

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of the Applications of :
SBC Communications, Inc., (SBC) and Ameritech Corp. :
under Sections 214 and 310(d) of the Communications :
Act for approval of the transfer of control to SBC : CC Docket No. 98-141
of licenses and authorizations controlled or requested :
by Ameritech or its affiliates or subsidiaries. :

COMMENTS OF THE MICHIGAN CONSUMER FEDERATION

October 15, 1998

Submitted by:

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Pursuant to the Notice of pertaining to this docket, the Michigan Consumer Federation (MCF), by its attorney, submits these Comments in Opposition to these Applications.

A. Michigan Consumer Federation's Interest in this Proceeding

The Michigan Consumer Federation is a coalition of organizations representing over 400,000 Michigan residents, many of whom are customers of Ameritech. It was founded in 1991 to advocate for the interests of Michigan consumers in the shaping of public policy on issues before the Michigan Legislature, state executive branch agencies, the United States Congress, and federal regulatory bodies. MCF has regularly had an interest in telecommunications issues before the Michigan Public Service Commission (MPSC) and the Commission in matters related to Ameritech Michigan activities affecting residential ratepayers. MCF submits these Comments because residential ratepayers have the most to lose from a merger between Southwestern Bell, (SBC) and Ameritech.

B. Summary of MCF'S Position

MCF urges the Commission to reject SBC/Ameritech's applications on the grounds that the Applicants have not, pursuant to Sections 214 and 310 of Communications Act of 1934, sustained their burden of proving that such a merger would be in the public interest. Despite assertions in their applications, it is unreasonable to conclude that such merger would spur local competition, would foster the development of new services or enhance service quality. Based

upon principles of economics as demonstrated in the Applicants' own conduct¹ in recent years. the merger could in fact be expected to stifle competition, stifle the development of new technology and result in further degradation of service quality. The Application is so inherently flawed that no combination of conditions would be sufficient to protect the public interest against its anti-competitive consequences.

II. MCF SUPPORTS *EN BANC* HEARINGS

Even as it supports the Commission decision (DA 98-2045) to conduct *En Banc* hearings to discuss recent consolidation activities, MCF takes this opportunity to recommend that those witnesses who appear at the first *En Banc* hearing on behalf of merger applicants, be present at the second hearing as well. In this way, as interested parties participate in the second *En Banc*, the presiding Commissioners can most efficiently use that forum to gather needed information and crystalize the issues; i.e., as non Applicant parties testify, those Applicant witnesses would be available as the need arises to respond to and clarify various issues raised. MCF's recommendation is based upon a similar alternating panel approach effectively adopted by the Public Utility Commission of Texas in its recent Sec. 271 proceeding.²

¹ In these Comments, MCF will place its emphasis on Applicant Ameritech, specifying SBC where appropriate.

² Project No. 16251

III. ANALYSIS OF SBC'S STATED NEED FOR THE MERGER³

By way of a preface MCF points out that the Application is striking in that the “national-local” thrust of the Application⁴ masks the clearly *global* focus driving this effort as acknowledged by the Applicants’ representatives when addressing other forums. Consider, for example, SBC’s testimony before a subcommittee of the United States Senate Committee on the Judiciary⁵ on May 19, 1998, and again at a forum on July 14, 1998 sponsored by the Illinois Commerce Commission. In both instances, Ed E. Whitacre, Jr., chairman and chief executive officer of SBC, made quite clear that the ability to capture global markets is “*at the heart*” of the SBC-Ameritech merger. MCF leaves to other parties the task of demonstrating that the Applicants’ ability to emerge as one of a small handful of globally dominant players is not impossible even if there is no merger; achieving that goal is far from assured if there *is* a merger. In fact, the merger may not be a particularly useful strategy for achieving that goal.⁶

MCF also notes that in the pre-filing publicity generated by the Applicants, the emphasis

³ I.e., in a July 24, 1998 Ameritech press release Notebaert claims the merger would spur local competition, foster the development of new services and enhance quality of service. As an added benefit he describes the synergies and enhanced revenue of a larger company that are necessary to compete in the global market.

⁴ *Description of Transaction, Public Interest Showing and Related Demonstrations* (as also reflected in the Ameritech and SBC press releases dated July 27, 1998 describing such filing.)

⁵ Mr. Whitacre appeared before the Senate Subcommittee on Antitrust, Business Rights, and Competition, Hearing of the United States Senate Committee on the Judiciary.

⁶ See, for example, “Why a Big Deal Could be a Bad Deal for SBC”, Carol Wilson with Kathleen Cholewka and Louis Trager, *Inter@tive Week*, May 18, 1998, in which the authors cite industry analysts’ heavy criticism of the Bells for being “dumb” about the Internet and the implications of this serious flaw as it affects their global ambitions.

had been on the three-fold objectives of stimulating local competition and new services as well as improved service quality.⁷ Such goals are consistent with the needs and reasonable expectations of residential ratepayers in the SBC/Ameritech service territories. However, as discussed below, even in the framework of those laudable objectives, a merger of SBC and Ameritech would retard---not accelerate---those ratepayer driven national-local objectives.

- A. It is unreasonable to conclude that the merger would spur local competition; in fact, the merger could be expected to further stifle the currently slower than sluggish pace of competition.
 - 1. RBOCs *already* have such authority to initiate local service out-of-region under provisions of the Telecommunications Act. Nonetheless, in the nearly three years since passage SBC and Ameritech have done very little to enter those markets and in anticipation of a merger have even abandoned efforts such as had been initiated in St. Louis.

Arguably, the one temptingly attractive aspect of the proposed merger is the Applicants' promise that the merged entity would launch local service competition in 30 out-of-region cities. It was the promise of local competition that was to have been the primary residential ratepayer benefit of the 1996 Telecommunications Act...a promise as yet neither fulfilled nor imminent.

But what might appear at first glance to be a consumer benefit of the merger is in fact a "come on". It is well understood that either SBC or Ameritech could enter out-of-region markets now...and could have since passage of the Act. It is disingenuous for them to contend in their applications that...

Neither SBC nor Ameritech could or would undertake the implementation of such a significant out-of-region and global expansion as a stand-alone company, notwithstanding their belief that such an undertaking is essential and that it will produce demonstrable

⁷ July 14, 1998 press releases of Ameritech and SBC.

synergies and pro-competitive benefits. Neither company, standing alone, has the breadth of experienced management and skilled technical personnel that such an undertaking requires, and it is simply not possible or feasible for either company alone to rapidly secure such personnel. Moreover, neither company individually could bear the financial risk and earnings dilution that the implementation of this strategy entails. (*Description of Transaction, Public Interest Showing and Related Demonstrations* at p. 7)

In contending that on a stand-alone basis neither company would---or economically could--- enter these 30 out-of-region markets, the Applicants obliterate whatever credibility they might hope to have had when arguing a different point. Specifically, if neither of these *Fortune Top 500*, well-financed and entrenched telecommunications companies can make it alone as a stranger in another market, how can they so glibly contend that local competition is on the horizon in their own regions? Surely the same forces that cause them to be too timid to enter other markets should certainly suggest to them that those who raise the same concerns against them are justified.

2. One might conclude from this “promise” to enter 30 out-of-region markets that it is pro-consumer. At best it is aimed only at large business customers with not even a credible *promise* to serve residential customers.

MCF also points out that even in the applications themselves, there is no attempt to mask the fact that the “customers” claimed as beneficiaries of the merger are decidedly large commercial customers--- *not* the residential customers who should be at the heart of any public interest showing.⁸

⁸ Throughout the above-cited *Description* included in the applications, the emphasis is on “large and mid-size business customers” (at pp. 1, 3, 5, 6), who are “the most attractive customers for all competitors” (at p. 4). In fact, other than the repeated concern about “the demands of major telecommunications customers”, there is rare reference to the expected gains of small business and residential customers and even then these are specified as the customers out-of-region. (at p. 5)

It would be a perversion to encourage Ameritech and SBC to prioritize the needs of customers in other countries even as they fund those needs with the rates of their captive United States' residential customers.

Thus, as a practical reality, this merger poses no benefits to these same customers who would most have to foot the bill. Potential gains to customers abroad should not be loaded onto the backs of residential customers within these two regions, although that would be the clear effect of this merger. For example, coincidental with the announcement of its intent to file for merger authority, SBC' chairman and chief executive officer, Edward E. Whitacre, Jr., said,

...the merger makes possible SBC's 'national-local strategy' to enter 30 U.S. markets outside of the two companies' traditional territories and serves as a complete telecommunications provider wherever major *business* customers have a presence. Our ability to meet the needs of major customers will have a direct impact on consumers. Serving large *business* customers is crucial to generating the resources necessary for investing in the network and delivering new and improved services to our customers.⁹ (Emphasis supplied.)

Thus, in Mr. Whitacre's own words, not only are residential customers given short shrift...they're given *no* shrift.

3. Any such promise, whether or not it includes the residential market, is unenforceable.

As tantalizing as the prospect of jump starting local competition in 30 U.S. markets may be, a reality check suggests that once the merger would be approved, the Commission would be all but powerless to enforce such a promise. Further, the track record of both RBOCs does not

⁹ Ameritech Press Release dated July 14, 1998.

bode well for the “trust us” appeal advanced by Mr. Whitacre before the Senate Judiciary Subcommittee on May 19, 1998. An examination of their track records makes clear the vaporous nature of these companies’ promises.

- B. Both Ameritech and SBC have dismal track records for keeping their promises and playing it straight with regulators.
 - 1. Ameritech’s Track Record of Broken Promises that had been made prior to passage of the Michigan Telecommunications Act (MTA) and its subsequent pro-Ameritech amendments.

Broken promise of increased jobs

As explained and documented in an earlier Commission proceeding,¹⁰ Ameritech had in 1991, on the eve of the Michigan legislature’s vote on deregulation legislation, promised in writing to members of that body that if the bill were passed 150,000 jobs would be created in Michigan.¹¹ Instead it slashed its land-line work force by 22%. There had been frustration in Michigan that following divestiture, thousands of Ameritech Michigan jobs had been shifted to Illinois headquarters, to say nothing of other regions and countries. For example, a newly opened customer service office in Lansing which had resulted in 400 new jobs in the state capitol, was recently closed to the dismay of workers and elected officials alike. So much for promises even to their own workers.

¹⁰ *In the Matter of Application of Ameritech Michigan to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Michigan, CC Docket 97-1.*

¹¹ *See, Id.*, Exhibit “B”, letter dated September 19, 1991 from then president and chief executive officer of Michigan Bell, Kenneth E. Millard.

MCF additionally points out the shell game implicit in both SBC and Ameritech's braggart stance with respect to the jobs they've "created". For example, does Ameritech's acquiring existent security alarm companies and folding in their employees "create" new jobs? Should the swelling of their work force abroad give comfort to legislators and regulators here at home?

