

STATEMENT OF
MARSHA ROCKEY SCHERMER
ON BEHALF OF
TIME WARNER TELECOM
BEFORE THE
SENATE COMMITTEE ON HEALTH,
UTILITIES, VETERANS AND MILITARY AFFAIRS

February 3, 1999

My name is Marsha Rockey Schermer. I am Regional Vice President, Regulatory Matters, for Time Warner Telecom L.P. ("Time Warner Telecom"). I am responsible for and direct public policy and regulatory matters for the five (5) state region of Wisconsin, Ohio, Indiana, Illinois, and Michigan. My duties include regulatory and legislative initiatives, certification and compliance, rulemaking activities, and the negotiation of carrier-to-carrier arrangements.

Time Warner Telecom provides a variety of telecommunications and other services in 19 different markets throughout the country. In the Ameritech region, Time Warner Telecom provides competitive telecommunications services in Wisconsin, Indiana and Ohio. In Wisconsin, Time Warner Telecom is authorized by the Public Service Commission of Wisconsin ("Commission") as an alternative telecommunications utility to provide intrastate telecommunications services, including competitive local exchange services. Time Warner Telecom has constructed more than 400 miles of fiber in its state-of-the-art telecommunications system in Wisconsin. We have more than 300 business customers involved in all sectors of the Wisconsin economy, including banking, manufacturing and technology.

There will be great interest in the recently announced joint venture between Time Warner and AT&T. That venture will permit the offering of local, long distance, cable and Internet access to residential and small business customers over the upgraded cable networks. The first test offerings by that venture are said to be for two markets in 1999. This is great news for customers and policymakers who have feared that the benefits of competition would never get to residential and small business customers. We have said it would take longer than for large business customers. We have also said that technological innovation would be a benefit of competition. This is the beginning.

The purpose of my statement is to describe Time Warner Telecom's concerns with respect to the proposed Ameritech/SBC merger and its impact on competition in Wisconsin. For too long, Wisconsin has been silent on the proposed merger, a union which would be the largest merger of utility companies in the history of the United States and which would create the single largest incumbent telecommunications provider in the country. If the merger is approved, Ameritech and SBC would own and control 55 million access lines or about 50% of total national business lines and 33% of total national residential lines in the telecommunications industry. The threat to customers and competition is real.

Wisconsin long has recognized the fundamental importance of competition. Through its laws, Wisconsin has made competition “the fundamental economic policy of this state.” Section 133.01, Stats., enacted in 1979, states:

The intent of this chapter is to safeguard the public against the creation or perpetuation of monopolies and to foster and encourage competition by prohibiting unfair and discriminatory business practices which destroy or hamper competition. . . . It is the intent of the legislature to make competition the fundamental economic policy of this state and, to that end, state regulatory agencies shall regard the public interest as requiring the preservation and promotion of the maximum level of competition in any regulated industry consistent with the other public interest goals established by the legislature.

The legislature demonstrated its commitment to competition in the telecommunications industry by enacting 1993 Wisconsin Act 496 to ensure choice, quality, and lower cost in the provision of telecommunications services in Wisconsin. Wisconsin’s devotion to competition was a critical factor for Time Warner Telecom, and other competitive local exchange carriers, in making the decision to do business in Wisconsin. Unfortunately, Ameritech Wisconsin’s behavior has slowed competition. Time Warner Telecom is concerned that this anti-competitive behavior will be exasperated by the proposed merger.

Time Warner Telecom opposes the proposed merger of Ameritech and SBC as it is currently proposed. Time Warner Telecom is concerned about the impact of

the proposed merger on service quality to Wisconsin customers and competitors and, ultimately, on the future of competition in Wisconsin's telecommunications market. Service quality complaints against Pacific Bell have at least doubled since the company was acquired by SBC in April 1997. (San Francisco Business Times, February 27, 1998). Given Ameritech's own service quality problems, there is no guarantee that there will be no diminution of service quality in Wisconsin if the proposed merger takes effect.

Additionally, both Ameritech and SBC have been resistant to opening the local market to competitors. In the case of Ameritech, anti-competitive behavior has forced Time Warner Telecom to incur unnecessary time and expense to seek intervention by regulatory bodies. As Ameritech corporate decision making moves further from Wisconsin's immediate control, the ability to police Ameritech's anti-competitive conduct will be decreased dramatically. As the power of the combined companies further increases, the ability of any governmental agency to discipline anti-competitive behavior is neutered. The local Wisconsin market is not vibrantly and irreversibly competitive -- the role of government still is necessary.

SERVICE QUALITY

The proposed merger is likely to exasperate Ameritech's current service quality problems. Service quality affects not only Ameritech's own customers, but our customers, and the customers of other competitive providers. Moreover, service quality problems directly affect competitive providers themselves who are customers of Ameritech.

With respect to the service quality problems of Ameritech's own customers, in 1996, the Commission filed a civil action against Ameritech Wisconsin¹ over thousands of service-related complaints the Commission had received. The lawsuit alleged that Ameritech Wisconsin's service quality fell below state standards. The Commission sought the imposition of fines, refunds to customers, and improvements in Ameritech Wisconsin's service.

The case was referred to the Wisconsin Department of Justice ("DOJ") by the Commission so the DOJ could take action. The DOJ conducted an investigation and determined to proceed against Ameritech Wisconsin. On April 16, 1998, Ameritech agreed to a consent judgment in which it paid the state forfeitures and penalties in the amount of \$615,000 to settle allegations that the company failed to meet service

¹ *State of Wisconsin Public Service Commission v. Wisconsin Bell, Inc.*, Dane County Circuit Court Case No. 96-CV-0407.

quality standards. In connection with the Illinois Commerce Commission merger review, an Illinois Bell representative recently indicated that Ameritech accepted \$13 million in fines for inadequate service since it would cost much more to hire the employees to improve the service and come into compliance.

Ameritech's service quality problems continue today. In 1998 there were 3,150 complaints filed at the Commission regarding Ameritech.

But service quality concerns are not limited to Ameritech's own customers -- they affect competitive providers as well. One area of particular concern to Time Warner Telecom is Operation Support Systems.

The ability of new carriers, even facilities based new entrants, to enter the local market is dependent upon the ability of the new carrier to interface successfully with the current monopoly incumbent local exchange carrier ("ILEC"). Time Warner Telecom or any other competitive local exchange carrier ("CLEC") would have an impossible sales challenge were it to try to sell phone service to customers which service does not include the ability for the CLEC customer to call or be called. To be able to offer phone service, therefore, the CLEC must obtain adequate interfaces with the ILEC to establish and maintain the hand off of calls from CLEC customers to ILEC customers and vice versa. Those interfaces between

the ILEC and CLEC are, broadly speaking, governed by Operation Support Systems (“OSS”).

Operational support systems are the processes by which Time Warner Telecom and Ameritech jointly provision services to Time Warner Telecom’s customers. By way of example, if a customer of Ameritech’s desires to become a customer of Time Warner Telecom, processes must be in place to: notify Ameritech that a customer will be transferring service to Time Warner Telecom; transfer the customer to Time Warner Telecom; port the customer’s number to Time Warner Telecom; and so on.

In other words, Time Warner Telecom needs Ameritech’s help and assistance in transferring customers to Time Warner Telecom. The problem is that Time Warner Telecom’s interconnecting partner, Ameritech, is also its competitor. As a result, Ameritech’s behavior and conduct is not always supportive of Time Warner Telecom’s business interests, which harms competition and, ultimately, the customer. Competitive carriers, new entrant carriers, are as much monopoly ratepayers of Ameritech’s as are residential ratepayers.

Time Warner Telecom has concerns relating to OSS in the post-merger environment. Time Warner Telecom’s concern is three-fold: 1) our experience

with Ameritech has been unsatisfactory and deteriorating on ordering, provisioning, scheduling and related matters; 2) Ameritech and SBC have not, despite several overtures by Time Warner Telecom, been willing to discuss or explain the implications of their merger for Time Warner Telecom's business; and, 3) the SBC experience in California suggests rapid change post merger without identifying costs to or impacts upon CLECs. In light of the interdependency, Time Warner Telecom is extremely concerned that the merger could seriously harm Time Warner Telecom's customers and our business. We must do what we can to protect our nascent entry into the local phone business -- an Ameritech's customer service to CLECs is at least as unsatisfactory as it is to many of its retail customers.

Time Warner Telecom has been provided no information by Ameritech or SBC on post-merger OSS. We believe that current Ameritech and SBC electronic support systems for their own businesses are not compatible. Based on Time Warner Telecom's current understanding, there also are internal differences between the OSS systems used by Southwestern Bell Telephone and the systems used by Pacific Bell Telephone, now a merged entity (SBC). Thus, the uncertainty is whether a much larger merged entity of two or three companies will maintain separate systems or develop a common OSS platform, change out one of them, or go to a third system. At a minimum, post-merger transitions will be of enormous

impact on CLECs' operations. To date, we have no assurances that either the impact of those changes on CLECs is being considered by Ameritech and SBC, or that they will include CLECs in the process of that transition even though CLEC-interface OSS is intended to serve the CLECs.

INUNDATION WITH ENFORCEMENT PROCEEDINGS

Time Warner Telecom has had extensive experience in enforcement proceedings involving Ameritech. The period of time involved, the necessity of extensively involving Time Warner Telecom technical and business executives and personnel, and the cost of the processes are extremely burdensome to the new carriers. Delay is on the side of the incumbent. Tying the CLEC up in "process" benefits the incumbent. Time Warner Telecom would rather expend its resources in providing services to Wisconsin customers. Instead, it has been forced to expend significant resources to seek compliance from Ameritech Wisconsin.

Ameritech's practice of requiring its competitors to resort to the Commission or the courts to seek compliance with its agreements and obligations is anti-competitive. Moreover, as Ameritech corporate decision making moves further from Wisconsin, the ability of Wisconsin to discipline Ameritech's anti-competitive behavior will be diminished.

