

**AMERITECH'S COMMENTS ON SENATE BILL 180  
PRESENTED TO THE SENATE UTILITIES COMMITTEE  
OCTOBER 13, 1999**

Ameritech **opposes Senate Bill 180** (SB 180) which would require Public Service Commission (PSC) approval for merger transactions involving telecommunications utilities. SB 180 unfairly imposes a higher merger review standard on local telephone companies and creates an unlevel playing field upon which the local telephone companies must compete.

**ISSUE:** All mergers are bad and hurt consumers.

**FACT:** The telecommunications industry is currently undergoing massive changes. Telecommunications companies which were once limited to certain market segments are now merging with other providers to enter new markets and to gain the size and scope necessary to compete in a rapidly changing global telecommunications marketplace.

This new market structure will be dominated by five or six global carriers capable of offering an integrated package of voice and data services to consumers on a national and international scale. SBC's recently approved merger with Ameritech, as well as the pending mergers of AT&T/TCI-Media One and MCI/Worldcom-Sprint which is the largest corporate merger in history worth \$155 billion, reflect a recurring trend of gigantic mergers taking place in the industry. Wall Street analysts and industry experts agree that the trend towards gigantic mergers is good for the telecommunications industry.

SB 180 would force upon local telephone companies a more burdensome level of regulatory scrutiny while allowing long distance and cable competitors to escape the same standard of scrutiny. As consolidation and globalization occur in the telecommunications industry, this increase in government regulation would harm local telephone companies and their customers because local companies would remain on unequal footing with these new and powerful telecommunication giants. This higher merger standard imposed only on local telephone companies may force these companies to be the losers in a game that can only be won by behemoths.

**ISSUE:** Mergers mean the end of regulation.

**FACT:** Regulatory restrictions on local telephone companies are unaffected by the mergers. The Public Service Commission of Wisconsin would continue to regulate local rates and protect consumers in local markets. The PSC regulates the "telecommunications utility" operations of Ameritech in Wisconsin, as those operations are defined in Chapter 196, Stats. At least since the adoption of 1985 Wisconsin Act 79, the Commission has not had jurisdiction over similar mergers of telecommunications holding

companies, as set for in Section 196.795(8), Stats. 1993 Wisconsin Act 496 had no impact on the scope of the Commission's jurisdiction over the SBC/Ameritech merger.

Moreover, the PSC would still regulate the continued telecommunications operations of Ameritech Wisconsin in an identical manner as prior to the merger. The Commission would continue to enforce the consumer protection provisions of Section 196.219, Stats., the privacy protections of Section 196.209, Stats., and the service quality standards of PSC chapter 165, Wisconsin Administrative Code. The PSC would have the same powers to obtain information from Ameritech Wisconsin after the merger as it did before, pursuant to Section 196.02(4), Stats., which gives the PSC broad authority to "inquire into the management of the business of all public utilities" and "obtain any information necessary to enable the Commission to perform its duties."

The PSC would also have the authority to file comments on a proposed merger at the Federal Communications Commission (FCC). Furthermore, mergers would continue to be reviewed and thoroughly scrutinized by the Federal Department of Justice, the FCC and the Securities Exchange Commission. In short, sufficient state and federal statutory safeguards exist today which protects the interests of the state and consumers and therefore does not warrant further government intervention.

Any additional regulations should achieve regulatory parity and symmetry within the telecommunications industry and should not foster further inequities.

Local companies need the freedom to make these business decisions so they can compete effectively against large global competitors and meet customer demands for innovative products and services. Ameritech believes the market rather than additional government regulations should dictate and determine whether or not it is appropriate for a company to merge or acquire another company.

If you have any further questions please contact Lorenzo Cruz at (608) 282-7874 or Mary Ruble at (608) 282-7878.



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**SENATE BILL 180  
WISCONSIN STATE TELECOMMUNICATIONS ASSOCIATION  
COMMENTS BEFORE THE  
SENATE COMMITTEE ON HEALTH, UTILITIES & MILITARY AFFAIRS  
OCTOBER 13, 1999**

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I am Ray J. Riordan, Executive Vice President of the Wisconsin State Telecommunications Association (WSTA). The Association represents incumbent local telephone companies, Internet service providers, and wireless telecommunication carriers that provide service in Wisconsin.

WSTA thinks that adoption of SB 180 will harm the telecommunications industry, residents and businesses in Wisconsin.

Most people remember fondly the "good old days of telephone service." Telephone bills were simple. With only one provider, it was easy to correct service and billing problems. There was no charge for fixing your phone. No one called selling telephone service during dinnertime. No time was spent attempting to understand which long distance calling plan was best.

However, innovations were slow to be introduced. It was a major industry innovation when color phones were introduced. It took 12 years for regulators to allow cellular service to be provided. Long distance rates were more than double what they are now. Now prices for

telephone service. None of these acquisitions would have been covered by this legislation.

MCI's proposed acquisition of Sprint is not covered. None of the acquisitions of wireless carriers are covered by this bill.

Other mergers and acquisitions of Wisconsin business are not subject to such regulation. Examples include the acquisition by James River of Fort Howard; Kraft's purchase of Oscar Mayer; Star Banc Corp merger with Firststar, or the pending F&M Bankcorp acquisition of by Citizens Banking Corp of Michigan.

Third, the PSC has the power and does regulate the provision of service within Wisconsin. The PSC establishes quality standards for telephone service and standards for customer service. These must be followed by all traditional telephone companies. These standards are the same regardless of any merger or acquisition.