Broken promise of increased innovated services

As MCF has discussed in some detail in the various state and federal Sec. 271 proceedings, Ameritech Michigan's track record is not one of innovation; it has imitated the services and products available from other providers with new service offerings largely made available only for non-residential customers. Despite the lavish deregulatory bounty it received in the 1995 Michigan Telecommunications Act (MTA) which Ameritech lauded as even more glorious than the 1996 Telecommunications Act, it has yet to showcase any new noteworthy technologies for its residential customers that did not basically exist already (e.g., VOICE MAIL, Caller ID) or are not also available in some variation from other providers. Even their recently touted PRIVACY MANAGER is but an upgrade of their longstanding feature.

There is also something of a bitter irony in their showcasing security alarm services as illustrative of their "new service" offerings. Their aggressive acquisitions of existent security alarm companies may be properly called corporate cannibalism, but it is hardly the stuff of which cutting edge technological advancements are made.

And given Ameritech's brazen overreaching¹² of their statutory authority, their security

¹² E.g., the September 15, 1998 Federal Communications Commission *Memorandum Opinion and Order on Remand and Order to Show Cause*, CCBPol 96-17; July 6, 1998, Federal Communications Commission *Memorandum Opinion and Order on Remand and*

alarm precedent is hardly one to be encouraged. Similar overreaching on the security alarm front, is the argument being advanced that the grandfather protection afforded Ameritech under Section 275 of the Act, would be extended to include SBC should the merger be approved. This would improperly transform the “snapshot” nature of a grandfather provision into never ending video. This interpretation would turn the statutory tradition and intent of Sec. 275 on its head, as well as the tradition of statutory “grandfathering”. Such conduct raises the question of what next?

Broken promise of lower rates

In lobbying and public relations efforts aimed at securing passage of the Michigan Telecommunications Act, Ameritech Michigan implicitly promised lower local rates would result from passage because the substitution of market forces for regulatory forces could not help but stimulate the level of competition with its hallmark of lower rates. Yet in the ensuing years since passage, the Michigan Public Service Commission has found that historic monopolistic rates increased substantially and basic unlimited flat service rates tripled.¹³ See, attached Exhibit “A” for additional examples.

In its most recent¹⁴ discussion of and recommendations concerning local telephone interconnection, the Michigan Public Service Commission concluded that

- The price of telecommunications services has not yet, as had been hoped,

Order to Show Cause, CCBPol 97-7 and CCBPol 97-8.

¹³ E.g., The MPSC’s 1997 *Report to the Michigan Governor and Legislature*

¹⁴ *Report to the Michigan Governor and Legislature on Public Act of 1991 as Amended, Report on Local Telephone Interconnection* (February 1998) at p. 17.

declined.

- At this time, the participants in the telecommunications market appear to be relying more on the regulatory and judicial process than market forces to determine the availability, prices, terms and other conditions of telecommunications services. In other words, the marketplace for local telecommunication services in Michigan is dominated by Ameritech Michigan and GTE and a truly open marketplace remains a goal, not a reality.¹⁵

“...the marketplace for local telecommunications services in Michigan is dominated by Ameritech Michigan and GTE and a truly open marketplace remains a goal, not a reality.”

**Michigan Public Service Commission
in its 1998 Report to the Michigan
Governor and Legislature**

It is striking that the current merger applications are all but silence as to the promise of lower local rates for current SBC/Ameritech customers. Should this not be a fundamental byproduct of the increased competition they claim the merger would spawn? The at-most passing reference to a favorable impact on rates, undermines any attempt to characterize such a merger as procompetitive.

2. Ameritech’s Ongoing Track Record of Not Being Truthful

When Ameritech is not challenging regulators in court it is testing the limits of legal

¹⁵ This conclusion is in sharp contrast to testimony provided by Barry K. Allen, Executive Vice President of Ameritech when he testified on September 17, 1997 at a hearing held before the United States Senate Committee on the Judiciary’s Senate Subcommittee on Antitrust, Business Rights and Competition. Having acknowledged in his testimony that the first of the two main goals of the Telecommunications Act of 1996 was to open up local telephone markets to competition, he declared that goal had already become a reality in the Ameritech region.

compliance on many fronts.¹⁶ Attached as Exhibit “A” is a compilation limited to Ameritech Michigan’s demonstrated violations of the Michigan Telecommunications Act. The examples of Ameritech flaunting the law or exercising its dominant power in anticompetitive ways have strained their credibility to the breaking point, which is why their “promise” to jump start local competition in 30 markets must be taken with more than a grain of salt.

Michigan Public Service Commission finds Ameritech Advertisements “Completely Untrue”

In May of this year the MPSC took the extraordinary step of publicly alerting the public to the fact that Ameritech’s printed full-page advertisement running in newspapers around the state is “completely untrue”. The Commission had earlier found that “under the guise of preventing slamming” Ameritech had actually “engaged in uncompetitive activities” by not accepting customer requests to switch pursuant to Commission-ordered options.¹⁷ (Similar to Orders in 1997 from the Ohio Public Utilities Commission and a 1996 Order from the Illinois Commerce Commission.)

Indiana Utility Regulatory Commission Disputes Ameritech Claims

Another example of Ameritech’s tarnished reputation for credibility can be found in the

¹⁶ In December 1997 the Michigan Public Service Commission had found Ameritech Michigan in violation of the MTA by its offering to its cable customers coupons redeemable toward local telephone service...a practice that Ameritech officials continue to contend is legal. *Ameritech Coupons Must Stop*, The Detroit Free Press, December 20, 1997. Similarly, as the defendant in a class action lawsuit related to their inside wire billing practices, Ameritech considered it an equitable remedy to provide victims with credits toward unregulated Ameritech services rather than simply provide the refund to which customers were entitled. Todt, Monroe, et al vs. Ameritech et al, Case No. 97-L-1020, Circuit Court for the Third Judicial Circuit, Madison County, Illinois.

¹⁷ Case No. U-11550

April 6, 1998 Order of the Indiana Utility Regulatory Commission challenging the accuracy of an Ameritech Indiana report that it spent more money---not less--than required to connect schools, libraries, hospitals and government centers to a high-tech learning network. By contrast the Indiana Commission found that Ameritech had spent \$15.6 million out of a \$60 million commitment in high-tech infrastructure spending. Once caught, Ameritech claimed it had been “short-sighted” in making the previous estimate.

3. SBC’s Track Record of Broken Promises

Attached as Exhibit “C” is an illustrative sample of press accounts of SBC conduct that has generated customer and/or regulatory ire.

C. THE EXTENT AND SIGNIFICANCE OF AMERITECH’S DISINVESTMENT IN THE AMERITECH REGION

The fact that both SBC and Ameritech have disturbing track records of disinvesting in their networks is a necessary backdrop to any analysis of whether such a merger could reasonably be expected to result in the development of new services or improved service quality. Such disinvestment takes the form of the local exchange company taking annual depreciation charges that exceed the total plant it acquires in any given year. Thus the analysis must begin with the conduct of the RBOCs, including SBC and Ameritech when incentive regulation was substituted for the once traditional rate of return regulation. In state after state regulators and legislators were promised that if rate of return regulation were replaced with incentive regulation, the enhanced revenues made available to the RBOCs would be prioritized for investment in the network. This was likewise the commitment routinely made in exchange for ever increasingly

lavish depreciation rates during the 1980s and even into the early part of this decade.

Yet as routinely demonstrated in the comprehensive reports prepared by Economics and Technology, Inc.¹⁸--- relying on the RBOCs' own records--- SBC and Ameritech, like other RBOCs, were not faithful to those promises. Instead they routinely diverted such monies away from the network, monies that were typically instead used in two major ways: 1. as shareholder dividends, and 2. as annual dividend payments to the parent corporation which in turn used that money to support unregulated subsidiaries that would typically be unprofitable but for such financial support coming indirectly from captive local ratepayers.¹⁹

What is particularly rankling to residential ratepayers is that they have been effectively forced to be the unwilling investors in such unregulated ventures yet whatever financial gains are realized are not shared with them in any fashion. And despite whatever implicit promise SBC and Ameritech make now regarding revenue savings and other merger related synergies, no such gains will make their way into captive local residential ratepayer pockets in the form of refunds or lowered Basic rates for the very service these companies continue to provide as *de facto* monopolies. Such a result is hardly in keeping with the balancing act implicit in the public interest standard applied to this merger application.

As to Ameritech Michigan, as MCF set forth in its Comments in last year's Sec. 271

¹⁸ *Patterns of Investment by the Regional Bell Holding Companies* (December 1997 Revision)

¹⁹Only the cellular phone and directory subsidiaries were typically successful enough to have been able to financially survive on their own. Others would have been forced to go belly up but for the financial "assistance" that flowed to them like a geyser, monies indirectly received from the regulated local exchange company.

proceeding, (see footnote 10, *supra*), Ameritech Michigan alone had disinvested in the Michigan network by 1.1 billion just since passage of the Michigan Telecommunications Act. Attached is Exhibit "E" which illustrates the declining investment in property, plant and equipment since 1993. By contrast its earnings have continued to climb dramatically. See attached "F".

- D. It is unreasonable to conclude that the merger would foster the development of new services; in fact, the merger could be expected to stifle technological advances.

As discussed above, Ameritech's track record is one of being an imitator of technology not an innovator.

- E. It is unreasonable to conclude that the merger would enhance service quality; in fact, the merger could be expected to adversely affect already deteriorating service quality.

MCF Has Previously Documented the Serious Decline in Ameritech Michigan's Service Quality

MCF will not repeat here the heavily documented evidence provided in the Sec. 271 submission regarding dramatically declining service quality in Michigan. Instead it includes as Attachment "H" one each of Michigan and Wisconsin press accounts illustrating the widespread frustration even as the commission tripled its staff to handle complaints largely against Ameritech. MCF assumes the Commission will scrutinize SBC and Ameritech's attempts to downplay complaint levels against them by suggesting many or most arise from situations over which they have little or no control. Attached as Exhibit "I" are excerpts from the MPSC's most recent annual report which document the increased levels even accounting for those beyond the scope of Ameritech Michigan's jurisdiction.

Concerns about 911 Service

In its earlier Comments to the FCC²⁰ MCF had raised the concern related to public health and safety considerations resulting from Ameritech Michigan's 911 more than sluggish data base performance ever since it feared losing its base to competitors. Attached as Exhibit "J" is a description of the actions taken by Michigan regulators citing Ameritech's belated and unsatisfactory responses.

A Recent Downward Trend in SBC Service Quality

Although SBC has historically had a better service quality record than Ameritech, there are some disturbing recent trends in SBC that should certainly not be allowed to continue, let alone set the standard for Ameritech. Of concern is SBC's intensified reliance upon a "single thread", so to speak (i.e., increasingly larger numbers of central offices being interconnected to a single fiber cable rather than having multiple paths on which the traffic can flow). As a result, large populations are vulnerable to a outage. A technology that is widely used throughout the world to address that potential risk is known as SONET. It is a SONET ring which serve as a safety net if there is a cable cut; within 1/10 of a second the calls are redirected so that they can reach their intended destination without the customer experiencing an outage.

