

through any type of merger of the two insurance funds.

I am carefully studying the administration's new recommendations with respect to both the funding issue and regulatory reforms, as well as those of industry groups and other parties. I intend to be an active participant in this legislative debate and to help ensure that this issue is resolved fairly and effectively. Among other things, I feel that it is especially critical that the home lending function be preserved so that all Americans can be assured the opportunity for affordable housing. I also plan to develop a set of private sector incentives that will encourage banks and bank holding companies to invest voluntarily in the S&L industry. When the Federal Home Loan Bank Board has to resort to extraordinarily expensive deals with corporate raiders in order to dispose of problem thrifts, it may be time to revisit the issue of limitations on the acquisition of thrifts by banking institutions.

In conclusion, Mr. Speaker, let me mention one other matter about which I am very concerned, but feel that there is a lack of adequate information on which to base a response. This has to do with the basic question of whether the consumer is benefiting from—and not being discriminated against by—the revolution in financial services that we have witnessed over the last 15 years. Obviously we could not turn back the clock even if we wanted to, but I remain concerned in our rush to ameliorate the extensive foreign loan exposure at money center institutions and in our haste to resolve wholesale failures among savings and loan associations, that we not lose sight of our responsibility to protect the interest of the borrowing and saving public during this time of structural reform in the financial services industry. This concern is justified in light of a recent report that minorities, even higher income minorities, are twice as likely as whites to have their applications for home loans rejected by savings and loan associations.

I will request that the General Accounting Office report to us on its findings as to whether the level and cost of consumer services have increased or decreased with respect to the delivery of financial products as a result of deregulation. I will further request that these findings be broken down on the basis of geographic location, income level, race, age, and other relevant criteria. In addition, I will seek the GAO's recommendations for increasing affordable delivery of financial services.

Let me thank the Members for their attention, and say that I look forward to sharing the results of this study with them as we proceed to work our way through the many difficult issues I have touched upon today.

□ 1200

THE TELEPHONE OPERATOR SERVICE CONSUMER PROTECTION ACT OF 1989

The SPEAKER pro tempore (Mr. BATES). Under a previous order of the House, the gentleman from Tennessee [Mr. COOPER] is recognized for 60 minutes.

Mr. COOPER. Mr. Speaker, the next time you use a telephone in an airport, hotel, hospital, or other public place, be careful. The operator that you talk to may be a little bit shady.

These new operators have already upset thousands of Americans. More people complained to the Federal Communications Commission about them last year than about anything else, including dial-a-porn. Already the FCC has logged over 2,000 complaints. This is what is happening.

Since the breakup of AT&T in 1984, many firms have begun competing to provide operator service for the millions of public telephones across America. We are all aware of the competition to provide long-distance service for our home phones, but many are not aware that a similar competition is taking place regarding public phones. Many of these public phones are typical coin-operated pay phones, many are credit-card phones, and many look like ordinary home phones, only they are located in places that are accessible to the public, such as a motel or hospital room. This is a huge and lucrative market. The regional Bell companies alone own about 1.7 million coin-operated public telephones which generate about \$2.5 billion in long-distance revenue every year.

Although we are familiar with the situation of the homeowner choosing his or her long-distance service, many do not realize that the owner of the public phone (or the owner of the premises where a coin-operated telephone is located) also gets to choose the long-distance operator service for those phones. This means that the traveler, customer, or patient must use the operator chosen by the airport manager, shopping center manager, or hospital administrator.

Beginning the first of this year, the first round of balloting began for the selection of long-distance operator service for every pay telephone in America that's owned by a Bell company or GTE. For several years, the owners of public telephones not controlled by these companies have been able to choose their own operator services for their phones, and long-distance service generally has been included in the operator service package.

