the next couple of weeks.

We are keenly aware of the requirements and obligations that divestiture has created, certainly the opportunities to the public, and, also, the responsibilities of the State agency to ensure that the public is protected.

I would like to address a further issue which is something we are looking at in a current rate case. It is not something that is generally perceived as a problem, but it has some interesting ramifications that may be changing as time goes on. The question is billing. As you may or may not know, New Jersey Bell does the billing for AT&T Communications as the long distance carrier. Under the modified final judgment under which divestiture was completed, the local operating companies are required to provide billing services to all carriers who wish to subscribe to those services. However, New Jersey Bell not only does the billing, New Jersey Bell purchases the receivables, the billings from AT&T making the receivables their own, and then, of course, presenting the bills to the customer. For nonpayment of AT&T's portion of that bill, for instance, New Jersey Bell will disconnect all service to that customer, not only toll service, but also local service. We know that has been going on, and the Board has directed that that issue will be looked at in the context of the current rate case.

There is an additional wrinkle to this, however. Recently we learned, and New Jersey Bell has told us, that they have concluded contracts with MCI to provide billing to MCI for its operations out of equal exchange offices. Out of those offices where MCI has the same quality and the same capability of switching as AT&T, New Jersey Bell will do the billing. Not only will it do the billing, it will also purchase the receivables as it does for AT&T and, of course, the ultimate clout to ensure collection is the threat of disconnection of service for nonpayment.

When it was just the one carrrier being affected, we had some concerns and, obviously, they will be looked at closely. With the prospect now that competing carriers will also be receiving the same treatment, the same billing practices from New Jersey Bell, our concern is that customers will perhaps be precluded from the competitive marketplace in toll service by the billing practices employed by New Jersey Bell. We are sensitive to the problems that this has caused. We are, of course, aware of the fact that this kind of billing operation has a distinct advantage to New Jersey Bell, and to the toll carriers as well, since it greatly reduces their uncollectables and their bad debts' expense. We are wondering where the trade-off is between the public good on the one hand, i.e., to prevent the companies from suffering a lose, and where the public interest in ensuring adequacy of availability of service needs to be protected. So, again, it is an issue to be looked at in the context of the current rate case, and something I am sure the Board will be speaking to in the future.

I would like to bring up just one other matter which is an issue that perhaps is not even perceived yet, something I see on the horizon and something I see as being a basis for perhaps even public responses once the full impact of it is really understood. Presently in New Jersey, all carriers are required to average their rates. That means going a given distance at a certain time of day that rate is fixed, irrespective of whether that call and that distance are placed over a high-traffic corridor or a low-traffic corridor. The Board requires that all carriers have to file their tariffs on the basis of averaged rates.

As competition takes hold, new competitors are entering the marketplace, the very genesis of that operation. Now I think you are going to see that improve or increase dramatically. Where does the competitor enter the marketplace? He obviously enters the marketplace in the high-traffic corridor where he has the potential for completing as many calls as possible over the network that he puts into place and, therefore, it is to his financial benefit to do so. What you are going to find is that competitors will enter, at least at the outset particularly, the high-traffic routes, the Newark to Trenton route, the Camden to Atlantic City route, perhaps Newark to Camden, New Brunswick to Trenton, Morristown to Trenton, whatever. By choosing to compete in a corridor with substantial traffic flowing in it, they will be able to undercut the existing toll carrier, which is predominantly AT&T, which must be the universal inter-exchange carrier under the modified final judgment. That means that AT&T does not have the luxury of providing service only where it chooses; AT&T has to provide service all over. For AT&T to be able to respond to competition, it claims it has to be able to reduce rates for those routes in which it has competition, which will be, at least at the outset, the high-density and high-traffic corridors.

If they are able to do that in the high-traffic corridors without reducing their rates in the low-traffic areas, obviously what you would have then would be de facto rate de-averaging. The concept, obviously, will have lost its vitality and there you will have the problem. I perceive competition in telecommunications, and you are going to have much the same phenomenon as we see already in the airline industry. With deregulation, the routes that are heavily traveled from major population centers to major population centers, yes, there you have competition, there you have price wars, there you have a lot of service, and there the customer has an opportunity, on a price basis, to make very discriminating choices. However, in the low-traffic areas where there is not a great deal of demand to fly to a certain place, you have seen disruption in service, you have seen the lessening of service, and you have seen price escalations, and I am concerned that the same type of development is really in the offing only to be adequately impacted upon by market forces in the telecommunications industry as well.

I could certainly go on at length and talk about all kinds of developments in telecommunications. My mission here is not to provide some sort of lengthy overview, but to have the Committee understand really two things: One is that we perceive that there are very distinct and very substantial issues yet to impact upon us. We are aware of them and will be prepared to deal with them. How we will deal with them and where it takes us, God only knows, because much of this is really out of our hands. Much of it will be dictated by the market, but we have become keenly aware of several of the concerns which have been raised in the bill and they will guide us, the Board and the Board staff, in our resolution of these issues.

ASSEMBLYMAN BRYANT: Well, first I want to thank you for your testimony. I think it was excellent. It is encouraging to see that we have beefed up our staff in the communications end of BPU. I think that under your leadership we will keep on monitoring telecommunications in these changing times.

Let me ask you one question. Is there an overall State plan for telecommunications in the State of New Jersey at this time?

MR. LEESMENT: If you're asking if there is a distinct State document, no, I don't believe there is. I think it is something we also need to look at, need to establish, and need to determine, if the communication needs of the State are to be satisfied. It was not a pressing problem as long as it was a unified system, a unified company, with requirements to extend service on an average rate basis. Perhaps with these kinds of pressures it might be appropriate at present.