Yet in the network outage reports submitted to the FCC under Sec. 63.100 of its rules, one can see the problems that arise in the SBC territory when it has not put a SONET ring in place. What could and should be an undiscernable-to-the-customer problem, instead is resulting

²⁰ *In the Matter of Application of Ameritech Michigan to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Michigan, CC Docket 97-1.*

in full scale and expensive outages to residential and business customers alike. Consider, for example, the September 23, 1998-reported outage that occurred on August 24, 1998 at the Central Offices south of Tulsa, Oklahoma. As a result of a cable cut 148, 373 customers were without service for approximately four hours, affecting 21 SBC and 47 independent local exchange company offices! If only SBC had a SONET ring in place there would have been nothing to report. It is clear from the reports---and this one as illustrative---that this was not an aberration in the SBC territory. In fact it *proves* that SBC's engineering practices allow as many as 68 central offices to be connected on a single thread. (i.e. fiber cable). Given all the hoopla in these merger applications about technology advancements it is disturbing that SBC has so utterly failed in such a fundamental and easily available technology that could protect its current customers, let alone the mass of customers it drools over for the future. Must one be a customer of SBC in some other part of the country or world to get basic technological attention?

This particular SBC trend as to SONET ring has not yet manifest itself in the Ameritech outage reports. As a matter of public policy and common sense, however, one must ask whether a merger would result in the best service quality features of each company becoming the new norm or just the opposite? Unfortunately, the historical track record strongly suggests that the service quality bar would be *lowered not raised* as a result of the merger.

- F. It is unreasonable to conclude that the merger is necessary in order for SBC/Ameritech to compete effectively in the global market.

As discussed above in the context of disinvestment, Ameritech has already been using its cash cow local markets to indirectly fund its parent corporation and unregulated subsidiaries as they expand their markets out of region and out of country; this is an enormous competitive

advantage enjoyed by no other telecommunications providers.

Ameritech and SBC have other significant competitive advantages in their effort to gain global dominance.

- In light of their continued insulation from local competition (96% of the local market according to MPSC report) that disinvestment revenue flow can be expected to continue indefinitely.
- Because Ameritech and SBC have no meaningful competitors for their local residential markets, their *market share* will actually continue to grow even in the face of modest competition. This is the result of their continued and effectively aggressive marketing campaigns, e.g., stimulating a demand for Voice Mail, exploiting increased demand for the installation of second lines in the wake of internet expansion, etc. In effect, SBC and Ameritech can count on the size of the market pie growing ever larger. That is in part why it is specious for these RBOCs to cite numbers of lost lines or lost customers to competition in the local market. Not only do they include customers whose service has been disconnected for nonpayment (hardly the product of competition) they also typically include as a "lost" customer one who has subscribed to cellular service in addition to maintaining their service with the local exchange company.
- Their rate of return is three times that of the Fortune 500. See Attachment X which is an excerpt from their most recent annual report to shareholders.
- Given the forced relationship customers have had--and for local service will continue to have---it is no wonder that SBC and Ameritech can be expected to exploit to their competitive advantage customers' preference for one stop shopping.

IV. ANTI-COMPETITIVE EFFECT OF THE MERGER ON THE TOLL MARKET

A most disturbing effect of the merger is the manner in which it can be expected to result in a setback in the state of competition in long distance, which however imperfect, is still the only telecommunications arena in which residential customers do have a choice. The concern arises from the fact that it has been estimated that based upon the geographical contours of what would be the new merged region, a full 45% of the long distance calls that originate in the combined SBC/PacBell/SNET/Ameritech service territory also terminate there.²¹ This means that on day one after the merger, this merged entity would have a built in and enormous competitive advantage by virtue of the fact it will not have to pay itself any access charges. Thus, for however brief and predatory a time period, it will be in a position to underprice its competitors for toll service, not because of its management or technological superiority or even because of any risk taking being rewarded by the marketplace. On this basis alone, the merger applications should be rejected as not in the public interest. See attached Exhibit "K" which describes a recent court ruling in Michigan which already widens Ameritech's control of that market.

V. CONCLUSION

For all of the reasons stated above, Michigan Consumer Federation urges rejection of these Applications as not in the public interest.

²¹"Comments in Opposition to the Proposed Merger of SBC and Ameritech", dated September 3, 1998, submitted by Sprint Communications Company, L.P. and United Telephone Company of Ohio d/b/a Sprint, before the Public Utilities Commission of Ohio in Case No. 98-1082-TP-AMT.

Respectfully submitted,

A handwritten signature in black ink, reading "Kathleen F. O'Reilly". The signature is written in a cursive style with a large, sweeping initial "K" and a long, horizontal flourish extending to the left.

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Exhibit "A"
(2 pages)

STATE OF MICHIGAN
IN THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of)
)
AT& T Communications of)
Michigan, Inc.,)
)
Complainant,)
)
v.)
)
Amenitech Michigan d/b/a)
Michigan Bell,)
)
Respondent.)

Case No. U-11660

DIRECT TESTIMONY OF JERRY W. FINEFROCK

FOR

INTERVENORS LONG DISTANCE OF MICHIGAN, INC., AND
TELECOMMUNICATIONS RESELLERS ASSOCIATION

JULY 23, 1998

An Incredibly Sad Story:
In The Absence of Effective Telecommunications Legislation In Michigan,
Ameritech Has Made Huge Increases To Michigan Residential Long Distance Prices
With Stealth and Deception

Residential Toll Rates In Michigan: For Intra-ATA Toll Calls.

1. As of 10/12/95, Ameritech's average residential toll rate in Michigan is \$.1323 per minute.
2. Effective 11/9/96, without any notice to customers, Ameritech raises the rate across the board, to a new rate of \$.1504 per minute. This is approximately a 14% rate hike, *which adds about \$55 million a year* to the phone bills of Michigan consumers. Ameritech issues no press release at all about the rate hike.
3. Effective 12/9/96, on one day's notice, Ameritech shifts to a flat rate of \$.15 per minute. This is only a fraction of a percent lower than the average price established a month ago, but Ameritech puts out a press release saying that for most residence customers, the \$.15 per minute rate will be a savings. (A savings of only two tenths of one percent, but still a savings!) *Ameritech fails to mention that on average, this toll rate is 13.4% higher than it was, only 31 days ago!*
4. Effective 8/29/97, Ameritech again hikes the residential toll rate, to a new figure of \$.17 per minute. This is a hike of 13.3%, and costs Michigan consumers another \$50 million in higher Ameritech toll rates. Once again, the rate hike is instituted on one day's notice, and without requiring the approval of the Michigan Public Service Commission. And again, to our knowledge, Ameritech didn't put out a press release announcing this major rate hike.
5. Effective 3/1/98, based on another filing on one day's notice and without needing to seek M.P.S.C. approval, Ameritech again hikes the Michigan residential toll rate to \$.18 per minute. *In only a year and a half's time, Ameritech has raised the rate by a cumulative 36%, producing a cumulative annual cost increase to Michigan consumers of over \$140 million.* And once again, the increase is done via stealth, in the dark of night, without any prior notice given to customers that they may need to budget higher monthly long distance costs.

Exhibit "C"
(9 pages)
PACIFIC BELL

PUC May Make
Pacific Bell Pay
For Service
Delays B2

WEDNESDAY, JULY 23, 1997

B1

Pac Bell May Pay for Service Delays

PUC staff readies recommendation for refunds by utility

By Jonathan Marshall
Chronicle Staff Writer

The California Public Utilities Commission staff is preparing to recommend sanctions against Pacific Bell for long delays in installing new lines and making repairs, sources said yesterday.

Hundreds of witnesses are said to be ready to testify, if need be, about service delays. "We can't wait any longer," one commission source said. "We haven't seen any improvement."

If Pacific Bell fails to get its act together, staffers say they will recommend that the PUC make the utility refund some of its installation or monthly service fees to customers.

In addition, two consumer groups yesterday charged that Pacific Bell is greeting many of its customer service calls with busy signals or long waits.

In a filing with the PUC on June 30, attorneys for Pacific Bell claimed the local phone company answered more than 80 percent of all calls to its business office within 20 seconds, for the months of April and May.

That standard, among others, was required by the PUC in its March 31 decision approving the acquisition of Pacific Bell by SBC Communications Inc. The commission warned of unspecified penalties for failing to meet the service quality goal.

But The Utility Reform Network in San Francisco and the Utility Consumers Action Network

in San Diego said yesterday the utility's claims of compliance don't stand up under scrutiny.

Tom Long, a telecommunications attorney for TURN, tried calling Pacific Bell's 800 number several times this month in an informal test of the company's response time. A third of his calls led to a recorded message about "unexpectedly high call volume," followed by a busy signal.

UCAN never managed to get through to Pacific Bell's customer service representatives within 20 seconds during its own survey period, from July 7 to July 18. "The reality is that Pacific Bell has a new call waiting service here," quipped UCAN executive director Michael Shames. "You call for service and wait, and wait, and wait."

Long said the two groups are calling on the PUC to make Pacific Bell "explain the discrepancy between the real world of customers and their claims."

Neither organization conduct-

ed a scientifically valid survey, they conceded. And their results for July may not be comparable to April and May.

"July and August are the busiest months in our business office," said Pacific Bell spokesman John Britton. "It's kind of like going to a shopping center and trying to find a parking place during Christmas season."

William Schulte, director of the PUC's consumer services division, said the commission hasn't yet done any tests of its own to check on Pacific Bell's service claims. "It's something we probably will do based on what (TURN and UCAN) have alleged," he said.

Schulte said the commission is looking at a range of service problems, including missed service calls and long waits for installation of first and second lines. One member of the Redwood City planning commission only got a second line installed after being promised that

it would be up and running in April, he said.

Pacific Bell's Britton said some of the problems stemmed from a backlog of work built up in April, when a group of service technicians brought in from Canada on temporary assignment returned home.

Since January, Pacific Bell has hired 2,000 people, including field and customer service representatives to deal with soaring demand for telephone services. It has 200 new training to answer customer calls.

In its latest filing with the PUC, Pacific Bell said it met 99 percent of its service commitments — meaning its line technicians showed up when they said they would.

But Schulte said, "I've handled so many complaints from private citizens and public agencies that my frustration level is at the breaking point."

Complaints About Pacific Bell Flood PUC

Customers irate about long delays

*By Jonathan Marshall
Chronicle Staff Writer*

Responding to a rash of complaints from irate Pacific Bell customers who are waiting as long as six weeks to get a phone line, state regulators are demanding information from the company about its service.

The California Public Utilities Commission has asked Pacific Bell to hand over data on how long it takes to install new lines and how often it meets its promises for initiating service by a given date.

Although Pacific Bell said it usually takes only five days to start service, many Bay Area consumers are waiting much longer.

David Grabel and his wife ordered two phone lines for their new home in Redwood City six

weeks before they moved. But the Grabels didn't get their first phone line until three weeks after they moved in. And that was after they waited at home hours for technicians to show up.