Since the owner of the public telephone rarely uses that phone himself, he does not tend to mind the cost of operator service as a homeowner would. In fact, he usually seeks to make a profit from the telephone that he has made available to the public. Of course, this really means that he wants to make a profit from the

people who use the telephone. Usually the profit goes to support the telephone owner's main business, but it could theoretically go to any purpose. Private enterprise has responded with numerous companies that tempt the owner of the phones with big profits. One national hospital chain is expected to make almost \$250,000 this year from a company that provides operator services for the telephones in its hospitals. In most cases, the hospital patient probably doesn't realize that he will be really paying a small part of his hospital bill when he pays the monthly telephone bill.

The most common example of this new operator service is when the hotel guest tries to make a call from his or her room. Not only have many hotels levied a flat charge for every call made from the room, whether local or toll-free 1-800, hotels have also begun hiring operator services that charge more than the customary AT&T rates for the placement of calls. Some hotels are better about disclosing the cost of using its phones than others, but generally you get one surprise when you check out of the hotel and see the bill for the flat charges and another surprise when you get your monthly bill and compare the rates charged for your calls. Many Americans have glumly accepted the flat charge for each telephone call, but they have refused to accept the second hidden charge on their monthly telephone bill. They thought that they had settled their account with the hotel when they checked out, instead they end up paying part of their hotel bill a month later.

The new firms that are vying to serve public telephones are providing what they call "alternative operator services" or "AOS." The alternative they are providing is to the local telephone company operator or, more often, the AT&T long-distance operator. But seldom has a new industry been so poorly named. The person who tries to call on telephones controlled by AOS companies often has no alternative to the questionable service that is being provided by shady operators. And the cost. The cost of AOS service is usually not only hidden but high.

The fundamental reason for the unfairness to consumers is the fact that when the owner of the telephone is different from its user, the owner has a tendency to exploit the user. Instead of the free market tending to drive down the price of operator service as it has for home telephones, the tendency is to drive up both the price for the user and the profits for the owner. The AOS company is the happy middleman who makes all this reverse competition possible.

THE TENNESSEE EXAMPLE

I first became aware of AOS after minor scandals involving AOS had already hit the campuses of Vanderbilt University and the University of Ten-

Tennessee. Each school had signed up with an AOS company to service its dormitory and other campus telephones. All fall students called home collect or no credit cards and yet received no bills. It was too good to be true. And it was.

By December the bills came. Not only were 5 months of calls lumped together due to a computer error, the AOS charged considerably more than regular long-distance rates for the calls. Parents were outraged. They were even angrier when they discovered that the schools intended to make money off the phone calls. As we have seen, one of the main reasons for the growth of AOS companies is their sales pitch of profits for the owners of the public telephones. This hidden tax or rakeoff on every phone call shocked Tennessee parents and university alumni.

The Tennessee story has a happy ending. Even the AOS agreed that the bills were too high, complaining students and parents were given refunds, and each school terminated the contract of the AOS provider when it refused to lower its rates to the customary AT&T level.

THE NATIONAL EXPERIENCE

On a national level, we don't know the outcome of the story. Today it is hard to travel to an airport, restaurant chain, shopping mall, convenience store, or other public place that does not secretly use AOS. These managers of these public facilities love the 15 percent or so commission that they make off the calls. And many travelers and customers seem either unaware of the difference in service, or uncertain about whom to blame.

The Federal Communications Commission also seems uncertain what to do about it. A proceeding is pending before the FCC right now, but the FCC's blind faith in the unregulated free market is likely to prevent it from taking appropriate action. So far it has only issued a "consumer alert" that has hardly alerted anyone. One would have thought that the blizzard of complaints the FCC has received would have moved the FCC to quicker, firmer action.

State public utility commissions have not been so slow to act. In fact, many have already chosen to regulate the rates and practices of companies regarding their in-State calls. In Tennessee, for example, no AOS can charge more than the regulated rates of AT&T. But State regulatory commissions lack jurisdiction over the huge volume of interstate telephone calls. Only the Federal Government can regulate interstate calls.

THE PROS AND CONS OF AOS

Although it is clear that the managers of public facilities like the payments that they receive from AOS providers, they dislike having to deal with irate members of the public who feel that they have been deceived by the AOS service. What exactly is AOS service like to the consumer?