ASSEMBLYMAN BRYANT: I guess the question I really have on my mind is, presently it seems that the only mechanism we have in existence is when the Board is responding to a request for a rate increase, and, to me, that doesn't develop long-range planning. I guess you're right. This is in no way a criticism of the Board. I think it is based on how the industry is now, through divestiture, giving probably much more latitude to the Board. What I am trying to ascertain is, is the Board moving in that direction to start to develop some type of plan, or some other mechanism besides when a rate increase is asked for -- an overall telecommunications plan?

MR. LEESMENT: One of the things the Board directed in its decision on competition intrastate with telephones, was that a rule-making proceeding should be initiated to determine how telephone companies in the arena, meaning essentially the toll carriers, would be able to adjust their rates to competitive and market pressures, irrespective of and without having a need to go through the rigors of and the strictures of a generalized rate case. Certainly, a rate case is something that is a major undertaking; it is major litigation, and it involves substantial discovery and a long time spent in a hearing. What we would like to do is provide a more streamlined regulatory process for companies in the competitive environment to be able to provide service, yet not be able to abandon the State, and adjust rates as market pressures require.

I think that is a partial response. I realize it is not a satisfactory response to your entire question. The other thing is, the Board in general has gotten much more involved recently with other utilities in questions of plant additions, capacity additions, and major construction proposals, such as electric and gas utilities and water utilities. I believe that is a harbinger of the fact that the Board will probably get involved in questions of major capacity additions for telephones as well. We are keenly aware of the financial pressures being placed on telephone rates and we will do whatever is necessary to ensure that rates are just and appropriate, and that rates are not unnecessarily increased except for compelling reasons. That is all part of the same development. That is the kind of consideration that I think is pressing the Board to perhaps look at those kinds of issues in telephones as well.

ASSEMBLYMAN BRYANT: I guess the last question-- I don't know whether it is a question or a statement. I know that the Board, prior to divestiture, did not really get into standards of service. Since we have much more control over those now, at least in the area which affects New Jersey, it would seem to me that the Board will have to consider standards of service in order to provide that type of service and monitor them in some way. Has there been any thought given to that issue? Is that part of your mission?

MR. LEESMENT: Historically, when AT&T was the phone company, and certainly the major portions of telephone service were handled by one of its subsidiaries, AT&T really did a very outstanding job in its standards of service. It set the standards, it evolved the technology, and I don't think there was any jurisdiction that felt the need to establish service standards independent of those that AT&T had set for itself.

With divestiture, you obviously have several new players in the arena. There are very discreet and very defined differences in the nature of the service that each provides and in the quality of transmission and switching. Therefore, there will be perceived differences in the service to the public. That is perhaps the driver that is causing more of a need for service standards than anything else. You're right, we have felt that they are needed. Perhaps at some point we will get involved with service standards as well. But, I can also say that that has not been a major item of complaint, at least up to this point.

ASSEMBLYMAN BRYANT: I understand that myself. I guess I am just looking toward the future, and that is why I am interested in the whole question of planning, this being one part of the plan. I am not sure the basic public consumer will have the kinds of skills necessary in terms of always disecting what the best service standards needed are. I think we need to set at least a base, from a State point of view, for what we will permit to be our basic service standards, and monitor to those ends.

Again, I appreciate your time. We will be involved with talking to you in future things. Thank you for your comments on the bill.

MR. LEESMENT: It was my pleasure, Assemblyman Bryant.

ASSEMBLYMAN BRYANT: Next we will have Mr. Jon Spinnanger, Director of Government Relations, New Jersey Bell. Mr. Spinnanger? Do you want to speak on the bill first and then maybe make some general comments? I will let you decide how you would like to do it.

JON P. SPINNANGER: Good morning, Mr. Chairman. My name is Jon Spinnanger, and I am Director of Government Relations for New Jersey

Bell. I am very pleased to have the opportunity to appear before you today to focus on those telecommunications issues which I believe prompted the introduction of Univesal Service Fund legislation.

We are all aware that the breakup of the 100-year-old Bell System this year was the largest corporate restructuring in business history. The purpose of this change, which began to evolve 15 years ago, was quite simply to create a more competitive telecommunications industry, one that would benefit telephone consumers by driving technological innovation and providing a wide array of product and service offerings at price levels kept fair and reasonable by the market forces of a competitive environment.

Not yet having had much opportunity to experience the full effects of a newly restructured telecommunications industry, there are some who are apprehensive that local telephone rates will increase to a level that will prohibit large numbers of subscribers from affording local telephone service.

I would like to put that fear into perspective. New Jersey's basic residential telephone rates are the lowest in the country. Compare New Jersesy Bell's flat rate of $7.76 per month, which incidentally is the company's highest residence rate and includes a 35-cent inside wire maintenance charge, with the $17.65 per month rate in New York, or Pennsylvania's $12.68 per month. Our single-line rates for business are low, too -- the fourth lowest in the country. Again, compare our average business rate of $11.96 per month with the $18.00 per month charged business customers in Pennsylvania. New Jersey's intrastate toll rates are also the lowest in the country.

Not only are New Jersey's telephone rates substantially lower than those in other states, but, over the past 25 years, there has been little change in basic rates. During that time, average flat residence rates have increased by only $3.01.

At an average monthly rate of $7.41, residential telephone customers are receiving an incredible bargain. For $7.41 a month, a customer has a dedicated line to the New Jersey Bell switching center, is permitted to make unlimited local calls, can receive an unlimited number of calls from anywhere in the world, is entitled to maintenance and repair of the telephone line, has a name and number printed in the directory, and receives a detailed bill each month. Consider that the electricity our refrigerators use costs on the average $19.00 a month and access to cable TV costs about $20.00 per month.