"We have an infant, so having a phone when we took possession of the house was important to us," he said. "When you have a little one running around you really want a phone for emergencies."

Grabel said they finally gave up

ever getting a second line, for his home office. "I'm laughing now but my wife is still fuming."

The PUC said it has noticed a marked increase in complaints in the past few months. Customers usually complain to PUC commissioners only after they have exhausted all other remedies, said Timothy Sullivan, telecommunications adviser to PUC Commissioner Henry Duque. "So we are just

PAC BELL: Page A13 Col. 1

PAC BELL

From Page 1
seeing the tip of the iceberg."

Sullivan met with Pacific Bell's general manager for Northern California service operations on June 8 to talk about deteriorating service.

The PUC staff is preparing a report for the commissioners. "It's certainly an area we can't ignore," said Bill Schulte, director of the PUC's consumer services division.

Pacific Bell concedes it has minor problems, which it blames on summer demand for new lines as people move and add second lines for faxes, Internet access and talkative teenagers. Pacific Bell says the number of lines in its service territory is growing 12 percent to 14 percent per year.

Spokesman Ho Blair said the company aims to serve customers within four days, but now takes an average of five working days to install a new line.

"We realize it's been an imposition for some customers," he said. "We are bringing in additional technicians and hope to eliminate the extra delay."

Blair said the problem is not specific to any area. Other company officials have told the PUC the problem is worse in the South Bay, where demand for additional lines is soaring among affluent and Internet-savvy customers.

Pacific Bell acknowledged last winter that it had a problem catching up with customer demand for new lines, but said it was busy hiring and training new technicians.

The company still is, according to William Quirk, assistant to the vice president at Communications

'I've dealt with the DMV, IRS and INS and if you combine them all at their worst, Pacific Bell puts them to shame'

— SARA CHIENNAULT, ALAMO

Workers of America International. "They've been working diligently to get additional people on the payroll," he said.

Pacific Bell hasn't been diligent enough for many customers, however. Sara Chennault, an art student living in Alamo, placed her order for her first phone line on May 28. She's still waiting.

Twice company technicians scheduled appointments, then broke them without calling. She was put on hold for long stretches and cut off while trying to reach customer service.

"I've truly never dealt with such incompetence," she said. "I've dealt with the DMV, IRS and INS and if you combine them all at their worst, Pacific Bell puts them to shame."

William Mandel, editorial director of a public relations firm in San Francisco, recently moved from Sonoma to San Rafael. Six weeks in advance, he ordered phone lines for himself, his wife and his computer. He confirmed the new numbers and installation date four times, then had stationery printed and notified friends of the new numbers.

On the day of the move, Pacific Bell told him the numbers weren't available, and it could not honor the installation date. Later his wife stayed home all day waiting for a technician who never showed.

Mandel said one technician told him, "You'd think that now that we have competition, things would get better. But this place just isn't the same."

Businesses are having troubles getting new lines, too. Brian McConnell owns Pacific Telephony Design in San Francisco, which sells telephone equipment via an Internet catalog. He recently moved offices within the city and requested five ordinary phone lines.

After he moved, an installer showed up to say the phone company had temporarily run out of lines to string into his office.

While McConnell waited for his new numbers, Pacific Bell proceeded to forward some voice calls from his old number to a fax line. It forwarded other voice calls to someone else's home. Then it disconnected all of his numbers.

McConnell said he lost a lot of money during the more than two weeks he was unreachable by phone. It didn't help his reputation as a seller of phone systems to have his own one wrecked.

"I can guarantee one thing — the instant we have an alternative (to Pacific Bell), I will switch all of our service over faster than you can say, 'Sayonara.'"

PERSONAL TECHNOLOGY

Customer Service Complaints Soaring at PacBell

TELECOM TALK
KAREN KAPLAN

Local telephone competition may be arriving—albeit slowly—in California, but it doesn't seem to be having the desired effect on customer service at Pacific Bell.

Complaints about the state's dominant local phone provider, which has traditionally had a strong service record, have been soaring. The state Public Utilities Commission received 1,536 complaints about Pacific Bell's service quality in the first seven months of this year, compared with 819 complaints during the same period last year, according to figures compiled by The Utility Reform Network, a consumer watchdog group in San Francisco.

Complaints about missed service appointments also skyrocketed, from 24 last year to 460 this year,

according to TURN. Meanwhile, complaints about the state's other big local phone provider, long-maligned GTE, have been on the decline, a PUC official said—although the agency has not compiled specific numbers.

PacBell admits it suffered a string of service problems earlier this year, when unprecedented demand for additional phone lines for fax machines and Internet connections had service workers scrambling. Then, repairing damage from floods in April and May put technicians on overdrive and caused more service delays.

But those were aberrations in Pacific Bell's otherwise admirable customer service record, said John Britton, the company's director of media relations in San Francisco. He noted that J.D. Power & Associates ranked PacBell second among 13 local phone companies in customer satisfaction in a poll released in August.

"We are no longer a monopoly," Britton said. "If we don't satisfy

our customers, they'll go somewhere else."

Lonnie Lowther did. This summer, after moving to a new house in Martinez, Calif., she badgered Pacific Bell customer service agents for six weeks to get her phone service started. After a series of vague excuses and an unexpected and fruitless visit by a PacBell technician on the Fourth of July, she called AT&T.

"The AT&T lady gave me her name and number and said, 'If you have any problem, call me,'" said Lowther, who works in the accounts receivable department of Crocket Electric in Martinez. "I couldn't get that at Pacific Bell."

AT&T, MCI and other companies now compete in the local phone business by reselling Pacific Bell service, but they have not pursued residential customers aggressively.

Consumer watchdog groups contend the problems are the result of extensive layoffs at PacBell over the last few years, as well as the distraction of the \$16.5-billion

takeover by SBC Communications. The consumer groups don't pin the blame on SBC, but say the situation has not improved since the Texas-based company took over in April.

The PUC required Pacific Bell to report customer service problems as one of its conditions for approving the merger.

Late last month, the PUC ordered Pacific Bell to revamp the estimates, bills and collection notices it sends customers. The action resulted from a complaint by Wilson Ogg, a Berkeley attorney who had a second line installed in his home. At a PUC hearing, an administrative law judge pronounced Ogg's notices indecipherable, said commission spokeswoman Kyle DeVine.

"It says in big, bold letters that you have to pay the total bill or be disconnected, then way at the bottom in utility-ese it says you only have to pay for basic service," DeVine said. "We want them to clean up their bills and get their notices right."

Pacific Bell has 60 days to offer improvements on repair notices and 90 days to revamp its bills and disconnection warnings, she said. The commission also ordered a six-month investigation into whether the confusion causes PacBell to overcharge for repair and installation work.

Britton said PacBell would comply with the PUC's order, but insisted that "we don't think there's any problem here or that any changes are necessary."

The PUC's action was followed by a complaint from two consumer watchdog groups. TURN and the Utility Consumer Action Network asked the commission to fine PacBell at least \$13 million for failing to answer phone calls and meet service appointments at the levels required by the PUC. The company says it hasn't violated the rules.

Karen Kaplan covers technology, telecommunications and aerospace. She can be reached at karen.kaplan@latimes.com

PacBell facing possible probe over service

BY STEVE GINSBERG

Business Times staff writer

Disturbed by rising complaints about Pacific Bell, Public Utilities Commission staff are recommending the agency launch a formal investigation into the company's service.

The five PUC commissioners are expected to consider the staff recommendation at their Feb. 27 meeting. A probe could last several months and carry penalties, said PUC service quality analyst Natalie Billingsley. The investigation would focus on Pacific Bell but look at service by other carriers as well.



Natalie Billingsley

Turn to page 49

Complaints against PacBell double; PUC starts to move

Continued from page 1

Complaints against Pacific Bell have at least doubled since the company was acquired by SBC Communications last April, Billingsley said. More than 100 complaints have been filed. The PUC is most concerned about reports of delays in installing or repairing service, utility staff failing to appear at appointments and difficulties in contacting a live person at PacBell's business office. The complaints peaked last summer and early fall.

Any investigation could carry high stakes for PacBell and its corporate parent. SBC wants to get permission for PacBell to enter the lucrative long-distance market and is expected to formally file a request next month.

Commissioner Jesse Knight, who heads the PUC's telecommunications proceedings, said service quality will be one issue commissioners look at in reviewing PacBell's application for flexibility in pricing and profits.

"The complaints were a surprise," said Knight, who met with SBC CEO Edwin Whitacre on Feb. 17 to discuss PacBell's long-distance aspirations. "We want to see how they are addressing them. They have made strides to improve their performance and in some areas are exceeding PUC standards. But at this point I can't



Ed Whitacre

say 'yea' or 'nay' on their getting into long distance. I'll take a look at all the data."

Billingsley said increased demand spurred by the strong economy, combined with changes stemming from the SBC

merger, may be responsible for the higher number of complaints.

"Many people at PacBell took buy-out packages at a time when demand for new services (for instance, second phone lines) was growing radically," she said. "They have attempted to add installers and the guys in the trucks, but turnover rate there is high, with about 80 percent washing out. They have to be careful with who they hire, because these people go into your home."

Pacific Bell staunchly defends its current service levels, claiming it has vastly improved in the last six months by hiring 2,000 new technicians since the SBC takeover.

"We take service levels seriously and are concerned that the PUC is looking into it, but we think the situation has been fixed," said PacBell spokesman John Britton.

"A year ago we were getting out to repair lines in five to six days," he said. "Now, despite the flooding and wettest winter in a century, we have cut repairs to two days. We still are on a five-day installation for new lines and we're not happy with that. We're looking to cut that to two days." ■



Jesse Knight

Pac Bell Faces Fine for Lousy ISDN Service

By Jonathan Marshall
Chronicle Staff Writer

Pacific Bell faces a possible fine of \$515,000 and other sanctions stemming from long-standing problems with its ISDN service.

ISDN, a digital voice and data service, is used by more than 100,000 California customers for clear phone connections and fast Internet access. ISDN stands for Integrated Services Digital Network.

Last month, a judge at the California Public Utilities Commission proposed the half-million-dollar fine, ruling that the phone company had violated a commission order to report on customer-satisfaction levels and underreported serious service problems.

The judge also proposed that, in the future, Pacific Bell waive its \$125 installation fees for customers who have problems with their line hookups. That would just apply when overall customer satisfaction fell below certain minimum levels.

The five-member PUC will consider

PAC BELL

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the proposed sanctions at its next public meeting on May 21. The item tops its general agenda.

Pacific Bell spokesman John Britton called the recommended fine "outrageous," saying the company did not hurt any customers, but merely was unintentionally late in filing some paperwork.

He also said Pac Bell has doubled the number of ISDN service technicians in the past year and slashed repair times.

Last spring, the PUC granted Pacific Bell a large rate increase for business and residential ISDN service; residential rates, for example, jumped \$5 to \$29.50 per month. In response to widespread consumer complaints of poor service, however, the PUC required Pacific Bell to file customer-satisfaction survey results.

