

Testimony of

Ms. Patricia Russo

Chairman and CEO, Lucent Technologies

Before the

United States House of Representatives

Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet

February 9, 2005

Chairman Upton, Ranking Member Markey, and members of the subcommittee, I'm Pat Russo, Chairman and CEO of Lucent Technologies. I'm proud to represent the 31,500 Lucent employees around the world, and I thank you for the opportunity to testify before this distinguished Committee.

Lucent Technologies shares the enthusiasm of the other panelists about the tremendous potential of IP-Enabled Services, and we are encouraged that this Committee has embarked on a careful review of the technologies and trends that are changing the way the world communicates.

The industry has come a long way since Congress passed the Telecom Act of 1996. The Act was developed in a voice-centric environment, where time, distance and geographic boundaries drove the market. Today, these factors have receded to the background. In an IP-enabled world, voice is merely one of many applications, along with video and data, which are fundamentally digital packet streams of information. IP-

based technologies have dramatically changed the cost and reach paradigms and will soon enable the seamless delivery of blended voice, video and data services to any type of access device across any kind of network. These changes obviously have ramifications for the way these services are regulated at the state and federal levels.

As a result, there is a discontinuity between the legacy of the Act and where the industry and market are today. From a technological perspective, we have traveled much farther in the last ten years than anyone could have anticipated, and looking forward, we see this trend continuing. Many of the technologies that drive today's networks are fundamentally different than those that drove networks when the Act was developed. Therefore, it only stands to reason that the regulatory requirements must be updated as well.

If permitted to achieve their full potential, IP-Enabled Services can help

- drive both innovation and investment in the sector,
- create value and more choices for consumers and businesses,
- stimulate economic growth,
- drive efficiencies in areas like health care and education,
- and help the United States maintain a global technology leadership position.

For this to happen, we believe it is critical for Congress to adopt a federal policy framework that recognizes the changes in technology and the market, and is designed to promote and enable the converged lifestyle services people are demanding. To do so, we need to minimize – and in certain cases eliminate – economic and entry regulation of the communications market place, particularly the existing constraints within traditional legal and regulatory boundaries that impede the full development of these services (i.e. new technologies like IP applications, new broadband/fiber networks and wireless).

Let me provide a brief glimpse into some of what Lucent is doing in the area of IP-Enabled Services. Then I'll discuss a few specific measures we believe Congress can take to help unlock their potential.

In today's increasingly mobile world, our market research tells us that people want communications services that are simple, seamless and secure, as well as personal, portable and reliable. As my colleagues here today have also described,

people want to check their investments, send photographs, download music, make dinner reservations and hold teleconferences using any end-user device … and they want to be able to access these broadband services at home, at work or anywhere in between. Lucent's Bell Labs – which is responsible for such world-changing innovations as the transistor, the laser, and the cellular technology so many of us can't live without today – has developed technologies and solutions that make it possible for these IP-Enabled Services to be deployed simply and cost-effectively. Many already are available today, and others will be coming to market shortly.

We are currently a major provider of open standards-based IP Multimedia Subsystems (or IMS) and of IP-enabled third-generation wireless technologies like CDMA-EVDO and UMTS to service providers around the world. We also provide the core backbone over which IP-Enabled Services travel in the optical and data domain, and we're leveraging these embedded networks and operations environments to offer IP-Enabled Services faster. Because these technologies combine broadband bit rates with mobility, we see them as the cornerstones of the IP revolution. We believe that IP-Enabled Services will become an engine of economic growth that will change the way we work and play as profoundly as the Internet itself has changed the way we access information.

This engine of growth is already at work. IP-Enabled Services are beginning to provide secure, personalized networks that are customized to the needs of end users, thus increasing productivity – especially in business environments. For example, Lucent's Active Phonebook application allows groups of colleagues to better manage their communications by tracking team members carrying a mobile phone and providing customized e-mail, text messages or phone alerts when a designated group arrives at – or departs from – a designated area. This means that whether you or your colleagues are on a 2G, 3G or home network, you can access your instant messages on a portable device, download slides for a critical presentation, find out who is available to have a real-time discussion about the presentation and set up that teleconference – all at the same time. It does this within an environment that also allows for privacy by enabling users to control whether they can be tracked and from how far. This same technology could be invaluable to teams of first responders, enabling them to see where each member of the team is, send plans or images and communicate with one another. It

could help soldiers in the field share reconnaissance data in real time while planning their next maneuver. Or it could help a group of friends or family members who simply want to stay in touch more conveniently, and in different and fun ways.

It is also becoming increasingly clear that, enabled by IP, the distinction between wireless, wireline and cable offers will continue to blur over the next few years. Our own product lines demonstrate that convergence is real and that communications markets are more competitive than ever. Therefore, Lucent is breaking down the barriers between our own product lines by developing new products, services and software that support our "common IP platform approach" to convergence across our entire portfolio.

Obviously, I could spend hours explaining the latest technology platforms and their impact on business models, but I know my time is limited today. Therefore, I invite each of you to visit Bell Labs to see our demos first hand and to engage in a more in-depth discussion of where we see technology going and what impact it will have on various parts of the economy.