Even if prices were increased to meet the company's cost of almost $18.00 to provide local telephone service, New Jersey's rates would remain among the lowest in the country, and our customers would continue to benefit from great service at a great price.

In addition, for those customers whose calling patterns do not warrant paying for unlimited local use, New Jersey Bell's lowest measured service rate is just $4.79. In its current rate case, the company is proposing three lower-priced options to replace the two measured service offerings currently available. It is the company's foremost goal to continue to provide its services at a fair and reasonable price. We will be persistent in offering new price and service options that will meet individual telecommunication needs and at the same time recover company costs and produce earnings respected by the investment community.

The fact is that New Jersey Bell cannot permit its prices to soar and still be able to compete effectively with those who would seek a share of the company's marketplace. Contrary to what some may believe, there is competition in New Jersey Bell's serving area. Businesses are establishing their own private networks, entrepreneurs, like the Port Authority of New York/New Jersey Teleport, are establishing competing networks for hire, cable TV companies are indicating their interest in getting into the two-way communications business, and long distance carriers, like MCI, AT&T, and Western Union, are asking regulators for licenses to operate in the short-haul long distance arena that traditionally has been a New Jersey Bell franchise. These competitors will attempt to succeed by offering low prices. New Jersey Bell intends to succeed by keeping its operating costs low and accordingly being in a position to maintain competitive prices.

I have outlined these important facts about telephone rates in New Jersey to demonstrate that the State's citizens are faring exceptionally well when it comes to their telephone costs and that prospects for continued affordability of telephone rates are excellent.

I understand, Assemblyman Bryant, your concern for the welfare of certain of your constituents which prompted you to sponsor the Universal Telephone Service Fund Act. However, in the interest of keeping local telephone service affordable, imposing a tax on the gross revenues of intrastate telecommunications providers would, rather than protect against unaffordable rates, place upward pressure on local rates. Whether the tax is levied on inter-exchange carriers -- providers of long distance service -- or on local telephone companies, or both, it would force these companies to recoup the cost of the tax through rate increases. For New Jersey Bell, a 4% tax would necessitate a rate increase to cover the $60 million annual revenue loss.

In the case of long distance carriers, the implications of imposing such a tax are far-reaching. These companies -- AT&T, MCI, GTE SPRINT, and others -- are now highly competitive. There is fierce competition for the customer's long distance dollar. While the monopolistic structure that existed before divestiture caused long distance customers to be generally locked into the rate structure of regulated public long distance networks, these customers, particularly large businesses, now have an alternative, that is, they can establish their own private telephone networks which not only bypass inter-exchange carrier networks, but which also bypass the local telephone network. Taxing long distance carriers who would then raise rates to their customers would encourage this most serious of all threats to local telephone companies and their customers. In addition, levying a new State tax on top of the charges long distance carriers pay to local companies could increase the incentive for long distance companies themselves to build private networks to reduce their costs and remain competitive. Bypass leaves the local companies with fixed costs and fewer customers. The result -- increased local rates for remaining customers in order to cover costs.

That long distance customers are no longer captives of public telecommunications networks is evident in New Jersey where the State has established at least four private microwave systems, and large companies like Public Service Electric and Gas Company, IBM, and Jersey Central Power and Light have built private networks.

Another negative effect of this tax proposal is that everyone's long distance rates would not be reduced as much as otherwise possible in a competitive environment. In California, for example, where legislation similar to Assembly Bill 2225 was enacted, AT&T, a long distance carrier, was granted a 4.21% increase in toll rates just to cover the tax and associated administrative costs.

As basic rates for local telephone service must gradually rise to meet costs, long distance rates, which were kept artificially high under the old Bell System monopoly to subsidize local rates, must gradually decrease to reflect costs. The Universal Service Fund tax would hinder this appropriate shift in prices and serve to slow the development of the fully competitive telecommunications marketplace.

New Jersey Bell believes that the decision regarding Lifeline service should be a legislative one at the State level. The company feels that the most reasonable response to this concern is to follow the same philosophy that resulted in New Jersey's Lifeline Credit Program for needy residential gas and electric utility customers. This approach would avoid placing an upward pressure on telephone rates and would carefully target telephone subsidies.

New Jersey's Casino Control Act stipulates that the Casino Revenue Fund be used exclusively for reductions in property taxes, rentals, telephone, gas, electric, and municipal utility charges, health and transportation services, and benefits for the State's eligible senior citizens and disabled residents. The existing Lifeline Credit Program that is sustained by this Fund could be expanded to include any needed telephone subsidies. Administrative costs to piggyback on the existing program administered by the Department of Human Services would be minimal.

A review of the status of the Casino Revenue Fund indicates that, as of June 30, 1985, there will be an undesignated balance of $18.3 million. As of June 20, 1984, approximately 282,600 elderly and handicapped citizen households, where income generally falls in the

$6,000-$10,000 range, were receiving gas and electric subsidies. While some of these may not require a telephone service subsidy, the 282,600 figure can serve as a guide to assess the feasibility of allocating Casino Revenue Fund revenues to subsidize telephone service.

If, for example, as proposed in bills now pending before the Legislature, needy senior and disabled citizens were to receive a $60.00 per year telephone subsidy from the Casino Revenue Fund -- which would equate to free/low-use measured service -- the annual distribution could be $16.9 million. It is recognized that there would be additional administrative costs, but, as mentioned, these would be nominal if a telephone Lifeline were incorporated into the existing gas and electric utility Lifeline Credit Program.

Clearly, this represents only one possibility for a State-administered telephone Lifeline program and it is recognized that there are several program proposals seeking support from Casino Revenue Fund revenues.