But the phone company missed its Sept. 1, 1997, reporting deadline and later supplied results only for business customers. Its initial report also was rosier than data that it later verified as accurate.

Two Pacific Bell witnesses later blamed the reporting breakdown on a "misunderstanding," but neither could explain further why the company failed to comply.

Administrative law Judge Kim Malcolm also noted in her ruling that the commission expected Pacific Bell to improve service quality to the point where 10 percent or fewer customers reported "poor" or "terrible" problems with line installation or maintenance.

But in Pacific Bell's surveys from last July — two months after its rate increase went into effect — 48 percent of residential customers complained of poor or terri-

ble installation and 24 percent complained similarly of substandard maintenance.

Pacific Bell's record has since improved but not up to the commission's standard. In December, the latest month for which figures are available, 18 percent of residential customers said they experienced poor or terrible installation and more than 12 percent said they had lousy line maintenance.

"Their service last year was deplorable," said Barry Fraser, a staff attorney for Utility Consumer Action Network in San Diego. "To their credit, they did improve late last year, but that was only after we filed a motion for sanctions because of incredibly bad service."

Robert Larribeau, San Francisco-based chairman of the California ISDN Users' Group, said an unscientific poll of ISDN users last winter confirmed widespread dissatisfaction with Pacific Bell's service. Among respondents, 48 percent said they experienced poor or terrible installation and 23 percent said they suffered equally bad maintenance.

Larribeau said he personally tried to get a line reconfigured last year and spent months trying to iron out mistakes made by the phone company. He only succeeded by going around the customer service department to a higher-level manager he knows personally.

"I don't think they've made any real magic breakthroughs" in service, Larribeau concluded.

San Jose Mercury News

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Pac Bell tactics attacked

■ **Hard sell:** State consumer panel wants cease-and-desist order for what it calls unethical phone service pitches.

BY REBECCA SMITH
Mercury News Consumer Writer

Consumer advocates for the state Public Utilities Commission want to slap Pacific Bell with a cease-and-desist order, charging Thursday that the phone company uses unethical, high-pressure sales tactics to push its phone products, sometimes violating privacy law.

The complaint, lodged by the Office of Ratepayer Advocates, asks the commission to order Pacific Bell to change its sales procedures, notify customers that it has been deceptive and cooperate with PUC efforts to determine whether refunds to customers are warranted.

Asking the commission to intervene is a rare move by the advocacy unit, consisting of roughly 100 analysts, engineers and lawyers charged by the Legislature with representing consumers in PUC proceedings. But the advocates say Pac Bell's practices are offensive enough to warrant immediate intervention.

The PUC investigation came after a number of complaints from consumer organizations, even though the commission hadn't received any complaints from customers about Pac Bell's sales techniques.

See PAC BELL, Back Page

ALLEGATIONS AGAINST PACIFIC BELL

■ That Pac Bell treats every call from a phone customer as a marketing opportunity, and that the aggressive pitches to sell customers a variety of phone services are sometimes deceptive.

■ That the phone company doesn't tell customers that they can block Caller ID.

WHAT'S NEXT

The PUC will hear the complaint. It could act immediately, or do nothing.

Pac Bell's Practices Under Fire

By Jonathan Marshall
Chronicle Staff Writer

Pacific Bell came under withering fire from a state regulatory office yesterday for allegedly running roughshod over consumer interests.

The Office of Ratepayer Advocates, a consumer advocacy division of the California Public Utilities Commission, yesterday asked the commission to bar "harmful and misleading" sales and marketing practices by the telephone company. These include high-pressure sales of services like Caller ID and lax policing of customer privacy.

Pacific Bell's practices "compromise the safety, privacy, financial integrity and basic consumer protections and customer service requirements" of California law, the consumer office said in a report to the commission, which it also forwarded to several state legislators and independent consumer groups.

But William Schulte, director of the PUC's consumer services division, said his office examined its own records and found no complaints about the issues raised by the Office of Ratepayer Advocates. He said he would defer to ORA on the matter.

Another source within the PUC said

PACIFIC BELL: Practices Under Fire

From Page B1

some complaints have come in from labor unions and employees within Pacific Bell, but not consumers.

John Britton, a spokesman for Pacific Bell, said of ORA, "These people are out of control. This is stuff that's been raised by others and already found wanting by the commission."

ORA staffers said they uncovered a pattern of abuses during visits to a Pacific Bell residential service order center in April and May. After monitoring customer calls, they alleged the following problems:

■ Pac Bell's service representatives allowed callers who were not the subscriber of record to make changes to accounts in violation of the law and at the expense of customer privacy and security.

■ Service representatives subjected callers to "aggressive and misleading" sales pitches to drop Caller ID blocking on their lines. Pacific Bell's Caller ID service becomes more valuable as fewer customers block it.

■ Phone company agents marketed packages of expensive custom calling features with names like "Essentials" and "Basic Saver Pack," which could mislead customers into thinking they were necessary or available at no extra cost. The PUC barred similar sales practices in a 1986 order, the ORA report charged.

■ Pacific Bell made little attempt to screen callers who requested Universal Lifeline Telephone Service, available to low-income residents for rates as low as \$3 a month. Pacific Bell had little incentive to police the program because it recoups lost revenue by tapping a special state fund.

In February, the Telecommunications International Union filed similar charges with the PUC. It claimed that Pacific Bell was forcing service representatives to "engage in unethical, deceptive and high-pressure sales tactics" for high-value services like Caller ID.

Britton denied the charges, noting that Pacific Bell cannot afford to abuse its customers as competition grows in the California telecommunications market.

Exhibit "D"
(2 pages)

Ameritech's Violations of the Michigan Telecommunications Act

Ameritech's Violation of the MTA	MPSC Case Number	The Date of MPSC Order
▪ Failing to report \$1.7 million asset transfer to Ameritech's unregulated cable affiliate.	U-11507	March 24, 1998
▪ Refusing to pay competitors over \$6 million dollars owed for calls to Internet service providers.	U-11178 et al.	January 28, 1998
▪ Jointly marketing a regulated service with an unregulated service.	U-11412	December 19, 1997
▪ Preventing customers with long term toll contracts from accepting local service from a competitor. (Case settled without admission of liability.)	U-11498	December 12, 1997
▪ Failing to maintain names and addresses of Ameritech's competitor's customers in the 911 system.	U-11229	September 30, 1997
▪ Discriminating against competitors regarding compensation for cellular and paging traffic. (Case settled without admission of liability.)	U-11370	September 30, 1997
▪ Preventing customers with long term toll contracts from accepting local service from a competitor. (Case settled without admission of liability.)	U-11350	September 12, 1997
▪ Unilaterally modifying the compensation formula for terminating telephone traffic with small independent local service providers. (Case settled without admission of liability.)	U-11298	June 5, 1997
▪ Degrading of access service. (Case settled without admission of liability.)	U-11240	May 22, 1997
▪ Deceptive and misleading bill inserts harmful to competitors.	U-11038	August 1, 1996
▪ Discriminating against a competitor in the provision of Feature Group A service.	U-10941	April 10, 1996

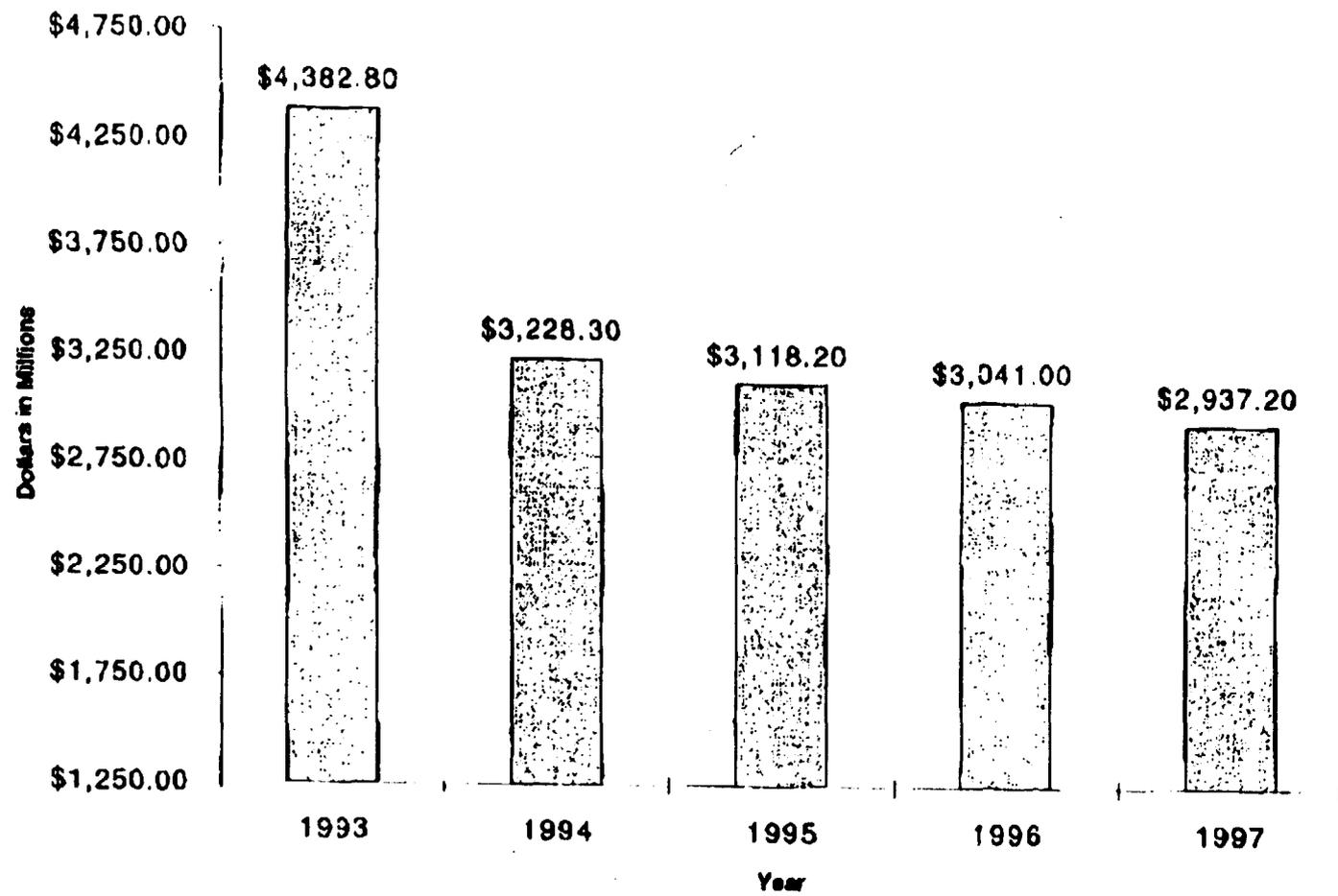
Ameritech's Violations of the Michigan Telecommunications Act

Continued.....