Set forth below are two examples of proceedings Time Warner Telecom has been forced to resolve with Ameritech through regulatory and judicial intervention in Wisconsin.

LNP Complaint Case

On October 13, 1998, Time Warner Telecom filed a complaint against Ameritech Wisconsin for the violation of statutory, regulatory, and contractual requirements concerning the provisioning of long-term number portability. Number portability is the ability of users of telecommunications services to retain, at the same location, existing telephone numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another. (47 U.S.C. § 153(30)). Number portability is one of the obligations Congress imposed on all local exchange carriers, both incumbents and new entrants, in order to promote the pro-competitive, deregulatory markets it envisioned in enacting the Telecommunications Act of 1996. Congress recognized that number portability will lower barriers to entry and promote competition in the local exchange market place. The ability to change service to take advantage of competitive opportunities is only meaningful if a customer can retain his or her local telephone number. (FCC First Report & Order & Further Notice of Proposed

Rulemaking, *In The Matter of Telephone Number Portability*, CC Docket No. 95-116, ¶ 2 (June 27, 1996)).

Ameritech Wisconsin has failed to provide LNP in a timely and proper manner in violation of federal and state law and the Interconnection Agreement between Time Warner Telecom and Ameritech Wisconsin. Specifically, Ameritech Wisconsin has failed to interface with Time Warner Telecom in such a manner as to ensure that orders for porting numbers and performing LNP cutovers are done in a timely, efficient, and safe manner, without impairing the quality, reliability, or convenience of the customer's telecommunications services. End users who change service providers from Ameritech Wisconsin to Time Warner Telecom have suffered outages and delays in receiving service, impairing the quality and reliability of the service they receive, and resulting in inconvenience and safety concerns, all due to Ameritech Wisconsin's methods and procedures for processing orders for porting numbers and effectuating cutovers. These customers have included a major defense agency and hospitals.

Ameritech's failure to remedy these problems voluntarily, without the involvement of the Commission, negatively impacts the level of service Time Warner Telecom is able to provide to its customers and, consequently, is anti-competitive.

ISP Action

In December 1997, Time Warner Telecom filed a complaint against Ameritech Wisconsin with the Commission related to Ameritech Wisconsin's anti-competitive and unilateral practice of treating calls to Internet Service Providers ("ISPs") as not local traffic for purposes of its reciprocal compensation agreements.² In other words, Ameritech refused to pay Time Warner Telecom for services rendered to it by Time Warner Telecom under the parties' agreement. The Commission ultimately ruled that "calls to an ISP are local traffic under the Time Warner/Ameritech agreement and subject to the reciprocal compensation provision of that agreement."

Rather than abiding by the Commission's determination and the parties' agreement, however, Ameritech Wisconsin appealed the Commission's decision to the United States District Court for the Seventh Circuit. That case is pending before the Court. In a similar case involving Time Warner Telecom, SBC and the Texas Commission, our company has expended over \$500,000 in legal fees and the case is only at the federal court of appeals level. That is to say, it isn't over yet.

² *Contractual Dispute About the Terms of an Interconnection Agreement Between Ameritech Wisconsin and Time Warner Communications of Milwaukee, L.P.*, Docket Nos. 5912-TD-100, et al.

These are just two examples of complaints Time Warner Telecom has had to file against Ameritech for Ameritech's failure to honor its obligations. Such enforcement proceedings are extremely burdensome to competitors. The proposed merger threatens to increase the merged entity's reliance on such tactics to stall competition.

CONCLUSION

Wisconsin's voice regarding the proposed Ameritech/SBC merger has been silent for too long. Other states in the Ameritech region, such as Indiana, Illinois, and Ohio, have commenced proceedings to investigate the proposed merger and its impact on their respective states. Noteworthy among these states is the Indiana Utility Regulatory Commission ("IURC") which initiated its investigation pursuant to its general supervisory powers, even though it does not have specific statutory authority to approve or reject the merger. In Indiana, the IURC prepared questions to and requests for information from Ameritech related to the merger. The IURC already has conducted hearings related to the merger. Of note, the IURC also has commenced a proceeding to investigate the proposed GTE/Bell Atlantic merger. It is in the public interest to initiate similar proceedings in Wisconsin.

In Ohio the Public Utilities Commission of Ohio (“PUCO”) prepared a list of issues to be evaluated during the course of its proceeding regarding the proposed merger. The PUCO also already has commenced hearings concerning the merger. Those hearings are ongoing.

In the Illinois proceeding, Attorney General Jim Ryan and Cook County State’s Attorney Richard Devine joined to oppose the proposed merger along with the Citizens’ Utility Board. Attorney General Ryan is quoted, “as it is currently proposed, we have significant reservations about the merger of the telecommunications giants.” (See Chicago Tribune, October 29, 1998, p. 1).

At the very least, Time Warner Telecom requests that the Wisconsin legislature direct the Commission to commence a proceeding, pursuant to its continuing supervisory jurisdiction over Wisconsin telecommunications utilities, to investigate and review the proposed merger, to determine the effect of the merger on Wisconsin consumers and competitors, and to submit its comments regarding the proposed merger to the Federal Communications Commission and the federal Department of Justice.

PUBLIC SERVICE COMMISSION
A 11: 34

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of the Investigation of
the Proposed Merger of Ameritech
Corporation and SBC Communications, Inc.

Docket No. _____

PETITION TO COMMENCE A PROCEEDING TO
INVESTIGATE THE PROPOSED AMERITECH-SBC MERGER

Sprint Communications Company L.P., Citizens' Utility Board,
Wisconsin Merchants Federation, the American Association of Retired Persons,
Wisconsin Chapter and the National Federation of Independent Businesses,
Wisconsin Chapter (the "Petitioners"), pursuant to Chapter 196 of the Wisconsin
Statutes, and sections PSC 2.11 and 2.12, Wis. Admin. Code, file this Petition
requesting the Wisconsin Public Service Commission ("Commission") to
commence a proceeding to investigate and review the proposed merger between
Ameritech Corporation ("Ameritech"), Wisconsin Bell, Inc., d/b/a Ameritech
Wisconsin and SBC Communications, Inc. ("SBC"), pursuant to its continuing
supervisory jurisdiction over Wisconsin telecommunications utilities.

I. INTRODUCTION

The proposed merger of Ameritech and SBC is an ill-conceived
alliance intended to re-create the Bell system monopoly over telecommunications

services. If the merger between Ameritech and SBC is approved, it would be the largest merger of utility companies in the history of the United States. The merged entity would be the single largest local service telecommunications company in the country and would own and control more than 56 million access lines or approximately 35% of all of the access lines in the telecommunications industry.

Ameritech and SBC (with the inclusion of SNET) anticipate that they will realize annual revenues of \$43 billion a year. Of that \$43 billion, nearly \$25 billion comes from regulated local telephone company operations. These revenues will be used to fund SBC's so-called national-local strategy, diverting money from their core businesses, including Ameritech Wisconsin, and using it to fund competitive market entry outside of Wisconsin. Because of this diversion of revenues and other factors, the merger could have significant adverse ramifications on the telecommunications market and consumers in Wisconsin.

In particular, the merger will have at least the following effects on Wisconsin telecommunications markets and consumers:

1. The merger, if permitted, would eliminate SBC, a significant potential competitor to Ameritech, from entering into the Wisconsin markets, and would give the merged company even greater opportunity and ability to stifle local competition;
2. The merged company will have an increased ability to leverage above-cost access rates to thwart long distance competition;

3. The merger would place immense pressure on SBC to squeeze profits out of the Wisconsin market, and as a result, consumers are likely to experience declining quality of service transactions, abusive sales practices, and rate increases. Ameritech's service quality problems likely will be exacerbated if SBC's track record in California following the Pac Bell merger is an indication;

4. The proposed merger negatively will affect the Commission's ability to regulate Ameritech Wisconsin because the ultimate decision makers are located in Texas; and

5. The merger will have an immense impact in other cases pending before the Commission dealing with transactions among affiliates and the review of Ameritech's alternative regulatory plan. A reasoned resolution of these cases necessarily must include the results of a Commission review of the merger.

Similar to the examination of the merger being performed by the Indiana Commission, this Commission should initiate a proceeding to investigate the merger to ensure that the interests of Wisconsin consumers are served by the merger and to assess the impact of the merger on the public interest.

This Commission is the entity in the best position to investigate the proposed merger to ensure that it is in the public interest of Wisconsin. Given the sweeping impact of the proposed combination, Wisconsin residents and consumers are entitled to ask *"If not the Commission, then who; if not now, then when?"*

II. PARTIES

1. Petitioner Sprint Communications Company L.P. ("Sprint"), is a limited partnership duly authorized by the Commission as a telecommunications carrier under § 196.499, Stats., to provide intrastate telecommunications service in Wisconsin.

2. Petitioner Citizens Utility Board ("CUB") is a voluntary membership organization of over 20,000 Wisconsin residential, farm and small business utility ratepayers. CUB's office is located at 16 North Carroll Street, Suite 300, Madison, Wisconsin.

3. Petitioner Wisconsin Merchants Federation ("WMF") is a statewide retail merchants trade association, which works to protect retailers' interests on matters that affect the retail industry and to inform Wisconsin legislators, government officials, retailers and consumers regarding retail distribution. WMF's office is located at 30 West Mifflin Street, Suite 310, Madison, Wisconsin.

4. Petitioner the American Association of Retired Persons, Wisconsin Chapter ("AARP"), is a voluntary membership organization for older persons and works to preserve and enhance the quality of life for older Americans. The office of the Wisconsin Chapter of AARP is located at 3 South Pinckney Street, Madison, Wisconsin.