Although it is not certain what differentiation between the "disabled" and the "infirm" is intended in Assembly Bill 2225, it would seem that the Casino Revenue Fund should be considered as a viable State option for making local telephone service affordable and available to needy senior and handicapped subscribers.

Other "economically disadvantaged citizens" targeted to receive Lifeline service in the proposed legislation presently receive welfare assistance to be used at their discretion to help meet telephone and other utility costs.

In summary, passage of Assembly Bill 2225 would not be in the best interest of the State's telephone customers, particularly because it would force local and long distance telephone rates upward.

On the other hand, if the Legislature feels that there is a social need to provide a "Lifeline" subsidy for some telephone customers, New Jersey Bell will support efforts to develop an effective program.

In addition to raising serious concerns about the proposed legislation, I would like to talk very briefly about the implications of divestiture for the telecommunications industry. In one word, divestiture means competition. The market will dictate the price and quality of telecommunications service. New Jersey Bell customers have seen virtually no change in the quality of service they are receiving. They get dial tone as before and the telephone facilities that connect their telephones with the local switching office continue to be maintained as they were before. While some consumers may find it inconvenient to purchase their own telephone equipment, they are being given an increasing selection of product and price options which gives them the ability to exercise choice and control of their telephone equipment costs. The billing format has changed and, while more lengthy, customers know precisely what they're paying for.

On the negative side, there have been extended delays in interstate installation of special services like private lines and WATS. This is largely due to the arm's length dealings between AT&T and the local companies mandated by divestiture. However, we expect this problem will be resolved. It has not affected most customers and New Jersey is coping better than the rest of the country to a great degree.

Concerning prices, not much has changed yet. Over time, customers will pay for their telephone service differently than they have in the past. Prices will reflect cost and will move toward customers paying for what they actually use. For New Jersey customers, the existing relationship between price and cost is more favorable than in other states because New Jersey Bell's cost to provide service is comparatively low.

The pricing system that was in place before divestiture no longer works. In the past, when the Bell System was a monopoly, revenues generated by its separate partner companies could be shared. To keep the rates for local telephone service at a minimum, rates for long distance service were set substantially above the company's cost to provide long distance. Revenues from artificially high long distance rates were used to subsidize local rates, which traditionally have been less than half of what it costs New Jersey Bell to provide local service. AT&T overcharged for long distance service while the Bell operating companies undercharged for local service. Heavy long distance users helped to pay many of our home telephone bills.

But, AT&T is no longer our partner. All corporate ties have been broken. This means that the long distance revenues AT&T used to allocate to New Jersey Bell and other operating companies to keep their local rates low are gone. And, to remain financially viable and continue to provide high quality products and services, the operating companies need a means of replacing these lost revenues.

Fixed, or flat rates, will be higher to replace lost subsidies, while the cost of calls, or usage, will be lower, as will equipment prices. New Jersey Bell's current rate case proposes a 6% reduction in intrastate toll revenues. Interstate long distance rates have already been reduced by 6%. The inevitable price realignment in the telecommunications industry can be likened to municipal property revaluation. The end result of these shifts in pricing will be that some people will pay more and others less, but the price structure will be fair and proper for a competitive telecommunications marketplace.

Assemblyman Bryant, thank you for this opportunity to express the views of New Jersey Bell and for giving careful consideration to the negative impact that passage of Assembly Bill 2225 would have on telephone rates. Now, I know you have some questions for me.

ASSEMBLYMAN BRYANT: Thank you. Let me ask you one thing; maybe you will have the answer. You said you are proposing three different price options which would be lower, or modifications of the existing--

MR. SPINNANGER: (interrupting) Right. Basically, that would include a budget system which includes no calls at all. There are some states that have this. You pay for every call, but it is a very, very inexpensive service.

ASSEMBLYMAN BRYANT: Okay, that's one. Number two, I guess you were talking about the major companies possibly setting up their own private, I guess what you called, networks in terms of bypass. I think bypass is the terminology.

MR. SPINNANGER: Correct.

ASSEMBLYMAN BRYANT: Maybe you have some ideas. Is there any way the State can tax them also? Let me explain. My belief is that if you are going to develop subsidies, the subsidies are going to be provided by intrastate long distance calls. It is not to tax the basic Bell Telephone rate or the residential taxpayer, but those who are making the long distance calls -- and everybody. I don't want to suggest an incentive to bypass coming through your exchange lines. Maybe I am not sure how that is done, and that is part of what this hearing is all about. Assuming that is the mechanism I would like to adopt, then we would like to know from Bell Telephone and any other companies, is there a mechanism also if, in fact, a company decides to go to their own private network whereby they would also be taxed on the basis of those calls that are intrastate long distance calls.

MR. SPINNANGER: Assemblyman Bryant, to answer your question very directly, I am told that there is no way to monitor companies that bypass. There is literally no way.

ASSEMBLYMAN BRYANT: Okay, that answers that, but we will look into those areas. I wanted to make sure that Bell Telephone understood that it was not my desire to give an unequal advantage to Bell Telephone, which is providing much of the basic service. It is not my intention to force other people away from using your exchange system by creating some kind of tax.

I probably don't have a problem with using some of the casino funds, and you're right that we can use them for telecommunications. I'm not sure what we are going to do with the economically disadvantaged. I guess what prompted this bill, in a way, is forethought. You're right, rates are going to go up at some point in time. I do not want to be caught in a situation where we find that people cannot afford some of the basic services, or the services that they can afford do not meet the needs that we might think in this State are basically minimally necessary. Therefore, maybe we should develop some type of system in the beginning, with the cooperation of the telecommunications industry, as well as BPU, in terms of something which will make sense.

I do not have any further questions. I want to thank you.

MR. SPINNANGER: Thank you, Assemblyman Bryant.

