

Copyright 2005 **CNBC**, Inc.
All Rights Reserved
CNBC News Transcripts

SHOW: Kudlow & Company 5:00 AM EST **CNBC**

July 27, 2005 Wednesday

LENGTH: 1292 words

HEADLINE: **Senator John Ensign** discusses his proposed new telecom legislation

ANCHORS: LARRY KUDLOW

BODY:

LARRY KUDLOW, host:

Here at KUDLOW & COMPANY, we believe in free markets, and we try to put the capital back into capitalism. Today **Senator John Ensign** may have had similar thoughts in mind when he introduced the bill to deregulate the telecom industry and instead create jobs, stimulate the economy, increase consumer choice in telecom technologies across the board. So joining me now, **Senator John Ensign**, Republican of Nevada.

Senator Ensign, welcome to KUDLOW & COMPANY. I've got to tell you, sir, next time you have an idea, let us know because you drove the markets straight up. Telecom, telecom equipment was leading everything on the strength of your deregulation ideas. Congratulations. Can you fill us in, sir? What's the key point in your mind?

Senator JOHN ENSIGN (Republican, Nevada): By the way, just because you always have their guests say whether they own telecom stocks, I don't own any. I wish I did, but I don't invest in the stock market, just so no one can question what I do.

But this legislation really is about not only giving consumers choice; it really is, Larry, about jobs in the United States, keeping American business competitive in the world today. And I use the example of a company out of the Netherlands called Skype. Skype is a--one of these peer-to-peer companies where you can make phone calls over there--on their soft--using their software for free. And they're even expanding into more and more services. There's no way to tax it. There's no way to regulate it. A year and a half ago they had no customers. Today they have 40 millions customers worldwide, 10 million in the United States. If we continue along those lines, American businesses will not be able to compete against companies like Skype.

And what our bill does is it takes away a lot of the regulations that they're under today and allows them to compete in a global economy, keep American jobs here at home and do the other thing--what the wireless industry has done in an unfettered marketplace--give consumers a lot better choices at better prices.

KUDLOW: So we're talking wireless, of course. We're talking VOIP. We're talking data. We're talking voice. Tell me how--this is essentially, as I read it, sir, a federal preemption of a lot of very nasty state and local regulations which have really put the clamp, the choke point--we're only 14th worldwide in broadband. That's terrible. They've stopped the fiber to the home. They've stopped--I mean, they've pushed jobs to India where the operations are faster and more reliable. Is it a preemption-type bill?

Sen. ENSIGN: No question about it. We preempt a lot of the local and state authorities, what they can do. There are 30,000 cable franchise authorities in the United States. A lot of the phone companies want to compete with the cable companies by offering video to the home. Right now cable has competition from satellite, but if you also introduce more competition into that marketplace allowing the phone companies not to have to deal with 30,000 cable franchise operations and their rules, I think that you're going to see a lot more choices coming into the home for the consumers as far as video is concerned but also as far as broadband is concerned. Right now we are trailing behind a lot of the rest of the world in broadband, and that's unacceptable. We have to be leading the world in broadband not trailing the world in broadband.

KUDLOW: Let me see if I understand this. If Verizon, for example, wants to start a video service operation, it could mean in a decent-sized city, lord knows, 300 or 400 or 500 applications around town, local utilities, etc., etc. Is that the kind of thing you're try to preempt?

Sen. ENSIGN: That's exactly right, Larry. Is--we don't want them to have to go to every single local franchise authority and be subject to all of their various regulations and rules requiring them to comply with all of those before they can enter a market. We will have one federal standard that they have to meet and to make sure that they have, you know, good service, that their repairs happen on time. Now those will be enforced at the the local and the state level, but there will be a federal standard that they have to meet so that they don't have to meet 30,000 different cable franchise authority standards across the United States.

KUDLOW: And this will clear up once and for all the issue of access. I mean, it protects private property for broadband and fiber once and for all. Mike Powell's been trying to get us there. Sometimes the courts interfere. I'm a believer that legislators should legislate, not courts. Is that where you're going on this?

Sen. ENSIGN: Yeah, we're--we want to make sure that we are technology neutral. We don't even know what technologies will be out there in the future. And so we don't want to be picking winners and losers. We don't want to pick DSL over cable modems. We don't want to pick the cable companies over video or satellite or any of the other services. We want it to be technology neutral. Let the Internet remain free, unfettered access and free up a lot of the regulations so that we would have more competitors into the marketplace. Larry, you're a big believer in market forces as well as I am, and I believe that American consumers as well as American jobs will be better off if my legislation is passed into law.

KUDLOW: No question. I mean, this whole issue here--broadband, fiber, fast- speed communications delivery, whether it's data or video--this is the central nervous system of the American economy, and we have fallen behind because of a lot of goofy regulations in the middle 1990s at the federal level and a lot of terrible

regulations at the states and municipal and local levels. And it looks like you're going to clear away the underbrush. This is an absolutely earth-shattering bill, and I can't wish you enough luck on it.

Now let me get the politics here. As I understand it, you have some pretty strong support: Senator Stevens, Senator McCain, for example, on the Commerce Committee. Is that true?

Sen. ENSIGN: Well, Senator McCain is--wanted to be the first co-sponsor on this piece of legislation. Senator Stevens is not specifically endorsing the legislation but has encouraged us to set a marker out there, to put ideas out in the marketplace so that he can see--kind of judge where support is going to be. Certainly I think the markets going up today was a good indicator of how Wall Street feels about the legislation. We needed to put a marker out there, a free market marker out there to try to rally support around so that we can push legislation here in the Senate that can pass, and obviously in the House of Representatives. Right now nothing has been happening on telecom, and the whole--the industry is fledging a little bit because there's uncertainty in the marketplace, where we're going to go, and the markets, as you know, like certainty. If we can put legislation--be pushing legislation forward that looks like it's going to free up the market, that it's going to allow more investment into the marketplace, I think that you're going to see a lot of jobs created in the United States.

KUDLOW: **Senator Ensign**, I tell you, investors are going to watch this so, so carefully because they have shunned these stocks because of their regulatory problems for many, many years. And, of course, this could change everything, path-breaking legislation. Thank you, sir. We look forward to visiting you as progress is made.

When we come back on KUDLOW & COMPANY, can the home-building bonanza go on forever? Well, I don't know. What's forever? Forever is forever. We're going to ask the CEO of Pulte Homes, who just reported great earnings. KUDLOW & COMPANY coming right back.