5. Petitioner the National Federation of Independent Businesses, Wisconsin Chapter ("NFIB") is the state's largest small-business advocacy organization. Small- and independent-business owners join the association to have a greater say in the crafting of legislation and regulations that affect their lives and livelihoods. NFIB has more than 12,000 members from all walks of commercial life: from family farmers to neighborhood retailers, from independent manufacturers to doctors and lawyers, from wholesalers to janitorial service firms. NFIB promotes the consensus view of small- and independent-business owners from throughout the state. The office of the Wisconsin Chapter of NFIB is located at 119 Martin Luther King, Jr., Boulevard, Suite 516, Madison, Wisconsin.

6. Ameritech Corporation ("Ameritech") is a Delaware corporation and a holding company whose subsidiaries and affiliates operate predominantly in the communications services industry. Ameritech's subsidiaries and affiliates provide a wide range of communications services, including local and long distance, cellular, paging, security monitoring, cable television, Internet access and directory publishing services. Ameritech's subsidiaries and affiliates provide landline and wireless telecommunications and related services in Illinois, Indiana, Michigan, Ohio, and Wisconsin, wireless telecommunications and related services in Missouri, Minnesota and Hawaii, and security monitoring services in most of the United States' largest metropolitan areas. Ameritech also has significant

investments in the European telecommunications industry, with financial interests in telecommunications companies in 15 European countries.

7. Wisconsin Bell, Inc., is a Wisconsin corporation authorized by the Commission to provide intrastate telecommunications services in Wisconsin, including local exchange services. Wisconsin Bell, Inc., is a subsidiary of Ameritech and does business in Wisconsin under the name Ameritech Wisconsin ("Ameritech Wisconsin"). Ameritech Wisconsin is an Incumbent Local Exchange Carrier ("ILEC") and Bell Operating Company as defined by the federal Telecommunications Act of 1996. Ameritech Wisconsin is a "public utility" and a "telecommunications utility" as those terms are defined in § 196.01, Stats.

8. SBC Communications, Inc. ("SBC"), is a Delaware corporation and a holding company whose subsidiaries and affiliates operate predominately in the telecommunications services industry. SBC's subsidiaries and affiliates provide landline and wireless telecommunications services and equipment, directory advertising and publishing services and Internet access services. SBC's subsidiaries and affiliates provide landline telecommunications and related services in California, Texas, Missouri, Oklahoma, Kansas, Arkansas and Nevada and wireless telecommunications and related services principally in those states as well as Illinois, Indiana, Maryland, Massachusetts, New Hampshire, New York, Virginia, Washington, DC, and West Virginia. SBC has investments in telecommunications companies that serve selected markets outside of the United States, including

Mexico, Chile, South Korea, France, South Africa, the United Kingdom, Switzerland and Taiwan, and provides directory advertising and cable television service in Israel.

III. THE PROPOSED MERGER

9. On May 10, 1998, Ameritech and SBC entered into an Agreement and Plan of Merger ("Merger Agreement"), providing for the business combination of Ameritech and SBC. The proposed transaction is structured as a merger of SBC Delaware, Inc. ("SBC Delaware"), a newly-formed Delaware subsidiary of SBC created specifically for the purpose of consummating the transaction, and Ameritech. Pursuant to the Merger Agreement, SBC Delaware will merge with and into Ameritech and the separate corporate existence of SBC Delaware will cease. Ameritech will be the surviving corporation, as a wholly-owned first tier subsidiary of SBC.¹

10. Upon consummation of the merger transaction, SBC will own 100% of Ameritech's outstanding common stock and the prior holders of Ameritech common stock will become shareholders of SBC, equating to approximately 44% ownership of SBC's common stock.²

¹ Joint Application for Approval of the Reorganization of Illinois Bell Telephone Company, d/b/a Ameritech Illinois, and the Reorganization of Ameritech Illinois Metro, Inc., in accordance with Section 7-204 of the Public Utilities Act and for all other appropriate relief ("Illinois Joint Application"), ¶ 6.

² Illinois Joint Application, ¶ 6.

IV. COMMISSION AUTHORITY AND JURISDICTION TO REVIEW THE PROPOSED AMERITECH-SBC MERGER

11. Petitioners request that the Commission commence a proceeding to review and investigate the proposed merger between Ameritech and SBC and its potential effect on the provision of telecommunications services in Wisconsin. The Commission has jurisdiction over Wisconsin telecommunications utilities, pursuant to § 196.02(1), Stats., “to supervise and regulate every public utility in this state and to do all things necessary and convenient to its jurisdiction.” Commission precedent establishes the Commission’s authority under its supervisory jurisdiction to review the proposed merger. On numerous occasions, the Commission has reviewed transactions under its continuing supervisory jurisdiction over the operations of Wisconsin telecommunications utilities even though the Commission may not have approval authority. Most recently, in the *Investigation on the Commission’s Own Motion Into the Sale of Exchanges by Ameritech Wisconsin to Century Telephone Enterprises, et al.*, Docket Nos. 2815-TI-100 and 6720-TI-146, the Commission stated:

As a result of 1993 Wisconsin Act 496, this Commission does not have jurisdiction over the approval of the sale and purchase of local exchanges, except the Commission retains supervisory jurisdiction over the telecommunications utility, as necessary to enforce §§ 196.204 and 196.219, Stats., regarding cross-subsidization and consumer protection, respectively. The Commission has initiated dockets 2815-TI-100 and 6720-TI-146 to review the transactions under its continuing supervisory jurisdiction over the operations of Kendall and Ameritech Wisconsin in the State of Wisconsin.

(Commission Memorandum, dated May 7, 1998). In light of the unprecedented effect upon consumers and the provision of telecommunications services in Wisconsin, the Commission must be able to evaluate whether the proposed merger conforms to state law and whether the proposed merger is in the public interest.

12. Various Wisconsin statutes give the Commission authority to investigate the proposed merger. The Commission has supervisory jurisdiction over Wisconsin telecommunications utilities as necessary to enforce § 196.219, Stats., regarding consumer protection. Section 196.219(4)(a), Stats., provides that the Commission, upon its own motion or a complaint filed by a consumer, shall have jurisdiction to take administrative action or to commence actions against telecommunications utilities to enforce the consumer protection provisions set forth in § 196.219, Stats. (§ 196.219(4)(a), Stats.). The Commission also may institute in any court of competent jurisdiction a proceeding against a telecommunications utility for injunctive relief to compel compliance with § 196.219, Stats., to compel the accounting and refund of any moneys collected in violation of § 196.219, Stats., or for any other relief permitted under Chapter 196. (§ 196.219(4)(b), Stats.). Thus, this Commission has authority to review the proposed merger to ensure that it does not violate the prohibited practices set forth in § 196.219(3), Stats.

13. The Commission also has authority to review the proposed merger under § 196.03(1), Stats., which provides that “a public utility shall furnish

reasonably adequate service and facilities.” The Commission must be able to evaluate whether the post-merger entity will furnish reasonably adequate services and facilities.

14. Furthermore, the Commission is authorized to review the proposed merger under §§ 196.26 and 196.28(1), Stats. Section 196.26, Stats., authorizes the Commission to hold hearings on and resolve complaints that “any rate . . . charge . . . act or practice relating to the provision of . . . telecommunications service is unreasonable, inadequate, unjustly discriminatory or cannot be obtained.” (§ 196.26(1), Stats.). Under § 196.28, Stats., the Commission summarily may investigate matters in which it believes “any rate or charge is unreasonable or unjustly discriminatory or that any service is inadequate or cannot be obtained or that an investigation of any matter relating to any public utility should for any reason be made . . .” Since the proposed merger will implicate the quality of service and telecommunications rates in Wisconsin, the Commission’s authority extends to a review of the proposed merger.

V. OTHER STATE COMMISSIONS HAVE COMMENCED PROCEEDINGS TO INVESTIGATE THE PROPOSED MERGER

15. The Public Service Commissions of Ohio, Indiana, and Illinois have commenced proceedings to investigate the proposed merger and its impact on

their respective states.³ Noteworthy among these state commissions is the Indiana Utility Regulatory Commission, which initiated its investigation pursuant to its general supervisory powers, even though it does not have authority to approve or reject the merger. It is in the public interest to initiate a similar proceeding in Wisconsin.

16. In the Illinois proceeding, Attorney General Jim Ryan and Cook County State's Attorney Richard Devine have joined to oppose the proposed merger along with the Citizens' Utility Board. (*See Chicago Tribune*, October 29, 1998, p. 1, included in the Appendix as Attachment 1). Consultants testifying on behalf of Ryan, Devine and CUB suggest that the ICC impose consumer protection provisions including a \$343 million rate reduction and increased service quality protections on the merger. (*Id.*). Attorney General Ryan is quoted "as it is currently proposed, we have significant reservations about the merger of the telecommunications giants." (*Id.* at 20).

17. In Indiana, the commission prepared questions to and requests for information from Ameritech relating to the proposed merger. The questions

³ See *In the Matter of the Joint Application of SBC Communications, Inc., SBC Delaware, Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control*, Public Utilities Commission of Ohio Docket No. 98-1082-TP-AMT; *In the Matter of the Investigation on the Commission's Own Motion Into All Matters Relating to the Merger of Ameritech Corporation and SBC Communications, Inc.*, State of Indiana Utility Regulatory Commission Cause No. 41255; *In the Matter of the Joint Application for Approval of the Reorganization of Illinois Bell Telephone Company d/b/a Ameritech Illinois, and the Reorganization of Ameritech Illinois Metro, Inc., In Accordance with Section 7-204 of the Public Utilities Act and for All Other Appropriate Relief*, Illinois Commence Commission Docket No. 98-0555.

posed and the information requested were formulated, in part, from questions submitted by interested parties including Sprint, AT&T, Time Warner, and the Indiana Office of Utility Consumer Counselor. A true and correct copy of the Indiana Utility Regulatory Commission's Order, dated September 30, 1998, and its questions regarding the proposed merger are included in the Appendix as Attachment 2.