Sometimes AOS is both better and worse than regular operator service, depending primarily on the particular company involved, the specific type of call that is made, and the demands of the telephone owner on the AOS provider that he has contracted with.

Common complaints about AOS include:

Systematic overcharging for long-distance calls at rates that are now 50 to 100 percent higher than AT&T rates, and have ranged up to four times the normal AT&T rate;

Refusal to connect the caller to the long-distance service of his or her choice, even when the caller is paying for the call with the credit card of his preferred long-distance company;

Slow call processing, and elaborate routing of calls to remote centers for processing;

Inability of some AOS to handle emergency calls properly and quickly; and

Lack of notice of the identity, rates, and billing and complaint procedures of the AOS provider, as well as suspicion of high commissions paid to the owner of the public premises.

On the positive side, AOS offers some service enhancements, again depending on the AOS provider and the needs of the telephone owner and user:

Superior emergency calling service to what AT&T and the Bells have usually provided in the past;

Operators who speak foreign languages;

Advanced services such as message forwarding, voice mail, and

Cheaper rates for selected calling areas at certain times.

Even for members of the AOS industry, the negatives too often exceed the positives. The industry has formed a trade association called the Operator Services Providers Association which has established a voluntary code of responsibility in order to stem the abuses. It seems unlikely that self-regulation will be able to meet consumers' needs, however, since: First, the market does not seem to promote helpful competition when the owner of the telephone is not its primary user; and second, unscrupulous operators will always be able to gain at least a temporary commercial advantage. Therefore legislation seems required.

MY LEGISLATION

I am introducing today legislation that takes a moderate, pro-disclosure approach to the problems caused by the AOS industry. I do not ask the FCC to put anyone out of business. Instead, I require the FCC to adopt rules fairly quickly that would at least do four things:

First, require written notice to be posted on or near public telephones so that the caller could see before he makes the call that AOS service controls the telephone.

Second, require that AOS companies answer callers' questions about rates

for the call about to be made, as well as for complaint procedures.

Third, prohibit AOS companies from blocking access to the long-distance carrier of the caller's choice, and from blocking the billing of a call to the credit card issued by a long-distance carrier.

Fourth, require AOS companies to charge only "just and reasonable" rates, which would include no charges for incomplete calls.

This legislation would not only affect startup companies but telephone giants like AT&T. They are all in the same business; they should play by the same rules.

Mr. Speaker, I have requested that the House Energy and Commerce Committee's Telecommunications and Finance Subcommittee schedule hearings on this legislation as soon as possible. The staff of the subcommittee and its chairman have already been extremely helpful in researching this matter, as has Dirk Forrister on my own staff. I anticipate that the subcommittee will be able to act promptly on the matter.

I urge my colleagues to cosponsor this legislation. As I said earlier, the FCC has already received more complaints about alternative operator service than about any other consumer issue, including dial-a-porn. I am sure that hundreds, if not thousands, of your constituents have already been aggravated by shady operators in the AOS business. Let's give our constituents a fair chance to have a right to make an informed choice every time they make a call from a public telephone.

Mr. Speaker, millions of Americans have enjoyed the humor in Lily Tomlin's portrayal of the old-fashioned telephone operator named Ernestine, who wielded devastating power over callers with her whims with her headset and cord-board. The days of Ernestine are not over, as the unsuspecting American public is finding out every day that they try to call on America's public telephones.

□ 1210

ADULT LITERACY

Mr. Speaker, I also rise to introduce the National Center for Adult Literacy Act of 1989. This act would create a federally funded, nonprofit institution that would: First, conduct basic and applied research on the problems of adult literacy and ways to overcome them; second, provide technical assistance and training to literacy instructors and program managers throughout the Nation; and third, assist policymakers at all levels of government and in the private sector to monitor and evaluate the effectiveness of literacy programs and develop more effective service delivery systems.

Mr. Speaker, adult literacy is one of the most serious domestic problems that our Nation faces today. It is a vital issue for our economy. And it is a