- | | | |
|---|---------|---|
| ▪ Substantially overcharging Michigan customers while undercharging Ameritech's affiliate in Ohio for relay services. | U-10672 | October 12, 1994 |
| ▪ Jointly marketing regulated and unregulated services without MPSC approval. | U-10655 | March 10, 1995 |
| ▪ Engaging in cross-subsidization and anti-competitive sales of services below cost (Court of Appeals reversed on an unrelated technicality). | U-10225 | May 21, 1993 |
| ▪ Refusing to provide fair and equal treatment ("dialing parity") to intraLATA competitors. | U-10138 | February 24, 1994
July 19, 1994
March 10, 1995
June 26, 1996 |

Highlights from Ameritech-Michigan Selected Financial and Operating Data

Since 1993, Property, Plant & Equipment - Net down 32.98%



P.03

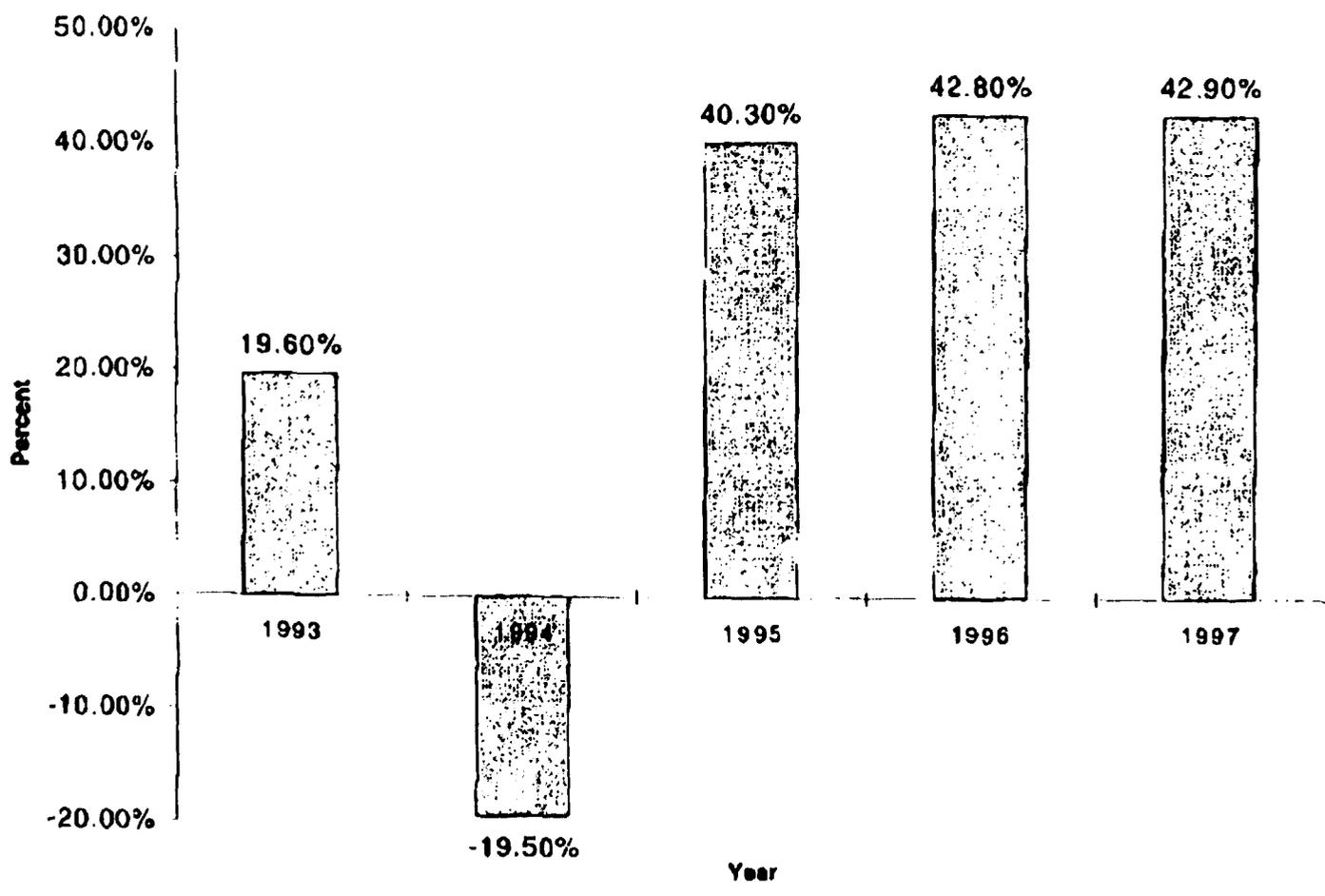
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Highlights from Ameritech-Michigan Selected Financial and Operating Data

Since 1993, Ameritech's Return on Average Equity up 118.88%



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CHAIRMAN'S LETTER/Q&A

SUCCESS DRIVERS

LEADERSHIP

INVESTOR INFORMATION

VISION STATEMENT

1997 was our fifth consecutive year
of double-digit earnings growth.

Financial Highlights

	1997	1996	% Change
(dollars in millions, except per share amounts)			
Revenues	\$ 15,998	\$ 14,917	7.2
Income before one-time adjustments ¹	\$ 2,346	\$ 2,116	10.9
Net income ¹	\$ 2,296	\$ 2,134	7.6
Basic earnings per share before one-time adjustments ^{1,2}	\$ 2.14	\$ 1.91	12.0
Diluted earnings per share before one-time adjustments ^{1,2}	\$ 2.12	\$ 1.91	11.0
Basic earnings per share ^{1,2}	\$ 2.09	\$ 1.93	8.3
Diluted earnings per share ^{1,2}	\$ 2.08	\$ 1.92	8.3
Average common shares outstanding (in millions) ²	1,098.7	1,103.8	(0.5)
Dividends declared per share ²	\$ 1.148	\$ 1.078	6.5
Total assets	\$ 25,339	\$ 23,707	6.9
Long-term debt	\$ 4,610	\$ 4,437	3.9
Total shareowners' equity	\$ 8,308	\$ 7,687	8.1
Book value per share ²	\$ 7.57	\$ 6.99	8.3
Return on average equity	28.5%	28.7%	—
Capital expenditures	\$ 2,651	\$ 2,476	7.1
Net cash from operating activities	\$ 4,510	\$ 3,743	20.0
Year-end stock price ²	\$ 40.25	\$ 30.32	32.8
Year-end dividend yield	2.8%	3.6%	—
Price/earnings ratio ³	19.0	15.9	—
Total return	37.3%	6.9%	—
Number of shareowners	760,075	837,544	(9.2)
Number of employees	74,359	66,128	12.4

¹ Results for 1997 include several one-time items. For a detailed discussion of these adjustments, please see *Management's Discussion and Analysis*.

² Per share figures adjusted to reflect two-for-one stock split effective at year-end 1997.

³ Price/earnings ratio calculated using diluted earnings excluding one-time items in both years.

INSIDE AMERITECH

CHAIRMAN'S LETTER/Q&A

SUCCESS DRIVERS

LEADERSHIP

INVESTOR INFORMATION

VISION STATEMENT

Selected Financial and Operating Data

Ameritech Corporation and Subsidiaries

As of December 31 or for the year ended
(dollars in millions, except per share amounts)

	1997	1996	1995	1994	1993	1992	1991
Revenues	\$ 15,998	\$ 14,917	\$ 13,428	\$ 12,569	\$ 11,865	\$ 11,285	\$ 10,983
Operating expenses ¹	12,199	11,412	10,125	10,540	9,307	8,941	9,001
Operating income	3,799	3,505	3,303	2,029	2,558	2,344	1,982
Interest expense	505	514	469	435	453	495	545
Other income (expense), net	390	326	260	147	117	125	219
Income taxes	1,388	1,183	1,086	571	709	628	491
Income before special accounting items ²	2,296	2,134	2,008	1,170	1,513	1,346	1,165
Special accounting items ²	—	—	—	(2,234)	—	(1,746)	—
Net income (loss)	\$ 2,296	\$ 2,134	\$ 2,008	\$ (1,064)	\$ 1,513	\$ (400)	\$ 1,165
Earnings (loss) per share ³							
Income before special accounting items ²							
Basic	\$ 2.09	\$ 1.93	\$ 1.81	\$ 1.06	\$ 1.39	\$ 1.25	\$ 1.10
Diluted	2.08	1.92	1.81	1.06	1.39	1.25	1.10
Special accounting items ²							
Basic	—	—	—	(2.03)	—	(1.62)	—
Diluted	—	—	—	(2.03)	—	(1.62)	—
Net income (loss)							
Basic	\$ 2.09	\$ 1.93	\$ 1.81	\$ (0.97)	\$ 1.39	\$ (0.37)	\$ 1.10
Diluted	2.08	1.92	1.81	(0.97)	1.39	(0.37)	1.10
Dividends declared per share ³	\$ 1.148	\$ 1.078	\$ 1.015	\$ 0.97	\$ 0.93	\$ 0.89	\$ 0.86
Average common shares outstanding (millions) ³	1,098.7	1,103.8	1,107.2	1,098.5	1,088.2	1,073.1	1,062.1
Total assets ⁴	\$ 25,339	\$ 23,707	\$ 21,942	\$ 19,947	\$ 23,428	\$ 22,818	\$ 22,290
Property, plant and equipment, net ⁴	\$ 13,873	\$ 13,507	\$ 13,457	\$ 13,455	\$ 17,366	\$ 17,335	\$ 16,986
Capital expenditures	\$ 2,651	\$ 2,476	\$ 2,176	\$ 1,955	\$ 2,108	\$ 2,267	\$ 2,200
Long-term debt	\$ 4,610	\$ 4,437	\$ 4,513	\$ 4,448	\$ 4,090	\$ 4,586	\$ 4,964
Total debt ⁶	\$ 7,646	\$ 7,592	\$ 6,651	\$ 6,346	\$ 6,692	\$ 6,704	\$ 6,938
Debt ratio	47.9%	49.7%	48.7%	51.2%	46.0%	48.9%	46.1%
Return on average equity ⁵	28.5%	28.7%	29.5%	(13.6)%	20.1%	(5.9)%	14.5%
Return on average total capital ⁵	18.1%	17.1%	18.2%	(4.6)%	13.1%	0.2%	10.6%
Market price per common share ³	\$ 40.25	\$ 30.31	\$ 29.44	\$ 20.19	\$ 19.19	\$ 17.81	\$ 15.88
Access lines (000s)	20,544	19,704	19,057	18,239	17,560	17,001	16,584
Cellular subscribers (000s)	3,177	2,512	1,891	1,299	860	586	483
Employees	74,359	66,128	65,345	63,594	67,192	71,300	73,967

1 Increase in operating expenses in 1994 was due to nonmanagement work force restructuring charges of \$728 million, while operating restructuring credit of \$134 million.

2 Special accounting items represent an extraordinary item for the discontinuation of FAS 71 (accounting in a regulatory environment in accounting principles in 1992 for FAS 106 (\$1,644 million) and FAS 112 (\$102 million).