18. Similarly, in Ohio, the Public Utilities Commission of Ohio ("PUCO") prepared a list of issues to be evaluated during the course of its proceedings regarding the Ameritech/SBC proposed merger. A true and correct copy of the PUCO's Entry, dated October 15, 1998, containing the issue list is included in the Appendix as Attachment 3.⁴

19. Similar to the proceedings in Indiana, Illinois and Ohio, this Commission should review the proposed merger and address the issues in Section VII of this Petition.

⁴ The Ohio Coalition for Customer Choice, a public interest group which advocates fair and effective competition for Ohio's telecommunications future, issued a report identifying issues and concerns raised by consumers and competitors in Ohio regarding the proposed merger. A true and correct copy of the report, entitled *The Case for Public Hearings: Important Questions and Issues About the SBC Communications Takeover of Ameritech That Need to be Reviewed Fully, Completely and in Public by the Public Utilities Commission of Ohio*, September 1998, is included in the Appendix as Attachment 4.

VI. IMPLICATIONS OF THE PROPOSED MERGER THAT WARRANT COMMISSION REVIEW

A. *The Proposed Merger Will Impair The Development of Local Competition.*

20. The proposed merger would frustrate the statutory goal of opening local markets in Wisconsin to competition by removing a viable potential competitor. The proposed merger also would enable the merged entity to leverage the power of its local monopolies, giving it increased ability and incentive to discriminate against rivals. As FCC Commissioner Susan Ness recently commented, industry consolidation:

. . . may also be a way of avoiding competition. . . . I have yet to be convinced that the only way we can ever get large incumbent telephone companies to compete against other large incumbent telephone companies is if they all first reach some gargantuan threshold size. This is not sumo wrestling.⁵

21. Two members of the Senate Judiciary Committee, Senator Mike DeWine (R-Ohio) and Senator Herb Kohl (D-Wisconsin), have stated that the proposed merger could lead to “something approaching the old Bell System rather than the vigorously competitive landscape that the [Telecommunications Act of 1996] envisioned.” (Letters to FCC and DOJ, dated May 13, 1998).

22. AARP has requested that Wisconsin Attorney General James Doyle investigate the proposed merger between Ameritech and SBC because the

⁵ Comments of Susan Ness at a Consumer Federation of Ameritech Conference in Washington, D.C., on October 2, 1998.

merger will frustrate the goals of the federal Telecommunications Act of 1996 and § 196.195, Stats. “It would eliminate a potential competitor in the local exchange market in Wisconsin, thus denying or limiting Ameritech customers’ opportunity to choose from multiple suppliers of telephone service.” (AARP letter to the Honorable James E. Doyle, Jr., dated July 9, 1998 (“AARP Letter”)). A true and correct copy of the AARP letter is included in the Appendix as Attachment 5. In addition, in AARP’s view, “SBC’s resistance to opening its markets to competition has been even more pronounced than Ameritech’s, and thus permitting control over Ameritech-Wisconsin to be transferred to SBC would be a setback for customers in Wisconsin.” (AARP Letter, Attachment 5).

23. One of the most compelling arguments against the proposed merger is the market power these combined entities will have. (See Introduction, *supra* at 1-2). This market power is magnified because these entities control more than 95 percent of the access lines in their combined territories. Neither SBC, nor Ameritech has been granted in-region interLATA authority by the FCC in any of its states because, despite numerous attempts, neither company has demonstrated it has complied with the 14-point competitive checklist.

24. SBC’s lack of compliance and cooperation is reflected in a statement by Texas Public Utilities Commissioner Judy Walsh in her comments concerning her rationale for denying Southwestern Bell’s 271 application:

The record is replete with examples of SWB's failure to meaningfully negotiate, reluctance to implement the terms of the arbitrated agreements, lack of cooperation with customers, and evidence of behavior which obstructs competitive entry. As a result, we do not have an open market today with Sec. 271 as an incentive.⁶

25. SBC's "scorched earth" approach to allowing competitors to enter its local markets also was evident in its approach to appealing the arbitration of the interconnection agreement between SBC's local telephone operating company subsidiary in Texas, SWBT, and AT&T. The court rejected SWBT's arguments and then took the unusual step of criticizing SWBT's tactics and attitude.

The court stated that it:

was somewhat troubled by SWBT's tactics in this case. SWBT's penchant for rehashing issues that had already been fully briefed, raising arguments and claims that did not appear in even the most generous reading of the Amended Complaint, and most importantly, taking positions in this litigation that it had expressly disavowed in the PUC administrative hearing, were, to say the least, distressing. The voluminous briefing in this case -- over seven hundred pages in total -- could probably have been cut in half had SWBT not fought tooth and nail for every single obviously non-meritorious point.⁷

26. Ameritech also certainly has not embraced local competition and has had complaints filed against it for failure to honor provisions of interconnection agreements with which it does not agree.

⁶ Project No. 16251, *Investigation of Southwestern Bell Telephone Company's Entry into the Texas InterLATA Telecommunications Market*, Comments Released May 26, 1998.

⁷ In *Southwestern Bell Telephone Co. v. AT&T Communications of the Southwest, Inc.*, No. A 97-CA-132 SS (Order, Aug. 31, 1998), at 31.

27. Several state commissions, including Wisconsin, have concluded that Ameritech demonstrated anti-competitive behavior in relation to its unilateral practice of treating calls to Internet Service Providers (“ISPs”) as “not local traffic” for purposes of reciprocal compensation agreements. For example, in Wisconsin the Commission concluded that “calls to an ISP are local traffic under the Time Warner/Ameritech agreement and subject to the reciprocal compensation provision of that agreement.” (*Contractual Dispute About the Terms of an Interconnection Agreement Between Ameritech Wisconsin and Time Warner Communications of Milwaukee L.P.*, Docket Nos. 5912-TD-100, et al. (May 5, 1998)).

28. Similarly, the Illinois Commerce Commission concluded:

. . .we find that Ameritech Illinois’ unilateral action of withholding reciprocal compensation payments is wholly inappropriate. . . . Indeed, Ameritech Illinois’ unilateral “remedy” is so ill-tailored to its perceived problem that it lends substantial credence to the complainants’ allegations that Ameritech Illinois’ conduct is intentionally anticompetitive. . . . The withholding of the payments caused and continues to cause complainants serious harm and has resulted in an anticompetitive impact which is contrary to the public interest.

(*Teleport Communications Group, Inc., et al. v. Ameritech Illinois*, ICC Docket Nos. 97-0404, et al.).

29. In Michigan, the Michigan Public Service Commission concluded that Ameritech Michigan unlawfully withheld reciprocal compensation. The Commission directed Ameritech Michigan to : (1) cease and desist from

violating the terms of its interconnection agreements; (2) immediately resume reciprocal compensation payments in accordance with those interconnection agreements and, within 10 days, pay the past due amounts with interest; and, (3) pay the complainants' and intervenors' attorneys fees. (*In the Matter of the Application for Approval of an Interconnection Agreement Between Brooks Fiber Communications of Michigan, Inc., and Ameritech Information Industry Services on behalf of Ameritech Michigan, et al.*, MPSC Case Nos. U-11178, et al.). Only recently has Ameritech begun in a limited way to pay reciprocal compensation to CLECs. However, Ameritech will not pay reciprocal compensation to all CLECs; it will pay only those CLECs when ordered to do so by a federal court or regulatory authority.

30. Petitioners are particularly concerned that as the combined companies propose to implement "best practices," those practices may be the worst practices of both companies, which are designed to hinder or "slow roll" competition. Petitioners are concerned that the proposed merger could preclude or delay competitors' implementation in Wisconsin of new services dependent upon new ways of connecting with Ameritech's local exchange networks. Sprint's introduction of its Integrated On-Demand Network (ION) may be negatively affected by the merger. Sprint, in part, will use the local networks of Ameritech to bring the integrated products and services of ION to Wisconsin consumers, yet the merged company has a greater incentive to not open its local networks. This

monopoly behavior will harm competition and slow the introduction of innovative services like ION to Wisconsin customers.

B. The Merger Adversely Would Affect Competition In The Interexchange Market.

31. Congress placed Section 271 of the Telecommunications Act of 1996 in the statute in recognition of price squeeze behavior that RBOCs could engage in while they have monopoly power in the local exchange markets and while access charges remain substantially above cost. SBC has demonstrated its contempt for Sections 271-276 of the Telecommunications Act by filing a lawsuit in the Northern District of Texas claiming that the “Special Provisions,” 47 U.S.C. Sections 153(4) and 271-276, are “an unconstitutional bill of attainder.” The Fifth Circuit reversed the District Court and upheld the Special Provisions of the Act.⁸ However, the Fifth Circuit’s rejection of its position has not deterred SBC, which is appealing the decision to the United States Supreme Court.

32. Allowing an RBOC into long distance, before its local markets are irreversibly open to competition would give the RBOCs an unfair advantage over all other competitors. Sprint has conducted a study of its interexchange traffic, which forms the basis of the access subsidies it pays to both SBC and Ameritech. Currently 30 percent of Sprint’s interexchange traffic originates and terminates

⁸ *SBC, Inc. v. FCC*, 154 F.3d 226 (5th Cir. 1998), petition for cert. filed October 19, 1998.

within Ameritech exchanges. Similarly, 38 percent of Sprint's interexchange traffic originates and terminates in SBC exchanges. Sprint estimates that 45 percent of its traffic would originate and terminate in the combined SBC/Ameritech region.

Because SBC and Ameritech price access above cost, the merged company will incur much lower access costs than its competitors when permitted to provide long distance service in its territory. This price advantage will allow the merged company to provide long distance service in a manner that will enable it to weaken and defeat its rivals. Petitioners urge the Commission to implement appropriate safeguards to ensure that SBC and Ameritech will not be able to engage in price squeeze behavior.