ASSEMBLYMAN BRYANT: I am going to take a five-minute break; I just need some water.

(RECESS)

AFTER RECESS:

ASSEMBLYMAN BRYANT: We are going to resume the public hearing. Next we have Joseph Ginty, Vice President of AT&T Communications.

I think maybe I should make something clear, because perhaps it isn't clear in the legislation. There might be some confusion as to what I thought about in terms of this legislation and divestiture.

The bill wasn't totally prompted by divestiture. What I am talking about is in terms of people, at certain levels, having the right to have a phone. It should have been done when the Federal government was in charge. The only problem was that at that juncture, and at this particular juncture, I don't serve in the United States Congress. I would have opposed it when AT&T controlled the whole system. So, it goes further than just a divestiture. It goes to what I consider a basic right that people need at certain levels in terms of the change in technology of the world.

Mr. Ginty?

JAMES B. GINTY: Good morning, Mr. Chairman. I am Jim Ginty, Vice President of AT&T Communications of New Jersey, Inc.

ASSEMBLYMAN BRYANT: Excuse me. My notes say Joseph. Please accept my apology.

MR. GINTY: With me today is Walter Davis, who is with our Government Affairs Office in Trenton.

I would like to thank the Committee for the opportunity to address its concerns on the effects of the divestiture of AT&T upon telephone subscribers in New Jersey, and to comment on Assembly Bill 2225, which would establish a "Universal Telephone Service Fund."

The first thing I would like to do this morning is to put in perspective the breakup of the Bell System, which has focused public attention on the extraordinary changes occurring in the telecommunications industry. Mr. Chairman, I think this goes to your remark a few minutes ago about the divestiture being driven. What I would like to do is put that divestiture into perspective.

It is important to recognize that the divestiture which occurred on January 1 of this year is but a culmination of a continuing process that has been taking place over the past 25 years. Technological advances, such as the development of microwave and satellite technologies developed in large part, I might add, in the State of New Jersey at the Bell Telephone Laboratories have had the effect of lowering the economic barriers to entry into the telecommunications industry. I would refer back to Mr. Leesment's comments earlier in which he indicated that that great singularity which once existed, due to these technological advances, has been greatly broken up. As new companies entered or sought to enter the industry, there occurred a major shift in the public policy that had governed the telecommunications industry in the first century of its existence. At the core of this public policy shift is the recognition that the long distance market is no longer a monopoly and that competition will best meet the public's need for communications and information services for the decade ahead.

The divestiture recognized this evolution to a competitive long distance market by separating the local exchange business of New Jersey Bell from the long distance business, in which AT&T Communications and over 400 other companies nationwide now compete.

Under the terms of the Divestiture Decree, New Jersey Bell is restricted to providing service within geographical areas known as Local Access and Transport Areas, or "LATA's." A single LATA generally takes in a number of local exchanges.

We have a New Jersey LATA map here, and I have an attachment to my prepared remarks which we will submit to you. The State of New Jersey is divided into three LATA's. The North Jersey LATA covers the 201 area code, while the Delaware Valley and Atlantic coastal LATA's share the 609 area code. While New Jersey Bell is confined by the Divestiture Decree to serving customers within a LATA, the Decree contemplates that AT&T Communications and other long distance carriers provide service to customers both between LATA's and within LATA's. For example, a call from Newark to Camden in interLATA and is provided by AT&T Communications or by one of our competitors, while a call from Camden to Trenton is intraLATA and currently is served only by New Jersey Bell.

In June of this year, the New Jersey Board of Public Utilities issued an order addressing the provision of telephone service by local exchange companies, such as New Jersey Bell, and by several long distance carriers, including AT&T Communications. The Board concluded that interLATA competition is in the best interest of New Jersey ratepayers, while deferring a final decision on the question of intraLATA competition.

Consistent with the Divestiture Decree and public policy that has evolved over the past 25 years, AT&T Communications continues to believe that the public interest is best served if we and other long distance carriers are permitted to compete for all long distance business, not only between LATA's, but within LATA's as well.

It is also important to recognize that with the breakup of the former Bell System, compensation arrangements were developed which require all long distance carriers to pay local operating companies, such as New Jersey Bell, for connections to the local telephone network. These arrangements result in the payment of substantial moneys, commonly referred to as "access charges," to the local operating companies. At the present time, approximately 70 cents out of every dollar of revenue that AT&T Communications collects from its customers goes back to the local operating companies, such as New Jersey Bell, in the form of access charges. These charges necessarily are reflected in the rates AT&T Communications must charge its New Jersey customers. Additionally, it is important to recognize that AT&T Communications has no control over the level of these access charges which are established by the Board of Public Utilities.

Currently, access charges billed to long distance carriers are priced significantly above costs. We believe -- and I understand from Mr. Spinnanger's testimony this morning that New Jersey Bell shares our concerns -- that it is imperative that access charges be reduced. In a competitive market, the price of a service must be based on its costs. If it is priced above its costs, people and businesses will seek alternatives.

A recent study conducted by Bell Communications Research, Inc., the Bell Regional Company's Research Center -- if you would, a spin-off of the Bell Labs -- and submitted to the FCC, established that a typical large business customer who places 6,000 minutes of long distance calls per month pays over 40 times the actual cost of his local access to the local exchange network. Let me put that in real dollars, if I may. Our information indicates that the cost to New Jersey Bell of the local loop, that is the connection from the customer's premise to his first switching office, is in the range of \$13.00 to \$14.00 per month. Using the 6,000 minutes-of-use measure, a large customer using 6,000 minutes of use per month would pay upwards of \$900 a month for that \$13.00 or \$14.00 loop. Rather than continue to pay these artificially high access costs, these businesses can and will seek alternatives that bypass the local telephone network.