Since the PSC has the power to assure quality service for Wisconsin customers and reasonable rates, merger approval is not necessary.

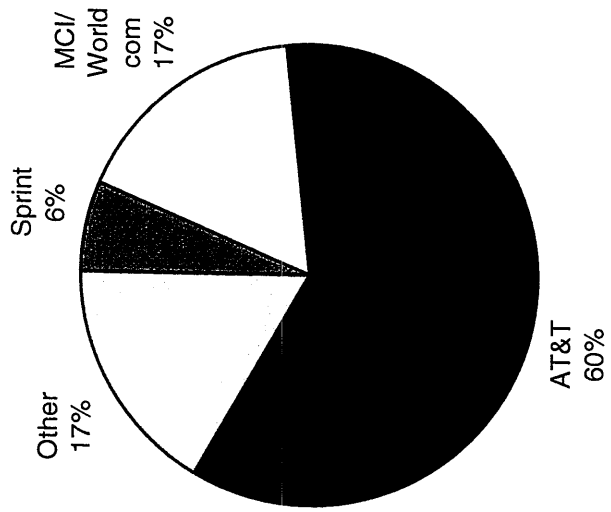
Fourth, while customers want to choose among telecommunications providers and they want one-stop shopping for telecommunications

services. They want the simplicity of a single bill for local, long distance, Internet, wireless, CATV, and other telecommunications services. To provide this integrated service, it is necessary for telecommunications providers to make some acquisitions. However, if regulatory roadblocks deter or delay the merging of these services, Wisconsin customers will not receive both the competition and simplicity they desire.

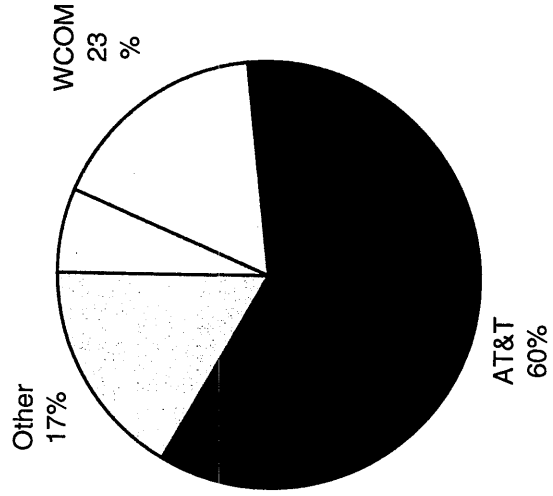
Fifth, the PSC has not had authority over these mergers and acquisitions for the past few years. Several have occurred during that time. We have not seen detrimental effects on our customers, service quality, price, or other aspects of the provision of telecommunications services due to the mergers or acquisitions.

WSTA requests the Senate Committee on Health, Utilities, Veterans & Military Affairs reject SB 180.

**1998 Residential Long Distance Market Share**



**Projected Residential Long Distance Market Share after Merger**



Comments of  
Edward J. Weise  
President  
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October 13, 1999

**Senate Bill 180      Committee on Health, Utilities, Veterans & Military Affairs**

I am sorry that I am unable to appear personally today, but due to a previous commitment that is not possible.

My name is Ed Weise and I am submitting comments, on behalf of GTE, in opposition to SB 180, relating to requiring the Public Service Commission (PSC) to approve mergers, consolidations and certain other transactions involving telecommunications utilities.

GTE does not believe the PSC needs to approve the merger of telecommunications utilities or their holding companies for two important reasons:

First, the PSC already has the power to regulate directly all utilities operating in Wisconsin to ensure that the public interest is protected. Even where a telecommunications utility is merged with another, the PSC retains the power to regulate the surviving utility directly. Therefore, approval of a utility merger is not required to protect the public interest. This analysis applies with even greater force where a holding company - as opposed to an operating utility - is being merged because a holding



company does not provide service directly to the public. Rather, the holding company simply holds the stock of the regulated operating utility.

Second, the PSC has not regulated telecommunications utility mergers for many years. Given this, and given the fact that the telecommunications industry has changed from a monopoly structure to a very competitive and less regulated industry, additional regulation at this time is not necessary to protect the public interest. Quite simply, there is no reason to try to turn back the clock.

Notwithstanding these points, if the legislature desires to regulate utility mergers, it should make clear that approval of holding company mergers is not required. Again, the purpose of the PSC is to regulate operating utilities to ensure that the public interest is served. Today, the PSC does this through cost or price regulation, through service quality measures, and through a variety of rules and reporting requirements. This has been the focus of the PSC regulation for years, and should remain the focus. There is simply no reason to expand the PSC's reach beyond the level of the operating utility.

Thank you for your consideration of my comments and I ask that you not recommend passage of SB 180.



State Senator  
**James R. Baumgart**

OCT 26 1999

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**M E M O**

October 26, 1999

**TO:** Melissa White  
Senator Moen's Office

**FROM:** Pat Henderson  
Senator Baumgart's Office

**RE:** Senate Amendment to Senate Bill 180, relating to PSC approval of telecommunication mergers.

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Enclosed is a copy of the amendment Senator Baumgart would like to introduce to SB 180. Please let me know if you have any questions or concerns. The amendment is being introduced in order to insure that SB 180 is identical to its companion bill AB 39. Thank you for your help in this matter.