C. *The Proposed Merger Threatens to Exacerbate Ameritech's Service Quality Problems.*

33. Service quality is always of utmost concern to state public service commissions. This Commission has been diligent in its oversight of Ameritech and has sought legal remedies against Ameritech, including the imposition of fines and refunds to customers for service-related problems.⁹

⁹ The Commission filed a civil action captioned *State of Wisconsin Public Service Commission v. Wisconsin Bell, Inc.*, Dane County Circuit Court Case No. 96-CV-0407, which alleged that Ameritech's service quality fell below state standards. The service quality problems at issue in the Commission's lawsuit included slow service restoration and delays answering calls to Ameritech's repair bureau and customer service center. The Commission sought the imposition of fines, refunds to customers, and improvements in Ameritech's service. The dismissal of the case by the Dane County Circuit Court on the basis of lack of Commission jurisdiction to independently seek forfeitures does not lessen the legitimate and serious concerns regarding Ameritech's service quality problems.

34. Service quality complaints against Pacific Bell have at least doubled since the company was acquired by SBC in April 1997. (San Francisco Business Times, February 27, 1998). Anti-consumer behavior and abusive marketing practices also have been evident since SBC's purchase of Pacific Bell. (San Jose Mercury News, June 5, 1998). The Comments of the Ohio Consumers' Counsel in the Ohio investigation into the proposed merger contain numerous examples of SBC's anti-consumer behavior. (See Comments of the Ohio Consumers' Counsel, at 12-15, included in the Appendix as Attachment 6).

35. The California Ratepayer Advocate reported that the impact of SBC control of Pacific Bell was higher prices, poorer service, and less competition in California. (*Report on Pacific Bell's Handling of Residential Service Ordering (Redacted Version)*, Office of Ratepayer Advocates, California Public Utilities Commission (June 4, 1998)).

36. Californians for Telecommunication Choice, a non-profit grassroots group that promotes competition for local telephone service in California, has issued a report regarding California's experience following the SBC-Pacific Bell merger. The report states that in the year since SBC acquired Pacific Bell, SBC has:

[E]stablished a clear track record [of] . . . job losses, higher rates, poorer service, lawsuits, and a whole new Texas culture that puts profits and litigation first, and the needs of consumers and workers at the bottom of the list.

(Californians for Telecommunications Choice Case Study, *How SBC Devoured Pac Bell: Implications for the Midwest if SBC Takes Over Ameritech* (“California Report”)). A true and correct copy of the California Report is included in the Appendix as Attachment 7.

37. AARP has requested that Wisconsin Attorney General Doyle investigate the proposed merger because it likely would “diffuse Ameritech-Wisconsin’s focus on such issues as service quality and universal service important to AARP’s members in Wisconsin.”¹⁰ (AARP Letter, Attachment 5). AARP sent a similar letter to legislators in Wisconsin seeking the Legislature’s assistance in commencing an investigation. A true and correct copy of the AARP’s letter to legislators is included in the Appendix as Attachment 9.

38. The Commission should investigate the service quality performance of SBC and of Pacific Telesis since it was acquired by SBC to ensure that performance measurements and other safeguards are in place to quantify existing levels of service and to ensure that there is no diminution of service quality to Wisconsin consumers if this merger is approved. This Commission should review the proposed merger to ensure that consumers are protected adequately.

¹⁰ Comments filed by AARP in Ohio regarding the proposed merger include examples of legal actions pending against SBC for inadequate service and anti-consumer behavior. A true and correct copy of AARP’s Ohio Comments is included in the Appendix as Attachment 8.

D. The Proposed Merger May Undermine This Commission's Ability to Regulate the Merged Entity.

39. If the SBC/Ameritech merger were approved, the ability of the Commission to effectively regulate the merged entity would become even more difficult. The Comments of the Telecommunications Resellers Association in the Ohio investigation into the Ameritech-SBC merger equally are applicable in Wisconsin:

... the sheer magnitude of the merged entity will mean that the Commission's actions in any matter affecting Ameritech will affect only a proportionately smaller part of the conglomerate. Given Ameritech's already dismal record in responding to end user and carrier concerns, the merger will create an even greater disincentive to comply with the Commission's directives given Ohio's relatively small size in the SBC organization. The Commission and its Staff has already experienced difficulty in getting the attention of an already large organization as Ameritech with many of its decision makers in Chicago. [Footnote omitted]. The even greater remoteness of SBC/Ameritech decision makers located in Texas will only exacerbate an already deplorable situation.

(Telecommunications Resellers Association's Ohio Comments, at 4-5, included in the Appendix as Attachment 10).

E. The Proposed Merger Will Have An Impact On Other Dockets Pending Before The Commission.

40. It also is in the public interest to investigate the proposed merger because the merger is relevant to other dockets pending before the Commission. For example, the nature of the relationship between the merged entity

and its affiliates affects the AADS Docket¹¹ and the Affiliated Transactions Docket.¹² The purpose of the AADS Docket is two-fold: (1) to address AADS's petition for certification as an alternative telecommunications utility ("ATU") reseller in light of the Court of Appeals' decision remanding the matter, and (2) to inquire into the adequacy of the digital service offerings and facilities of Ameritech Wisconsin. The Commission originally denied AADS's petition for certification as an ATU reseller in September 1995. The basis for denial, in part, was that Ameritech could use AADS, even with conditions, to introduce the next generation of digital transmission and broadband services outside of the public switched network of Ameritech Wisconsin. Customers of Ameritech Wisconsin, especially large ones needing advanced data services, would migrate to AADS and take their voice demand with them. Ameritech Wisconsin, losing its most profitable and desirable customers from its circuit switched network, would be less likely to make state-of-the-art improvements to its traditional network and would instead plow its financial resources into its new, data network. Interexchange carriers and resellers who must rely on the traditional network for last-mile access to the customer would be competitively disadvantaged, thereby frustrating the competition goals of Act

¹¹ *In Petition of Ameritech Advanced Data Services of Wisconsin, Inc., for Authorization to Resell Frame Relay, Switched Multimegabit Data, and Asynchronous Transfer Mode Services on an Intrastate Basis and to Operate As An Alternative Telecommunication Utility in Wisconsin*, Docket No. 7825-TI-100 ("AADS Docket").

¹² *Investigation of the Relationship Between Incumbent Local Exchange Carriers and Affiliated Companies Operating in Competitive Markets*, Docket No. 05-TI-158 ("Affiliated Transactions Docket").

496. (Commission Memorandum, dated August 26, 1998, in AADS Docket).

These concerns have not disappeared and, in fact, would be compounded by the proposed merger.

41. The Affiliated Transactions Docket similarly is affected by the proposed merger. The purpose of the Affiliated Transactions Docket is to investigate the relationship between Incumbent Local Exchange Carriers ("ILECs") and affiliated companies operating in competitive markets. The Commission has expressed its concern that the corporate relationship between an affiliate and one or more ILECs affords the potential for anti-competitive conduct through or in conjunction with the affiliate. (Proposed Findings of Fact, Conclusions of Law, and Interim and Final Orders, Affiliated Transactions Docket, at 3).

42. Other state Commissions have found Ameritech guilty of providing preferential treatment to its affiliates.¹³ The merger should be examined to determine its effect on affiliate relationships in Wisconsin.

43. The proposed merger also impacts the Alternative Regulation Plan Docket.¹⁴ Ameritech currently has in place an Alternative Regulation Plan approved by this Commission. This plan was based upon certain commitments

¹³ See *OCTA v. Ameritech Ohio*, PUCO Case No. 97-654-TP-CSS, Opinion and Order, July 7, 1997; *MCTA v. Ameritech Michigan*, Case No. V-11412, Opinion and Order, December 19, 1997; *OCTA v. Ameritech Ohio*, PUCO Case No. 97-1027-TP-CSS, Opinion and Order, April 17, 1997; and, *MCTA, et al. v. Ameritech Michigan*, Case No. V-11507, Opinion and Order, March 24, 1998.

¹⁴ *Investigation of Telecommunications Price Regulation Pursuant to § 196.196(1)(a), Stats.*, Docket No. 05-TI-174 ("Alternative Regulation Plan Docket").

from Ameritech Wisconsin and the existence of certain competitive conditions. As part of the Alternative Regulation Plan, Ameritech was required to report, no later than August 1, 1998, on how competition, economic development, consumer choice, quality of life, societal goals, and universal service have changed during the period in which price regulation has been in effect. (§ PSC 163.06(1), Wis. Admin. Code). Ameritech filed its report, entitled "A Review of the Effectiveness of the Alternative Regulation Plan as Authorized by Act 496," on July 31, 1998. Pursuant to § 196.196(1)(g), Stats., and based on Ameritech's report, the Commission is to review Wisconsin's Alternative Regulation Plan to determine whether it is in the public interest to suspend one or more of the provisions of § 196.196(1), Stats. However, with the proposed merger, the commitments made by Ameritech and the competitive and other conditions may change and, consequently, impact Ameritech's Alternative Regulation Plan. Moreover, these changes may warrant further rate reductions, commitments, or competitive safeguards from or on the merged entity.

VII. CONCLUSION

Petitioners urge the Commission to commence a proceeding to investigate the vast number of issues that will impact Wisconsin consumers, and local and interexchange telecommunications competition, under this proposed merger pursuant to the statutory authority cited in Section IV of this Petition. At the very

least, the Commission should undertake an inquiry of the proposed merger similar to the investigation initiated by the Indiana Commission. The following is a representative list of the issues that the Wisconsin Commission should consider:

- The financial and other benefits that Ameritech and SBC claim will result from the proposed merger.
- The allocation of any such benefits to Wisconsin customers.
- The impact of the proposed merger on Ameritech's operations and organizational structure.
- The impact of the proposed merger on the quality of service.
- The impact of the proposed merger on local exchange competition.
- The impact of the proposed merger on Ameritech's employees and the employees of other entities that perform services for Ameritech.
- The potential of the merged entities to engage in price squeeze behavior for interexchange traffic that originates and terminates within the combined companies' region.
- The impact of the proposed merger on interconnection and Ameritech's Interconnection Agreements with telecommunications carriers.
- The impact of the proposed merger on existing regulatory mechanisms.
- The Commission's jurisdiction over the merged entities' operations and services.