In simple terms, bypass is the use of a private telecommunications network that has no link with the public telephone system. Customers can construct their own systems or use other facilities for point-to-point or multi-point connections. There are various ways to connect telecommunications equipment at local ends and transmit voice, video, and data via private microwave systems -- I might add here that our information indicates there are approximately 2,000 miles of private microwave systems in the State of New Jersey -- by satellite signals, or through cable television systems, to name just a few of these technologies. Indeed, the Port Authority's Staten Island Teleport Project, which was mentioned earlier this morning, is a prime example of current bypass facilities, and importantly, the interest of just one entrepreneur in constructing such a facility.

It is in the public interest for these large business users to be kept on the local network. They represent a very significant portion of the telecommunications market. Using our national figures, for example, 14% of AT&T Communications' business customers generate 90% of our business revenues. They have no reason to think that would be significantly different within the State of New Jersey.

If heavy users abandon the local network, that will leave the local operating companies with a smaller base to support approximately the same amount of investment. This will force rates even higher in a spiraling effect that, if left unchecked, can have a devastating impact on those residential and small business customers who cannot afford to leave the public network.

Artificially high access charges and the very real danger of bypass leads me to a discussion of the bill before this Committee. In my comments, I am going to focus on the perspective of a long distance carrier.

Assembly Bill 2225 would levy a tax on telecommunications services based on gross revenues received from intrastate telecommunications services. Revenues generated by this tax would be used to finance a Universal Service Fund. Proceeds of the Fund would flow to a designated class of elderly, disabled, infirmed, and economically disadvantaged people in the form of reduced rates.

Let me be frank, Mr. Chairman. However laudable the intent of this legislation -- the way it would be accomplished in this bill -- the imposition of a tax on long distance carriers essentially has the same impact as the access charges I previously mentioned. A tax imposes additional costs on carriers such as AT&T Communications. These costs eventually are passed on to our customers through higher rates, which makes bypass more attractive for those heavy users of telecommunication services.

Moreover, A-2225 attempts to solve a problem that may not now exist. There is ample evidence and studies that indicate there will not be a significant decrease in universal service because of the restructuring of the telecommunications industry. Even in an environment of rising rates as we have seen this morning, and to which Mr. Leesment and Mr. Spinnanger testified, low-priced options can be crafted to ensure that basic service will remain affordable for all. Ironically, the passage of this bill in its present state -- utilizing a tax mechanism -- may help create the problem it is attempting to solve, because the real threat to universal service is the abandonment of the local network by large users. Such a tax would only further encourage that result.

That concludes my prepared remarks this morning. I would like to discuss two areas that were raised earlier. One, Mr. Leesment raised the question of the issue of rate de-averaging. Economically, Mr. Leesment is correct in being concerned with that. But, I would like to set the record straight, if I may, from AT&T Communication's point of view.

We have no present intent to de-average rates. We have a history of providing ubiquitous service; we think it is one of the greatest assets we have. We intend to continue it. Our problem in the competitive arena is not caused by having to average our rates. The problems we are encountering now in competition are the higher access charges that we must pay to the local operating companies in non-equal access offices. You may be aware that our competitors on the interstate enjoy a 55% discount in those access-charge rates. Within the State of New Jersey, they enjoy a 27% discount. That greatly inhibits us in being competitive with their rates. The averaging of rates is not, at least at this point, thought to be a major disadvantage to us.

The other matter I would like to address very briefly is the question you raised as to the taxing bypass types of facilities. In addition to Mr. Spinnanger, Mr. Leesment addressed that earlier today. If I recollect his testimony accurately, he mentioned that that was an impractical solution. I believe Congress, as well, considered outlawing bypass, or some mechanisms which would discourage it. They, likewise, came to the conclusion that it was impractical or not possible. Yet, there are a number of problems that arise here.

One is defining bypass. Just what is it? Who is doing it? Do you extend the bypass to cable? Do you extend any tax or prohibitions to existing systems which were built in error when they had no idea that they might be affected?

When I was listening to the other speakers, I had my own thoughts as well, and that is why I spent a portion of my time this morning trying to put the divestiture in perspective.

We are going through some extraordinary changes. Our economists would use the term "transient dislocations" to describe what we, at times, perceive as customer dissatisfaction in what you surely have experienced as constituent complaints. Nevertheless, I think perhaps the economists might be right for once. Technology is advancing. I don't think we would want to do anything to interrupt the advancement of that technology. If New Jersey Bell and AT&T are indeed competitors and are going to stay in the forefront of technology, I don't think anyone would want to take any action that would impede the further development of technology.

ASSEMBLYMAN BRYANT: Let me ask a few questions. It seems to me that in your testimony, bypass becomes probably the biggest problem, if, in fact, the State Legislature decides they want to make a tax which will force people outside of the system. Assuming you can make the system equal in terms of having all people pay it, then there would not be a disadvantage to anyone. If they were all paying it, and you could capture all of those in it, you could make everything equal. Is my analysis correct?

MR. GINTY: Well, my criticism, if you will, is, of course, of adding the cost to our long distance rates, which would, again, be artificially inflating those rates. Were you to seek to get those revenues through some other mechanism -- one that has been mentioned here is the Casino Fund -- that, of course, would not further add to the artificially and economically high rates.

ASSEMBLYMAN BRYANT: I'm sure our Committee will take that under advisement, and it will be one of our considerations.

My point is that if I'm worried about creating disadvantages to competition -- whether I'm Sprint or AT&T-- Let's set aside bypass for a second, because that is a special problem. If I decide to charge every person a penny, then I haven't really affected the competition at all.