3 Gives retroactive effect to all stock splits.

4 Substantial reduction in total assets and property, plant and equipment, net in 1994 was due principally to the discontinuance of

5 Return on average equity and return on average total capital are calculated using weighted average monthly amounts.

6 Total debt excludes preferred stock issued by subsidiaries of \$250 million in 1997, \$60 million in 1995 and \$85 million in 1994, mandatory redemption.

Exhibit "H"
(4 pages)

freep / business

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Delays leave new Ameritech users on hold

March 5, 1998

BY **DEBORAH SOLOMON**
Free Press Business Writer

Delays in Ameritech telephone line installation are prompting a rise in complaints by Michigan businesses and residential customers. Some customers say they've been without phone service for days or weeks after a promised start date.

Ameritech acknowledges some delays, blaming them on tremendous growth in southeastern Michigan and increased demand for phone lines.

"Nobody anticipated just how well Michigan was doing in terms of attracting new business. That's good news for the state," Robert Cooper, president of Ameritech Michigan, said Wednesday. "The downside to that is that as a result of that unprecedented growth, there are pockets where we are greatly exceeding our forecasts."

As Ameritech struggles to meet customer demand, it is also cutting staff and aggressively promoting additional services -- like free installation on second phone lines.

Delays in service have caused problems for companies such as public relations firm **Marx Layne** of Farmington Hills, which was using cellular telephones to make and receive calls this week, because Ameritech hadn't activated the company's lines on the agreed-upon start date.

Other customers, such as Troy resident Bob Walker, say they've been waiting more than a month to get a dial tone from Ameritech.

The Michigan Public Service Commission, which regulates phone service, says complaints about Ameritech's service delays are on the rise. "We have been getting more complaints about delays," said Mary Jo Kunkle,

spokeswoman for the commission.

So far this year, the commission has gotten about 50 complaints about In 1997, the commission received 251 calls about service delays involving all telephone companies. In 1996, it got 111 calls.

Commission officials said many complaints come from businesses that say they can't get their phone lines installed when and where they want them.

Ameritech says the problems are related to growth in metro Detroit and other areas. With more businesses moving in and more people adding phone lines, Ameritech's capacity is taxed, said Karen Sanborn, an Ameritech spokeswoman. "In high growth areas, and metro Detroit is prime for people ordering additional lines for business and residences, we have areas ...where we simply do not have the facilities in the ground to accommodate the volume," she said.

Cooper said the company is investing more than \$700 million every year to lay more cable and wire, maintain phone lines and boost capacity, but the boom exceeded everyone's expectations. "Customers who desire our service and are waiting a long time are the exception, not the rule," he said. "A large majority of lines we put in don't require us to go out and do any work so we can give customers service when they want it. However, there are often areas where there was nothing before and it takes time for people to ...plow for new cable."

According to Ameritech, 115,000 telephone lines were added in 1997 in southeastern Michigan. In 1996, 73,000 lines were added. Sanborn said it takes an average of eight days for Ameritech to install new lines.

An Ameritech line technician, who spoke on the condition of anonymity, said the average is more like three weeks. "We can't meet all the demand," he said. "They are offering all these promotions, so we're at more places and in the customer's house longer. But they won't pay us overtime, and so we can't get to as many places."

In recent months, Ameritech has been running a promotion that waives the \$42 installation fee for residential customers who order a

second phone line. The program has been popular, with many families ordering second lines for their children or to use for computers.

But at the same time Ameritech is getting more orders, it is cutting back its customer service staff. Tuesday, Ameritech announced it would close its Lansing customer care center, where 395 employees work. Some of those employees will move to other customer centers, but some jobs will be eliminated. The workers handle complaints and orders for new service.

Cooper said the move won't affect service or delivery time because the care centers will function more efficiently with fewer people. "What we're doing is intending to consolidate centers across the Ameritech region.... I think it will enable us to give better service."

Marx Layne is awaiting such service, said co-owner Fred Marx. His company, which moved its office last week, notified Ameritech in December that it would need its 20 phone lines operational Feb. 26. Wednesday, five lines were functioning and two of those were for fax machines.

"People are lining up to use the phones here like it's a bakery," Marx said. "It's ridiculous. People are calling us and it's just ringing and ringing or they get a busy signal. We've had to call our clients and tell them to page us and everyone's running around using cellular phones. It's almost comical."

Walker, who works for **Belimo Air Controls**, based in Connecticut, said he ordered two phone lines from Ameritech the first week of January for his home office in Troy. The company scheduled installation for Feb. 2, but on that date, technicians told Walker there was a problem with the outside telephone wires. "They said it would take two or three days to fix, a week at the most," Walker said. A month later, he's still waiting.

Other businesses are experiencing similar problems. Howard Lang, who runs **Alarm Systems Plus** in Sterling Heights, said he was unable to activate alarm service for a customer who moved because Ameritech couldn't turn on the phone lines.

"The company had to negotiate with a cellular phone company to lease phones until

Ameritech got their phones turned on," Lang said. "We came out to install the alarm, but had to come back again after the phones were turned on. We had to charge the customer for two visits."

Deborah Solomon can be reached at 1-313-222-5173 or by E-mail at dsolomon@det-freepress.com

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MONEY

Ameritech tops list with 3,428 complaints

By Judy Newman
Business reporter

Wisconsin consumers had a bushel of gripes about their utility companies last year.

They filed a record number of complaints — 9,446 — with the state Public Service Commission. That's a 34 percent increase over the 7,072 complaints lodged with the PSC in 1996 and a jump of 89 percent from the 5,000 complaints of two years ago.

Even so, a relatively small portion of consumers take the route of grumbling to the PSC. Only four Wisconsin utilities registered a rate of more than one complaint for every 1,000 customers: Ameritech, GTE, and two Milwaukee companies, Wisconsin Electric and Wisconsin Gas.

Most grumbling last year stemmed from the way some utilities — such as Ameritech and Wisconsin Power & Light Co. — cranked up pressure on customers to pay back bills.

The PSC supports those efforts, as long as residents who honestly cannot pay are handled with kid gloves, said Mary Pat Lytle, assistant administrator of the division of water, compliance and consumer affairs.

"Utilities have to be very diligent in their collection," Lytle said. "They can't be on the bot-

Annual utility complaints continue to rise

Telephone

'93	1,220
'94	1,588
'95	2,967
'96	4,463
'97	6,032

Electric

'93	841
'94	1,337
'95	1,136
'96	1,421
'97	2,040

Natural Gas

'93	579
'94	561
'95	543
'96	687
'97	951

Combination Gas/Electric

'93	117
'94	178
'95	185
'96	284
'97	258

SOURCE: Wisconsin Public Service Commission WSJ graphic

Chart: Utility company complaints/3E

Please see COMPLAINTS, Page 3E

Area utility companies draw complaints

		Complaints		
		'97 total	'97 rate*	'96 rate*
Telephone				
Company	Access lines			
Ameritech	2,004,684	3,428	1.71	1.08
GTE	468,133	547	1.17	1.53
Natural Gas				
Company	Customers			
WEP&O	360,517	162	0.45	0.25
WP&L	142,789	45	0.32	0.25
MG&E	103,848	91	0.90	0.36
Electric				
Company	Customers			
WEP&O	937,388	1,354	1.44	.098
WP&L	389,596	299	0.77	0.47
MG&E	120,746	120	0.69	1.11

* Per 1,000 customers

SOURCE: Wisconsin Public Service Commission

WSJ graphic

Complaints

Continued from Page 1E

tom of the list any more — they can't afford to be."

Telephone tribulations

Ameritech topped the list of complaints to the PSC last year, with 3,428. That's a 59 percent increase over 1996 and disturbed PSC officials so greatly they met repeatedly with Ameritech leaders and prompted some changes.

For example, no more long-distance calling and extra features for people with large unpaid bills. "Things like call-waiting, a cellular phone, pagers for all the kids. We were seeing them from people on W-2," said PSC consumer affairs program manager Jim Lawrence.

Complaints about Ameritech, which soared to 1,183 during the first three months of '97, were virtually cut in half by the fourth quarter, at 591.

Last month, the PSC initiated an experiment, setting up aggrieved customers in a three-way call with a commission staffer and an Ameritech representative. About 60 calls were handled that

way in January, and the program has been extended through February, Lytle said.

"We see a lot of good. People are able to work that (deferred payment) agreement out on the spot," she said.

In a couple of cases, though, when told they'll have to give up features like caller ID and call-waiting until their bills are up to date, customers have replied, "Never mind; maybe I'll just pay it," Lytle said.

One result of the cooperation is a sharp drop in disconnections, from 10,257 in January to 3,671 by December, said Ameritech spokesman Ralph Deptolla.

"The policies we implemented earlier this year with the commission are working, to everyone's benefit," Deptolla said.

Slamming and cramming

Slamming — or having your phone company switched without your permission — drew 579 complaints to the PSC last year, 242 of them in the fourth quarter. That's the largest quarterly total since the practice came to light a couple of years ago.

Many victims take the issue straight to their local phone com-

pany instead. Ameritech recorded that 14,144 of its Wisconsin customers last year found bills from a long distance provider they'd never approved.

One company, Minimum Rate Pricing of Bloomfield, N.J., was named in 44 PSC complaints. The state attorney general's staff is reviewing the cases for possible action, said spokesman Jim Haney.

Meanwhile, more and more Wisconsinites are receiving phantom charges from psychic hot lines or bills for pagers they never ordered. Such problems, called cramming, drew 76 complaints to the PSC in the fourth quarter, up from 17 the previous quarter.

"We thought they were errors at first; then all of a sudden, we saw a pattern," said Lytle. She plans to attend a conference on cramming in Washington, D.C. this month.

WPL complaints grow

Complaints against WPL totaled 344 — a 59 percent jump from 216 the year before — mainly because of the utility's stepped-up collection efforts.

Each month, WPL contacts 32,000 customers who are late in paying their bills, so the complaints represent "a very, very small number," said WPL spokesman Todd Van Fossen.

Customers who don't live up to deferred payment arrangements now have to make a significant payment to keep their service. And if they don't — outside of the winter months — their heat and lights will be cut off.

"And that has gotten a lot of people's attention," Van Fossen said.

WPL disconnected 6,300 households in 1996 and 8,500 in 1997. At the same time, the unpaid bills owed the utility fell from \$10.3 million a year ago to \$8.2 million.

MGE draws fewer gripes

Madison Gas and Electric Co. was the subject of 151 complaints to the commission last year, down from 172 in 1996. About 80 percent were from electric customers.

One thing the PSC report does not reflect is whether the complaints against the state's utilities were justified. But that will change.

A system launched Jan. 1 will keep track of staff assessments, after hearing from both the consumer and the utility.

"Just because a complaint is filed doesn't mean (the utility) is doing something wrong," Lytle said.

Ameritech to pay \$615,000 in settlement

Ameritech agreed Thursday to pay \$615,000 in forfeitures and penalties to the state to settle allegations that it failed to meet phone service standards during an eight-month period in 1995.