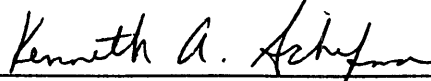
After understanding the impact of the merger on Wisconsin consumers and competition, the Commission should make appropriate orders regarding the merger, should share the results of its investigation with the Department of Justice and FCC, and use the information to make reasoned decisions in the ongoing Wisconsin dockets that the merger affects.

PRAYER FOR RELIEF

For the foregoing reasons, Petitioners request that the Commission commence a proceeding to investigate the proposed merger between SBC and Ameritech, pursuant to its continuing supervisory jurisdiction over Wisconsin telecommunications utilities, to determine the effect of the merger on Wisconsin consumers and competitors, to make all appropriate orders in this and in other resulting merger-affected dockets, and for such other and further relief as the Commission determines to be just and reasonable.

Dated this 9th day of November, 1998.

SPRINT COMMUNICATIONS COMPANY L.P.



Kenneth A. Schifman, Esq.
8140 Ward Parkway, 5E
Kansas City, MO 64114

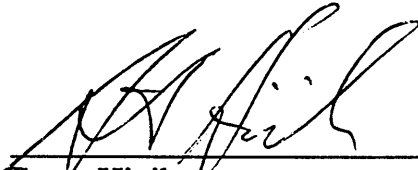
and

Peter L. Gardon, Esq.
Reinhart, Boerner, Van Deuren, Norris &
Rieselbach, s.c.
P.O. Box 2020
Madison, WI 53701-2020

AMERICAN ASSOCIATION OF
RETIRED PERSONS, WISCONSIN
CHAPTER

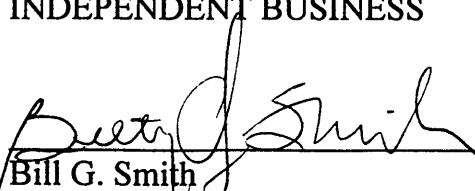
Garfield Stock
Member of AARP Capital City Task
Force
3 South Pinckney Street
Madison, WI 53703

CITIZENS' UTILITY BOARD



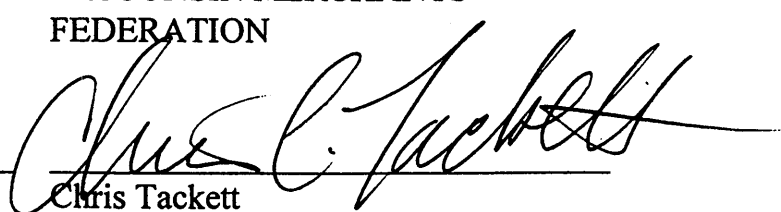
Steve Hiniker
Executive Director
16 North Carroll Street, Suite 300
Madison, WI 53703

NATIONAL FEDERATION OF
INDEPENDENT BUSINESS



Bill G. Smith
State Director
1 North Pinckney Street
Madison, WI 53703

WISCONSIN MERCHANTS
FEDERATION



Chris Tackett
President and CEO
30 West Mifflin Street, Suite 310
Madison, WI 53703

TESTIMONY
of
STEPHEN HINIKER
EXECUTIVE DIRECTOR
THE CITIZENS' UTILITY BOARD

before the
SENATE COMMITTEE ON HEALTH, UTILITIES, VETERANS AND
MILITARY AFFAIRS

FEBRUARY 3, 1999

My name is Stephen Hiniker and I am the Executive Director of the Citizens' Utility Board.. Thank you for holding this informational hearing on the proposed merger of Ameritech and SBC.

As you know, last November CUB petitioned the Public Service Commission to open a docket and hold a hearing on the proposed merger of SBC and Ameritech. I have attached a copy of that petition to this testimony. We are still waiting for a reply to that petition from the Public Service Commission.

The Citizens' Utility Board has four basic concerns regarding the merger:

- 1) We believe the merger would result in higher rates for customers.
- 2) We believe that the merger, if approved, would seriously limit competition for local phone service in Wisconsin.
- 3) Quality of service would likely be even worse than the current service by Ameritech.
- 4) Wisconsin would likely see jobs lost to other states.

We believe that it is prudent for elected officials and regulators to ask: "What possible gains are there for the Wisconsin consumer by the merger of these two telephone companies?" After looking at the record, we think that you will agree that not only are there no gains, but there are many losses for the consumer.

Higher Rates

Currently Wisconsin ratepayers are overpaying for local access charges. Local access charges are the fees long distance companies must pay to local telephone providers to access the local phone loop. While Ameritech charges four times their actual cost for this connection, SBC charges 12 cents per minute in their service area or 24 times the actual cost. This rate would be passed on to customers in higher long distance bills.

Pressure will also increase for SBC to squeeze profits out of the Ameritech service territory to pay for the incentives handed out to Ameritech executives and shareholders for the merger.

Less Competition

Deregulation of the telephone industry was premised on the notion that competition would be a better way of providing consumers with lower rates and higher levels of service.

We have deregulation but do we have competition?

Ameritech still controls 98% of the access lines in their service territory. Is that competition? How will this merger promote competition for local phone service?

Very few residential ratepayers have an alternative to Ameritech for local phone service in the Ameritech territory.

The proposed merger would make a bad situation worse. First, the new SBC would create a monopoly that controls more than 56 million access lines or 35 % of all of the access lines in the nation. It would be the largest telecommunications firm in the nation. The ability of a corporation of such size to fend off competition would be immense.

Regulators will lose another source of information for evaluating quality of service, profits and rates, reducing their ability to oversee industry activity. Customers will have fewer companies to bargain with. By controlling a larger market, there is a greater ability to engage in strategic pricing and manipulation of service quality.

Again, we ask, "Where is the benefit to the consumer?"

If Ameritech is to have competition in the local phone market, it will probably come from a well financed company with local telephone experience. Likely, that company would be positioned geographically close to Ameritech. In other words, SBC would be the most likely competitor to Ameritech for local phone service.

This merger would remove SBC as a competitor. Again, the consumer loses and the entire premise for deregulation loses more credibility.

Quality of Service

Deregulation was supposed to benefit consumers with lower rates and higher quality of service. Yet since the passage of Wisconsin's "Information Superhighway Act" in 1994, Ameritech consumers have seen only one decrease in rates (that was ordered by the state) and an unprecedented decrease in the quality of service.

Telecommunications complaints make up 63% of all consumer complaints tallied by the Public Service Commission. Ameritech complaints dominate the telephone problems reported. Any argument that telephone service quality has improved since deregulation is not credible with consumers.

Yet, as bad as the Ameritech service is, SBC sets a new low. Look at the record.

Service quality complaints against Pacific Bell have more than doubled since the company was acquired by SBC in April of 1997. The California Ratepayer Advocate has reported that the impact of SBC control of Pacific Bell was higher prices, poorer service and less competition.

With the takeover of Ameritech, SBC would keep its ultimate headquarters in Texas. How likely is it for Wisconsin consumers to benefit from having the corporate headquarters moved to Texas. How will the Public Service Commission of Wisconsin do a better job of monitoring a Texas based corporation? Again, where is the consumer benefit?

Jobs

In announcing the merger, SBC and Ameritech have promised that there will be no net loss of jobs. That statement, which you can believe at your own risk, is a qualified statement. Wisconsin elected officials have a responsibility to ask whether that statement means no net loss of jobs in the nation or no net loss of Ameritech jobs in Wisconsin.

We have seen the impact of mergers and takeovers on jobs in Wisconsin. Parker Pen is the latest casualty. Do we want to sit on the sidelines and watch this merger export jobs from Wisconsin?

CUB feels that this merger is bad for Wisconsin consumers and workers. We request that you urge the Public Service Commission to hold hearings on the issue and to intervene, where appropriate, at the federal level.

Thank you.

**The Wisconsin State Telecommunications Association
Opposes Legislation Requiring PSC Approval of Mergers
Before the Senate Utilities Committee
February 3, 1999**

At its December Board meeting WSTA considered potential legislation promoted by AT&T to turn back the clock and require PSC approval of mergers. My Board's opposition to the legislation was unanimous.

AT&T objects to the merger of SBC and Ameritech. It is promoting and funding a strong effort to prevent this merger. Just four years ago, AT&T and the other long distance carriers agreed to repeal the law that authorized the Wisconsin PSC to approve such mergers. WSTA thinks it is wrong to reimpose this restriction. Such approvals are costly, time consuming, and hurt Wisconsin customers.

United States companies must become efficient, low-cost, global competitors. To do this they must grow. This is particularly true in the telecommunication business. Other recent mergers reflect this. MCI was acquired by Worldcomm for \$37 billion. A year ago, AT&T acquired Teleport Communications Group, Inc., a competitive local exchange company, for \$11 billion. AT&T is acquiring the second largest cable television company, Tele Communications Inc. for \$32 billion. This week AT&T announced a joint venture with Time Warner of which AT&T will own 75%. This joint venture and AT&T acquisitions is to enable it to provide local, long distance, data, and Internet service. These mergers and joint ventures allow AT&T to provide those services to 40% of the households in the U.S. USA Today reports that AT&T is in talks with Comstock, another major CATV provider, to provide telephone and Internet service. The only major CATV company that AT&T is not courting is Cox Communications.