MR. GINTY: No, my remarks really did not go to the competition. Of course, to the extent that we--

ASSEMBLYMAN BRYANT: (interrupting) Well, they did in the sense that if I added a tax because I thought something should be subsidized, then it would create bypass.

MR. GINTY: Yes.

ASSEMBLYMAN BRYANT: Therefore, it means people are out of the system completely. So, it seems to me that one of the things I'm hearing is that I must learn enough about bypass to see if it is a possible solution and if there is some way we can capture it within whatever framework we want.

MR. GINTY: Sir, if you understand bypass, it would not necessarily be a loss of business for us. We may keep that carrier; AT&T Communications may keep that business.

What the large user would do is, he would simply bypass New Jersey Bell and hook his facilities up to AT&T Communications, MCI, Sprint, or any of those other 400 out of the Port Authority Staten Island Teleport.

ASSEMBLYMAN BRYANT: But, they would have to do business outside of the State of New Jersey, because if they were doing business within the State of New Jersey, they would be subject to the tax.

MR. GINTY: That is true, if they were our customer. I stand corrected on that.

ASSEMBLYMAN BRYANT: Okay. Now bypass?

MR. GINTY: But, then I would lose a customer. (laughter)

ASSEMBLYMAN BRYANT: That is what I thought the nature of--

MR. GINTY: (interrupting) They could utilize their own private network.

ASSEMBLYMAN BRYANT: That is what I want to know. If you know, what type of problem, prior to divestiture, was bypassed? Is it a new phenomenon, or is it something that was happening way before divestiture?

MR. GINTY: Again, I spent some time in my earlier remarks in trying to put divestiture in perspective. Competition was introduced into the long distance market three or four years ago. That is when the bypass phenomenon began. It was as soon as technology became available; that was when bypass-- Toll rates had always been kept artificially high to provide the subsidy to basic service, and as technology became available and cheaper to those large users, they knew what the true costs were.

ASSEMBLYMAN BRYANT: Thank you.

WALTER DAVIS: Mr. Chairman, I would just like to point out that bypass has been recognized as a threat to the telephone systems as far back as 1978. In that particular year, the FCC combined forces with all their technologies and expertise, and started to go throughout the country interviewing consumer groups, utilities, large businesses, and small businesses because they recognized that bypass was a very great threat to the future of telephone communications within the whole country.

The result of that study is supposed to be given to us some time in December. It will then be analyzed by Congress and certainly by the state Legislatures. Recommendations will be given, and it is proposed that some aspects of that study, if found applicable and efficient both cost-wise and technology-wise, will be implemented sometime in 1985.

ASSEMBLYMAN BRYANT: Thank you. If you get that, this Committee would love to have some of that advanced information so we could be up on it.

MR. DAVIS: I'll make sure you get it.

ASSEMBLYMAN BRYANT: Gentlemen, we thank you for your input.

MR. DAVIS: There is just one other thing I would like to say, Mr. Chairman. I recognize your thought that you would like to have universal service and Lifeline service. We recognize how expensive this is, but at the same time, there are other ways we could, let's say, ameliorate or reduce the expense, or else we could provide more revenue for that expense. Along that line, I would like to commend you, Mr. Leesment, for your original remarks concerning your study.

I would suggest to suggest that possibly this Committee's attention could be focused on the Virginia legislation recently passed, which allows the competitors to have a level paying field. What they did in Virginia was to remove all regulations. Now you can either impose regulations on all competitors or remove them from all competitors, thereby driving down costs through equal competition. That is not the way it is now because we do not have this so-called level playing field. If we could reduce costs through competition, then obviously rates would be reduced likewise, and perhaps more people could enjoy telephone service at a reduced rate.

ASSEMBLYMAN BRYANT: We will definitely look at the Virginia situation. That is part of what this Committee is all about -- to explore other areas which are not specifically about Lifeline, but areas that might be helpful in terms of making New Jersey better in the telecommunications area. I appreciate that.

MR. DAVIS: Thank you, Assemblyman Bryant.

ASSEMBLYMAN BRYANT: Mr. Spinnanger, may I ask you a couple of questions very quickly?

MR. SPINNANGER: Yes, sir. Mr. Chairman, I would like to bring up Mr. Cliff Mastrangelo, who is our Assistant Vice President for Revenue Requirements.

ASSEMBLYMAN BRYANT: It is a pleasure to have you here this morning. Let me ask you a couple of questions that you may have the answers to. If not, maybe you can submit them to the Committee. There are a couple of things we would like to know. What is the policy, since you control the local areas between area codes 201 and 609, regarding basic deposits for the first-time user? Is there a difference? You probably won't have this information with you today. Is there a difference regionally in how you apply the deposits? In other words, if I lived in Cherry Hill, would I have one deposit scale, and if I lived in Camden, would I have another deposit scale, assuming we were both asking for basic service?

MR. SPINNANGER: Assemblyman Bryant, the policy as I understand it -- I will verify what I am going to say to you, and get back to you within the next couple of days -- is basically for a new subscriber anywhere in New Jersey Bell's territory. It is two months' estimated cost in advance, which is put on deposit and pays prevailing interest rates, I believe 9%, for approximately one year. When a would-be subscriber calls the telephone company to arrange for service, that would-be subscriber and our representative have a dialogue as to, "What is your estimated usage going to be?" That is generally requested for two months in advance, and it is a universal policy statewide no matter where you live.

ASSEMBLYMAN BRYANT: We appreciate getting--

MR. SPINNANGER: (interrupting) I will do that.

ASSEMBLYMAN BRYANT: The other two questions are: Are there any circumstances where there is a waiver of that provision by New Jersey Bell? Number two is installation costs. Who pays the installation costs, and what is the system of payment of installation costs?