My understanding is that this committee is interested in what today's technologies can do and how best to create an environment that enables consumers and businesses to realize the full benefits of these technologies. That brings me to back the need for change. Let me preface my recommendations by saying that any legislative action must promote investment and choice, must provide for the requirements of our critical national infrastructure needs, and must not hamper the industry's initiatives to align itself in a manner that best serves the market and its constituents. That being said, there are three key recommendations I would like to make.

First, given the fundamental differences between communications in the traditional and IP worlds and the complexities involved, I believe Congress needs to take a thoughtful approach to the development of an appropriate legislative and regulatory environment for IP-Enabled Services. I believe that minimal regulation is better and equal treatment should be considered. Fundamentally, this needs to happen at the federal level. Today's communications are all about convergence – converging networks, converging technologies, converging applications and converging devices. We are mindful that new technologies will co-exist with existing infrastructures for some time. However, the current inconsistencies of legislative and regulatory requirements

leave carriers and end users in a position where they at times have to piece together their communications solutions. If Congress were to help break down these barriers, it could serve to facilitate and accelerate the rollout of IP-Enabled Services.

Second, I would urge you to consider new means to promote and facilitate the deployment of broadband access platforms, both fixed and wireless, upon which IP-Enabled Services depend. In particular, I would recommend that Congress ensure that sufficient allocations of cleared licensed spectrum are available on a timely basis to service providers that are rolling out powerful new 3G networks throughout the country. It would also be useful to explore ways to expedite the provisioning of broadband access that enables the delivery of such services as video over broadband – or what many refer to as IPTV or Mobile TV.

Third, I would ask Congress to consider increased support for favorable R&D tax treatment and other mechanisms, such as increased government funding for advanced telecommunications research, to accelerate research into these new technologies. This will encourage the development of services and applications that will add value to our economy.

Your leadership in each of these areas will help all of us at this table to continue to develop ever more compelling solutions that will help the United States maintain a leadership position in the area of communications.

Let me close by saying that Lucent continues to look for ways to collaborate with the federal government in the area of advanced research in communications. This is an area where Bell Labs has a long history of success, and we would welcome new opportunities to work together.

We also look forward to working with this Committee on all of the important issues that surround the deployment of IP-Enabled Services and the broadband access services critical to their future success.

Thank you, Mr. Chairman, for the opportunity to testify before the Committee.

# # #

About Lucent Technologies
Lucent Technologies designs and delivers the systems, services and software that drive next-generation communications networks. Backed by Bell Labs research and development, Lucent uses its strengths in mobility, optical, software, data and voice networking technologies, as well as services, to create new revenue-generating opportunities for its customers, while enabling them to quickly deploy and better manage their networks. Lucent's customer base includes communications service providers, governments and enterprises worldwide. For more information on Lucent Technologies, which has headquarters in Murray Hill, N.J., USA, visit www.lucent.com.

Patricia F. Russo
Patricia F. Russo is chairman and chief executive officer of Lucent Technologies, one of the largest suppliers of communications hardware, software and services to the world's communications service providers.

Russo was one of the founding executives who helped launch Lucent in 1996 and has spent 20 years of her career managing some of Lucent's and AT&T's largest divisions and most critical corporate functions. Before returning to Lucent in January 2002, Russo served as president and chief operating officer of Eastman Kodak Company, overseeing the day-to-day operations of Kodak's operating divisions. Prior to this appointment, Russo was chairman of the board of Avaya Inc., one of the world's leading enterprise communications businesses.

From 1999 to 2000, she served as executive vice president and CEO of Lucent's Service Provider Networks Group and had responsibility for $24 billion in sales, distribution, installation and development of products and systems for Lucent's service provider customers worldwide.

Russo also served as executive vice president, Corporate Operations at Lucent from 1997 through 1999. She was responsible for the executive management and oversight of strategy and business development as well as human resources development, public relations, investor relations, advertising, government affairs, global procurement and real estate services.

From 1992 through 1996, Ms. Russo was president of AT&T's Business Communications Systems unit (now Avaya Inc.). She led the business through a successful restructuring and financial turnaround, making it the second largest global business when Lucent was spun off from AT&T. Ms. Russo led the global sales and service operations in Business Communications Systems before becoming president. Prior to 1992, Ms. Russo held key management and executive positions throughout AT&T in strategic planning, marketing, human resources and operations. Before joining AT&T in 1981, she spent eight years in sales and marketing at IBM.

Ms. Russo is a member of the board of Lucent Technologies, Schering-Plough Corporation and Georgetown University. She is a member of the Network Reliability Interoperability Council, and in April 2003 was appointed by President George W. Bush to the National Security Telecommunications Advisory Committee. Also in April 2003, Governor James McGreevey appointed her to the New Jersey Commission on Jobs Growth and Economic Development.

She received her undergraduate degree from Georgetown University and completed the Advanced Management Program at Harvard University in 1989. She has received an Honorary Doctorate of Engineering from Stevens Institute of Technology as well as an Honorary Doctorate in Entrepreneurial Studies from Columbia College in South Carolina.