By the way, AT&T is refusing to allow other Internet providers or telecommunications carriers to use these cable facilities. If AT&T claims are true, its network will be able to provide Internet and data service at speeds that far exceed those of the local telephone company. Is it possible this committee is looking at the wrong target in assuring consumers are not harmed?

We think the primary reason the large long distance carriers are attempting to prevent mergers of local telephone companies is to delay the entry of the Bell companies into the long distance market.

AT&T, MCI and Sprint directly control over 80% of the long distance market. Indirectly, through resellers that purchase their services, the percentage is higher. For residential and small business customers the rates for long distance service is virtually identical, whether it is their basic rate or one of the highly promoted plans. All have a \$4.95 a month, 10¢ a minute or a surrogate company promoting a 10-10 VVV plan that offers a 50% reduction on calls over 10 minutes. The differences in rates are no greater

than the differences between Tweedle Dee and Tweedle Dum in Lewis Carroll's novel Through the Looking Glass.

AT&T again reported tremendous increases in profits for the third and fourth quarters of 1998. High profits have been true of all three of the large long distance carriers.

Any delay of the Bell companies entry into the long distance market or hindrance of their growth protects those large profits. For now the big three can continue to use mirror rates to assure their profits. When the Bell companies are permitted into the long distance market, consumers will see real price competition. The façade of long distance competition cannot continue when the big three are faced with competitors that have the financial resources and technical ability to challenge them.

In today's competitive global marketplace size matters. The merged company will have the raw size (capital and employees) it takes to make investments and win customers in the global telecommunications marketplace. It's motivated more by market forces and efficiencies and not by market power.

Convergence in technology has made the medium over which this information travels virtually irrelevant. The fractionated market, in which there was once separate voice, data, wireless and video companies are fading. A new market for one stop shop, full service communication providers has emerged. AT&T and MCI recognized market changes and acquired companies to meet those global and consumer demands. SBC and Ameritech also face those same market realities.

Once mergers between large communications companies were approved last year, the market changed and supercarriers were born. To compete against behemoth domestic (MCI/Worldcomm) and foreign competitors (Nippon Telephone and Deutsche Telekom), many companies like SBC/Ameritech, AT&T/TCI, and GTE/Bell Atlantic feel they must merge to compete in the global telecommunications marketplace.

In a recent New York Times business article, titled "At last a New Strategy for AT&T, the CEO of the company made his objective clear in the caption. It reads "C. Michael Armstrong hopes to turn the long distance giant-again- into the only communications you need." SBC and Ameritech want the opportunity to give you more than one option and compete head to head with AT&T and the other global telecommunications players.

I have a difficulty understanding the concerns claimed by the long distance carriers. The Federal Telecommunications Act of 1996 and the Wisconsin 1994 Telecommunications Rewrite Act put strong restraints on the incumbent local telephone companies. There are none on the long distance carriers. Ameritech is under a price cap plan that limits its ability to increase basic local rates. The Wisconsin Act requires Ameritech and other local telcos to continue to improve their facilities and services. The Wisconsin Act controls what Ameritech can charge long distance carriers for access. It also requires

provision of universal service. Both Acts provide means to fund universal service. None of these requirements will change with the merger.

Competition is growing in the local market. WSTA requests the Senate Utilities Committee to not add more restraints on the local telephone companies. Please allow us to continue to form strategic alliances, including mergers, based on customer demands and market forces, not regulatory bureaucracy.

December 14, 1998

The Honorable William Kennard
Chairman
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Dear Chairman Kennard:

Today, the Commission holds hearings on three proposed telecommunications mergers: SBC and Ameritech, Bell Atlantic and GTE, and AT&T and TCI. Together, CWA represents more than 250,000 employees at these companies. This includes 78,000 employees at SBC, 30,000 at Ameritech, 72,000 at Bell Atlantic, 25,000 at GTE, and 50,000 at AT&T.

Since some Commission officials have expressed concerns about Bell company mergers, in this letter I focus specifically on the proposed SBC-Ameritech and Bell Atlantic-GTE mergers.

CWA strongly believes that the proposed SBC-Ameritech and Bell Atlantic-GTE mergers are necessary to ensure that these carriers can continue to grow and thrive in the emerging competitive global telecommunications environment. CWA strongly believes that if the FCC were to block either of these mergers, both workers and consumers would be harmed.

CWA has a simple three-point test which we use to evaluate whether a proposed telecommunications merger is in the public interest. We ask:

1. Will the proposed merger promote the growth of high-wage, high-skill jobs in the telecommunications industry?
2. Will the proposed merger enhance competition in all telecommunications markets, including the local residential and small business market?

3. Will the proposed merger protect and advance affordable, quality telecommunications services to all Americans?

CWA believes that in the case of both the proposed SBC-Ameritech merger and the proposed Bell Atlantic-GTE merger the answer to all three questions is yes.

1. The SBC-Ameritech and Bell Atlantic-GTE mergers will promote the growth of high-wage, high-skill jobs in the telecommunications industry.

As news of MCI-WorldCom's 2,000-3,500 merger-related layoffs becomes public, it is important to note that not all telecommunications mergers are about job-cutting. In fact, in the 18 months since the SBC-Pactel merger closed, SBC created more than 3,600 non-management jobs in California and Nevada. Similarly, Bell Atlantic has created new, permanent jobs in the former NYNEX footprint.

In contrast to the MCI-WorldCom merger, CWA is confident that the SBC-Ameritech and Bell Atlantic-GTE mergers will lead to the growth of good union jobs in the industry. SBC-Ameritech plans an additional \$2 billion capital investment and \$23.5 billion in operating expenditures over the next 10 years. This will result in the creation of an estimated 8,000 new jobs. Based on our experience after the SBC-Pactel merger, we have every reason to believe this projection.

Furthermore, the jobs that these mergers create will be good jobs. The acquiring companies--SBC and Bell Atlantic--recognize the value of a stable, high quality workforce and good labor-management relations. SBC and Bell Atlantic have recognized the value that the Union adds to corporate performance, and have negotiated pathbreaking agreements with CWA to ensure that the new jobs in the industry will be high-wage, high-skill Union jobs.

CWA believes strongly that the impact of a merger upon employment is an important component of the Commission's public interest standard. The telecommunications industry that grew out of the Bell System and the GTE companies has a 50-year history of worker representation. As a result of 50 years of collective bargaining, workers at AT&T, the Bell companies, and GTE have achieved

middle income living standards and stable, productive labor-management relations.

This is in sharp contrast to the employment standards at competitive carriers such as MCI-WorldCom and Sprint long distance. Competitive carriers such as MCI-WorldCom and Sprint long distance have aggressively blocked the legal right of their employees to organize. As a result, most employees at the non-union telecommunications competitors and cable companies lack representation, and earn 25-33 percent less than comparable union-represented employees in the industry.

In determining which mergers to approve, and therefore, which carriers can grow, thrive, and even survive, the Commission may well determine the future of employment standards for workers in this industry. Should the Commission block the proposed SBC-Ameritech and Bell Atlantic-GTE mergers, the Commission may well set the conditions for a continuing erosion of living standards for telecommunications workers. Competition based on suppressing labor costs rather than on providing superior services and technologies is contrary to the promise of the 1996 Act to create good jobs in the telecommunications industry.

2. The SBC-Ameritech and Bell Atlantic-GTE mergers will benefit consumers with enhanced competition in all telecommunications market segments.

As a result of the SBC-Ameritech and Bell Atlantic-GTE mergers, residential and small business consumers will see real facilities-based competition in the local exchange. Until now, competitive carriers have targeted the more lucrative urban business market. The proposed SBC-Ameritech and Bell Atlantic-GTE mergers will provide both of the merged carriers with the scale and scope necessary to invest out-of-region in facilities that will serve all consumer segments.

Indeed, SBC-Ameritech's National-Local Strategy targets 30 new out-of-region markets, including a commitment to deploy 80 switches specifically to serve residential and small business customers, beginning one year after the merger. Similarly, Bell Atlantic and GTE have announced that they will enter and compete in 21 new markets within 18 months of merger closure.

In addition, SBC-Ameritech and Bell Atlantic-GTE will enter these new markets with the capabilities and commitment to compete for all consumer segments. Unlike other new entrants that have shown a disregard for building facilities and providing services to the mass market, a merged SBC-Ameritech and a merged Bell Atlantic-GTE will have the experience, expertise, skilled workers, and name brand necessary to compete successfully for all classes of consumers in out-of-region markets. Thus, these mergers will promote the goal of the 1996 Telecommunications Act to open up the local market with facilities-based competition for residential and small business customers.

As you are well aware, investment in next-generation broadband networks serving all market segments will cost billions of dollars. The Commission acknowledged the scale and scope economies necessary for even large telecommunications carriers to make significant out-of-region investment in local markets when it approved the MCI-WorldCom merger. It would be inconsistent to reverse course, and apply a different standard to incumbent local exchange carriers when they seek to merge in order to achieve necessary scale and scope to compete with other global telecommunications carriers.

3. The SBC-Ameritech and Bell Atlantic-GTE mergers will protect and advance affordable, quality telecommunications services to all Americans.

SBC-Ameritech and Bell Atlantic-GTE candidly acknowledge that a driving force behind their respective mergers is the need to grow to compete effectively for large business customers, which generate a disproportionate share of their revenues. Absent a merger, SBC, Ameritech, Bell Atlantic, and GTE will experience continuous erosion in revenues as large business customers migrate to competitive carriers that do not have costly carrier-of-last resort obligations, tariffed and geographically averaged rates, and other regulatory restrictions barring access to service or geographic markets.

The significant erosion in revenues that would result from the loss of these large business customers would undermine the ability of SBC, Ameritech, Bell Atlantic, and GTE to invest in the public switched network serving residential and small business customers. The impact would be pressure to raise local

rates, reduced investment in the current voice network, and reduced capital available to upgrade networks with broadband capabilities.