MR. SPINNANGER: All right. We'll get you answers to all three of those questions.

ASSEMBLYMAN BRYANT: I appreciate that.

MR. SPINNANGER: Thank you.

ASSEMBLYMAN BRYANT: Mr. Mastrangelo, would you like to add some information?

CLIFFORD M. MASTRANGELO: No, I think Mr. Spinnanger has answered accurately. The deposit is based on an average two-month bill. However, I would point out that if you have had previous service and have established previous good credit with us, the deposit would be waived in that instance. There are many customers who are reestablishing service.

ASSEMBLYMAN BRYANT: When they are moving from one location to another?

MR. MASTRANGELO: Yes, moving from one location to another.

ASSEMBLYMAN BRYANT: Thank you. I appreciate that. Mr. Gerry Salemme, Regional Manager of State Legislative Affairs, GTE Sprint Communications?

GERARD SALEMME: Thank you, Chairman Bryant. My name is Jerry Salemme, and I am the Regional Manager, State Legislative Affairs for GTE SPRINT Communications Corporation. With me today is Bob Peak, who is our outside counsel. He has represented SPRINT before the Board of Public Utilities.

We appreciate the opportunity to be with you today. We are a young company, but we are very interested in becoming good corporate citizens in New Jersey. We are working very hard towards that end.

I would like to briefly tell you a few things about our company. GTE SPRINT provides interstate long distance telecommunications services and has for several years. Additionally, we have been granted authority to provide intrastate service in fifteen states, including New Jersey. We have interim authority in another nine states and have applications for authority pending in an additional six.

Here in New Jersey, however, the Board of Public Utilities has imposed restrictions on their grant of authority for competitive carriers, such as GTE SPRINT. We have objected to some of these terms and conditions. As a consequence, we do not have an intrastate tariff in effect in New Jersey, and we are not currently providing intrastate service here.

As a major competitor in the long distance market, we own and operate a terrestrial microwave and satellite transmision network which serves well over one million customers with originating service from over 360 cities across the United States. SPRINT's current transmission capacity will continue to expand as we launch SPACENET satellites. We launched our first this spring, we'll launch one this fall, and we'll launch another in 1985. SPACENET is an affiliate of SPRINT. These technological advances will greatly enhance the capacity and technical capabilities of the SPRINT network.

But, with the many advances occurring in the telecommunications industry and the changes they bring, some public confusion has arisen. Today's hearing is a good way to begin to unravel some of the confusion.

GTE SPRINT believes that competition in the telecommunications industry is in the public interest. As you are aware, hundreds of new products have become available, and at lower costs, as a result of competition in the equipment market. Competition in the interstate long distance market has brought lower prices and broader service options into the public as well.

The states have the opportunity to continue this transition from a regulated monopoly system to a competitive market, and in so doing, to provide consumers with greater choices in services and products, improved efficiency, and lower costs. As the regulatory frontier moves to the states, it is important that the states take the opportunity to design a communications policy that will offer within their borders the same benefits now being made available by interstate competition.

But, full competition does not yet exist. Competitive carriers, such as GTE SPRINT, have acquired only a very small portion of the long distance market. Additionally, competitive carriers are providing lower quality connections to local phone company networks than are provided to AT&T. This situation makes our industry vulnerable to pricing behavior by established carriers that could stifle competition. GTE SPRINT believes that during this transition to eventual full competition, telecommunications policy should include three principles to protect the public interest.

First, State regulatory agencies should retain jurisdiction over all providers of long distance service. We agree that the future is likely to see full-blown competition in a totally deregulated long distance market. But, we are just beginning the journey from a monopoly-provided service, especially at the State level.

Second, the regulatory system must be flexible enough to apply different levels of regulation according to varying and changing market conditions. Regulation of a carrier lacking market power should be lighthanded because the competitive market itself will ensure that this carrier's prices are fair. However, carriers with market power -- that is, the power to raise prices without losing significant market share -- should be subject to continued traditional regulation in order to nurture competition and to guard against unfair pricing.

Finally, proper pricing policies for local access are necessary. All long distance carriers are not provided the same quality of interconnection to the local phone companies' networks. The charge for this connection should reflect these differences fairly.

With respect to Assembly Bill 2225, GTE SPRINT suggest two things. First, this Committee should move slowly on this legislation. We believe a prudent course of action would be to establish a need for such an assistance program before establishing, by law, a funding mechanism. Second, we believe this Legislature should direct the New Jersey Board of Public Utilities to take such measures as are necessary to encourage competition in New Jersey. We recommend this because we believe that the greatest threat to affordable local service is the occurrence of bypass, which is exacerbated by discouraging toll competition.

Again, I want to thank you for inviting me to be with you today, and I look forward to participating further with you as you continue to examine telecommunications policy.

Thank you.

ASSEMBLYMAN BRYANT: I want to thank you for appearing. You can be assured, as I mentioned earlier, that we are going to take this one step at a time. We are probably going to have several public hearings to get as much information and background as we can. We don't want to force anything that would not be in the public interest. We will invite you again so that you can give us any other information you have available.

Part of the whole process is to get the kind of information we are receiving today, not only from the public sector, such as BPU, but also from the private sector. Those channels will be open, and we will move very slowly. Hopefully, something good will come out of it. Maybe by the end, all of you will support some part of this bill.

I appreciate your testifying today.

MR. SALEMME: Thank you.

ASSEMBLYMAN BRYANT: Is there anyone else who would like to testify? We don't have anyone else on the list. If someone would like to give testimony, please come forward and give your name. (no response)

If not, this will close the public hearing. As I said, most of you will be notified sometime after Election Day in November of another public hearing in Trenton. I thank everyone who came out and participated.

(HEARING CONCLUDED)