It may seem a paradox to argue that incumbent carriers must be able to compete for large business customers in order to promote the 1996 Telecommunication Act's goal to provide and to advance affordable, quality telecommunications services to all Americans. But in this transitional period from regulated to competitive markets, this is indeed the case. During this transitional period, competition is driving investment in networks that serve large business customers. To ensure that residential and small business customers also reap the benefits of this investment, it is necessary to ensure that the carriers that serve the mass market can effectively compete on a level playing field for large business customers. Otherwise, the companies that are required to serve all customers will suffer, with the result being a steady deterioration in the quality and affordability of service on the public switched network serving residential and small business customers.

The Commission has the opportunity, in the context of these merger reviews, to ensure that SBC, Ameritech, Bell Atlantic, and GTE are able to compete with other competitive carriers for large business customers so that they can continue to maintain and to upgrade their networks serving all market segments, including residential and small business customers.

In sum, CWA believes that the proposed SBC-Ameritech and Bell Atlantic-GTE mergers are very much in the public interest. They will create good jobs in the industry. They will stimulate competition in the local residential and small business market, and they will advance the 1996 Act's goal to protect and advance affordable, quality telecommunications services to all Americans.

Sincerely,



Morton Bahr
President

cc: Commissioner Susan Ness
Commissioner Gloria Tristani
Commissioner Harold W. Furchtgott-Roth
Commissioner Michael K. Powell

Ameritech and SBC Communications: Benefiting Customers Through Growth

Combined Company At A Glance

	Ameritech	SBC	Combined
Access Lines	20.9 million	34.6 million	55.5 million
Cellular Customers	3.5 million	5.8 million	9 million (est.)
Employees	70,700	119,000	192,000
Revenues	\$16 billion	\$25 billion	\$41 billion
International Investments	\$8 billion	\$6 billion	\$14 billion in 21 countries

Merger Highlights

CORE STRENGTHS

Through growth, our company will have the scale, scope and resources to give customers the choice and innovation they want. Consumers and businesses benefit from this growth. Offering an integrated mix of local, long-distance, Internet and high-speed data services, we will compete with incumbent local telcos, CLECs, long-distance companies and global giants.

CONSUMER BENEFITS

Capitalizing on the best practices and the efficiencies of combining companies, we will provide more product choices, new and improved services, more competitive prices, more technologies and more convenience for customers. Growth will enable us to follow customers anywhere, in town or across the globe. Consumers will continue to be served by public service commissions that enforce state rules and regulations to deliver quality service at attractive rates.

NATIONAL-LOCAL STRATEGY

By expanding into 30 new out-of-region markets to offer both local and long-distance service, the new company will bring innovation and new choices to customers in the top 50 U.S. markets, competing head-to-head with other communications operators. About 59 million residential and business customers outside the company's existing areas will thus have a choice that would not exist but for the merger. With a network of 2,900 miles of fiber and 140 telephone switches, this geographic growth will unleash full telecommunications competition nationwide.

GLOBAL PLAYER

Telecommunications is undergoing rapid change with the evolution of six to eight global operators capable of offering end-to-end integrated service to businesses with worldwide business interests. Foreign telecommunications carriers such as NTT, France Telecom and Deutsche Telekom are actively seeking opportunities to align with American carriers and gain a toe-hold in the U.S. Similarly, U.S.-based AT&T and MCI WorldCom are expanding rapidly. Recognizing this global expansion, SBC/Ameritech intends to be a U.S.-based global player capable of providing integrated solutions worldwide.

11/17/98



LOCAL COMMITMENTS

Ameritech will maintain its brand, local presence and historical levels of community activities and support. SBC has pledged to maintain Ameritech's current level of contributions and support to economic development efforts, civic initiatives and cultural activities. Symbolic of this commitment, SBC has made it clear the company expects to grow jobs in Ameritech's five-state region, prompting the endorsement of the Communications Workers of America (CWA) union.

COMPLEMENTARY GEOGRAPHIES

Ameritech and SBC today offer local service in different regions of the country – a total of 13 states with just one common border, Illinois/Missouri. Similarly, we have complementary international investments. Where overlapping cellular properties exist, for example in the Chicago and St. Louis areas, one will be divested in each market.

EFFICIENCY

The combination will improve efficiency by integrating resources and skills and permitting us to capitalize on the best practices of two industry leaders in their regions. This will help us innovate and improve customer service. Plus, we will realize economies in purchasing and network deployment, which will allow us to get the best deal for customers.

IMPRESSIVE CALIFORNIA EXPERIENCE

As evidence of SBC's ability to successfully merge companies, here is its track record in California since it merged with Pacific Telesis: 2,200 jobs have been added; performance improved or stayed the same for key service categories, including a 60% improvement in repair times and 80% improvement in installation times; community contributions doubled; and local competition expanded. By every measure, the merger with Pacific Telesis has advanced the public interest.

Timeline

May 11, 1998	Merger announced
July 1998	Merger filings with: Federal Communications Commission Illinois Commerce Commission Public Utilities Commission of Ohio Dept. of Justice (Hart-Scott-Rodino)
October 1998	Filings with about 75 municipalities in the Midwest to transfer cable certifications
December 10, 1998	SBC shareowners meeting
December 11, 1998	Ameritech shareowners meeting
Mid-1999	All approvals received Merger

Ameritech and SBC Communications: Benefiting Customers Through Growth

The world communications market is generating explosive growth. Valued at \$1.1 trillion in 1997, it is expected to grow by \$700 billion, or 60%, by 2002. The scale and scope resulting from the combination of Ameritech and SBC Communications extends the ability of both companies to meet growing customer needs as a global provider of telecommunications services.

Increasingly, customers require their telephone company to offer end-to-end integrated service wherever they go. When a German company like Daimler-Benz operates a plant in North America, it wants its telecommunications carrier to serve all of its communications needs, from voice calls to data, from local service to satellite links, from Detroit or Dresden. U.S. telecommunications companies need to serve their customers globally or we will lose our edge in a rapidly expanding market.

Economies of scale matter in the national and global telecommunications marketplace. The combined Ameritech/SBC will have about \$41 billion in revenue, compared to Deutsche Telekom with \$40 billion, AT&T/TCI/Teleport with \$60 billion, GTE/Bell Atlantic with \$54 billion or Nippon Telephone with \$75 billion. Even this comparison is not representative of the large scale of international telecommunications companies. Deutsche Telekom has partnered with France Telecom and Sprint – combined revenues of \$78 billion – to form Global One, which provides international services.

AT&T's plan to merge with TCI validates this vision of the future — that competition will be among competitors that have the scale and scope to provide an array of telecom services globally. The Ameritech/SBC merger will give the U.S. a competitive counterweight to the AT&T and MCI WorldCom duopoly controlling 80% of the long distance market.

International competition also benefits residential customers. The Internet is truly international in scope and has no boundaries. A residential customer in Chicago, for example, expects to be able to access a web page on a server in San Francisco, then one in Paris, then one in Hong Kong, all with a simple point and click, and at higher and higher speeds. This remarkable feat requires extensive international facilities and coordination.

Just as important, the history of our industry is one in which exciting innovations are introduced first in the business market and then, if successful, migrate to the residential market. Personal computers, cellular phones and three-way calling were used first as business tools. Now they are common features in our homes. Serving large business customers well is crucial to generating the necessary resources for investing in the network and delivering new and improved services for all customers.

Indeed, the pooling of product development resources and the combined best practices of both companies will help us deliver innovative products and services faster. It will let us innovate and improve customer service. And it will allow us to use our economies of scale to help get the best deal for customers. Importantly, since regulation won't change, consumers will continue to be served by public service commissions that still have the authority to enforce company commitments and state rules and regulations to deliver quality service at attractive rates.

11/17/98



Spur competition

The combination of Ameritech and SBC is consistent with U.S. competition policy. It will create economies of scale and synergies that will spur competition.

Key to this increased local competition is a national-local strategy that will enable the company to enter the top 30 U.S. markets where they don't operate today. Ameritech/SBC plans to do so by building and acquiring facilities, and partnering with other facilities-based carriers. This will be the first company to serve both residential and business customers on a national basis, providing a choice to some 59 million homes and businesses.

Progress of this kind has not occurred to date because of incentives regulators have created for the long-distance carriers not to enter the local market. If long-distance companies were to enter, they would face formidable competition from the local companies who are now barred from providing in-region long-distance service. The national-local strategy will break that logjam, causing competition to spread and intensify.

Some say the merger will re-create the Bell system. This myth simply is not true. There is robust competition in all the markets in which pre-divestiture AT&T had monopolies or virtual monopolies. Soon we will have one or more global satellite networks; the internet grows at a geometric rate; there are four to six wireless carriers in many markets; and local competition is growing rapidly. A return to the AT&T monopoly could never occur.

Moreover, the merger will foster competition among many of the communications companies that developed from those originally comprising the Bell System. This expanded competition threatens AT&T, MCI WorldCom and others who don't want consumers to have that choice from someone new. However, consumers do, and they'll benefit by the new SBC/Ameritech.

Committed to our people and the Midwest

At Ameritech, we are proud of our commitment to our five-state region. That same commitment will continue in the combined company. The Ameritech brand will continue to be front and center with customers in the Midwest. The company's corporate and state headquarters will remain. And the same type and level of economic development initiatives, charitable giving and local citizenship will continue.

As far as Ameritech employees are concerned, SBC has made it clear that there will be no net decrease in employment levels in our five-state region resulting from the merger. In fact, as we enter new markets nationally and globally and focus on customer service and innovation, we expect to add jobs because of business growth. This has been the case, too, in California, where SBC has added 2,200 jobs since acquiring PacTel in 1997.

This realization is why the industry's largest union, the Communications Workers of America, wholeheartedly supports the merger, acknowledging that it "contrasts vividly with so many others that focus on firing workers, cutting costs and shipping jobs overseas."

11/17/98