About 4,200 Ameritech customers lost service from Milwaukee to Green Bay during the summer of 1995. Customers had long waits to report service problems or in having service restored, a spokesman for Attorney General James Doyle said.

An Ameritech spokesman said Thursday the problems were a combination of bad storms that toppled lines, an unanticipated number of employees taking early retirement and the company's busiest month of the year.

Exhibit "I" (6 pages)

Telephone Customer Complaint and Inquiry Records Opened by the MPSC in 1997

Billing	Total Records Opened
Wrong Rate	1
Billing Errors	1,054
Billing Refunds/Credits	55
High Bill	86
Rates Too High	148
Responsibility For Bill	354
Unauthorized Usage	6
Bill Payment Assistance	86
Toll Fraud/Alleged Theft	39
Corrected Bill	8
Customer Charge	33
Miscellaneous	495
Subtotal	2,365
Service	
Type of Service	13
Repair-Maintenance	624
Delay In New Service	251
New Service	131
Unauthorized Usage	3
Service Restoration	27
Company Right-of-Way	2
No Service Until Bill Is Paid	27
Pole Location	3
Response To Service Call	133
Tree Trimming	5
Line Extension	1
Interface Location	7
Radio/TV Interference	39
Miscellaneous	149
Subtotal	1,415
Deposit	
Total Records Opened	
Amount Of Deposit	15
Refund Of Deposit	3
Reason For Deposit	24
Settlement Agreement For Deposit	3

No Service Until Bill Is Paid	4
Collection in Error	2
Subtotal	51
Disconnect	
Threatened Disconnect	33
No Notice Sent	38
No Timely Notice Sent	58
Medical Emergency	9
Service Restoration	20
Disconnect In Error	116
Non-Payment	30
Miscellaneous	44
Subtotal	348
Payment Arrangement/ Settlement Agreement	
Default Of Agreement	13
No Agreement Offered By Company	20
Denial Of Agreement	16
Terms Rejected By Company	31
Terms Of Agreement	47
Miscellaneous	15
Subtotal	142
Hearings	
Formal Hearing/Packet	27
Notice of Hearing	1
Appeal To Informal Hearing	2
Miscellaneous	3
Subtotal	33
Other Regulated & Non-regulated Issues	
Operator Service Providers (non-rate)	135
Unregulated Long Distance Toll Carriers	351
Cellular Telephone	61
Customer Premises Equipment	54
Installation/Repair Inside Home	33
Linebacker, Repair, Etc.	22
Cable TV	43
Customer-Owned Coin-Operated Telephone	26

Recorded Messages/Marketing	335
900/976 Dial-It Messages	293
Slamming	1,510
Rural Line Charge	4
Rude Customer Treatment	91
Telecommunications Act (PA 179)	124
Telecommunications Act (400 Cap)	2
Annoyance Calls	150
Caller ID	117
Voice Mail	50
Payphones/Coin Rates	13
Equal Access	78
Yellow Pages	53
Directory Assistance - InterLATA	51
Prepaid Phone Cards	24
Toll Restriction	74
Federal Access Charge	78
Extended Area Service	212
Objects To Company Service Area	45
Special Access Tariff	127
Tariffs, Rules, Publications Requested	237
State Access Charge	214
Dial-1 Parity	77
911	55
Advanced Credit Management	18
Local Service Competition	143
Directory Assistance - Local/IntraLATA	325
Other Issues	1,073*
Subtotal	6,298
GRAND TOTAL	10,652

*Many of these contacts related to Case Nos. U-11435 and U-11556 -- an Ameritech Michigan rate case pending before the Commission.

January 30, 1998
Consumer Information Section

[Return to Consumer Complaints and Inquiries Page](#)

Please email any comments to sharon.l.theroux@cis.state.mi.us.

TELEPHONE			
Customer Contacts Handled by the MPSC			
1996			
	Complaints	Inquiries	Total
Billing			
Miscellaneous	225	163	388
Billing Errors	349	42	391
Billing Refunds/Credit	40	9	49
High Bill	32	43	75
Rates too High	75	115	190
Responsibility for Bill	143	46	189
Unauthorized Usage	1	1	2
Bill Payment Assistance	23	134	157
Toll Fraud/Alleged Theft	2	15	17
Corrected Bill	8	5	13
Customer Charge	7	8	15
Wrong Rate	3	1	4
Vendor Payment	0	1	1
Total	908	583	1,491
Service			
Miscellaneous	83	36	119
Repair-Maintenance	403	93	496
Delay in New Service	83	28	111
Line Extension	0	5	5
Unauthorized Usage	0	2	2
Service Restoration	6	1	7
Company Right-of-Way	1	5	6
Regrade Party Line	9	14	23
No Service Until Bill Is Paid	15	22	37
Pole Location	8	1	9
Response to Service Call	81	40	121
Tree Trimming	1	5	6
TV/Radio Interference	12	36	48
Type of Service	5	6	11
New Service	32	24	56
Total	739	318	1,057
Deposit	Complaints	Inquiries	Total
Miscellaneous	1	7	8
Amount of Deposit	4	5	9
Refund of Deposit	4	8	12

Reason for Deposit	2	28	30
Settlement Agreement for Deposit	0	3	3
No Service Until Bill Is Paid	0	7	7
Collected in Error	0	1	1
Total	11	59	70

Disconnect

Miscellaneous	22	5	27
No Notice Sent	10	21	31
No Timely Notice	5	4	9
Medical Emergency	4	11	15
Service Restoration	8	4	12
Disconnect in Error	46	31	77
Non-Payment	18	21	39
Threatened Disconnect	10	52	62
Total	123	149	272

Payment Arrangement/Settlement Agreement

Miscellaneous	16	13	29
No Agreement Offered by Company	10	7	17
Denial of Agreement	10	11	21
Terms Rejected by Company	16	35	51
Terms of Agreement	20	10	30
Default of Agreement	11	27	38
Total	83	103	186

Hearings

Miscellaneous	0	9	9
Prehearing Payment	0	0	0
Appeal to Informal Hearing	0	1	1
Informal Hearing	1	0	1
Formal Hearing/Packet	3	36	39
Total	4	46	50

Non-Regulated Issues

	Complaints	Inquiries	Total
Operator Service Providers	18	567	585
Unregulated Long Distance Toll Carriers	13	209	222
Cellular Telephone	3	71	74
Customer Premises Equipment	11	22	33
Install/Repair Inside Home	14	47	61
Linebacker, Repair, etc.	1	12	13
Cable TV	2	40	42

Customer-Owned, Coin-Operated Telephones	2	48	50
Recorded Messages*	69	125	194
900-976 Dial It Messages	43	255	298
Slamming	283	513	796
Rural Line Charge	0	18	18
Rude Customer Treatment	26	45	71
Telecommunications Act (PA 179)	0	31	31
Telecommunications Act (400 Cap)	0	6	6
Annoyance Calls	24	122	146
Caller ID	17	171	188
Other Issues	**234	***584	818
Total	760	2,886	3,646
Other Regulated Issues			
Extended Area Service	35	243	278
Objects to Company Serving Area	12	62	74
Special Access Tariff	0	10	10
Tariff, Rules, Publications Request	10	228	238
Other Issues	135	****1,023	1,158
Total	192	1,566	1,758
GRAND TOTAL	2,820	5,710	8,530

* Solicitations, auto dialing, answering device, etc.

** Includes issues related to blocking, directory assistance/listing, PIC changes, marketing list, yellow pages, voice mail, Advanced Credit Management, damage claims, miscellaneous charges, etc.

*** Includes issues relating to voice mail, directory assistance, equal access, federal access charge, yellow pages, calling cards, pay phone rates, closed payment centers, etc.

**** Includes issues related to Ameritech's new call plans, Case No. U-11148, Operator Service Provider rates, state access charge, etc.

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Please email any comments to sharon.l.theroux@cis.state.mi.us.

Last Update: 2/7/97

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Agency sides with city

Ameritech must correct its 911 database or face fines

October 1, 1997

BY **HUGH MCDIARMID JR.**
Free Press Staff Writer

Citing "belated and unsatisfactory responses" to complaints about errors in Ameritech's 911 emergency phone number database, a state agency imposed stiff new rules on the telecommunications giant Tuesday.

The Public Service Commission's ruling came in response to a complaint filed by the City of Southfield late last year alleging that the database too often failed to provide information about the location of callers to its 911 dispatch center.

The problem came to a head after dispatchers were shown wrong addresses during high-profile crimes, including the robbery of Darakjian Jewelers and a shooting at the Silver Triangle Building.

An informal survey of 911 dispatch centers in lower Michigan this summer showed that similar database problems occur frequently statewide.

The commission's order requires Ameritech to:

- Verify 100-percent accuracy of each of the seven million addresses in its 911 system within one month -- a process that already is under way, according to Ameritech officials.
- Provide 100-percent verification of the accuracy of each of the approximate 300,000 monthly changes to the database every month for the next year.
- Reimburse counties and other telephone-service providers for costs associated with errors in the database.
- Reimburse the City of Southfield for legal

fees and other costs incurred in pursuing the complaint.

The order also requires the company to correct database errors within one business day or pay a \$1,000 fine for each day the problem continues.

"I think the winner here is the citizen," said Charles Nystrom, director of central dispatch for Barry County. "I give the credit to Southfield for standing tall.... It will take a concerted effort of 911 directors and Ameritech to solve the problem."

Tim Jenkins, director of 911 operations for Ameritech, said Tuesday that the company will discuss whether to appeal parts of the ruling. But many of the orders, he said, are already being fulfilled by Ameritech -- most notably the 100-percent system-wide verification.

"Many of the actions in the order are under way or in our planning," he said. "We are doing everything we can to make the database more accurate."

Catherine McCormick, civilian operations director for the Southfield Department of Public Safety, said the commission validated Southfield's complaints about Ameritech's sluggish response.

"We are confident the 911 system will be even better with these enforcement systems," she said. "I believe their accuracy rate is fairly high, but we're still seeing situations where we see totally different addresses for 911 callers; even as recently as this weekend."

McCormick said Ameritech's response to 911 concerns has become noticeably more vigorous since the city took its complaint to the PSC. "Two years ago, we started this procedure," she said. "What's taken them so long?"

The commission's ruling also rebuked Ameritech for providing inferior service to new local phone-service providers who began competing with Ameritech two years ago. Those providers send 911 data on their customers to Ameritech, which enters it into the database. Southfield found that errors were five times more likely to occur to a customer of an Ameritech competitor than to an Ameritech customer.

Ameritech has contended that many database errors are the fault of the smaller competitors who fail to provide accurate and timely database information.

The commission's ruling recognized that factors beyond Ameritech's control may be to blame for some errors, but that the company's efforts to address 911 problems are "too little and too late."

The commission said its ruling "...does not hold Ameritech Michigan strictly responsible for matters beyond its control. It only requires Ameritech to do what it should already be doing -- accurately creating and maintaining the database with its own data and the data provided by others."

Staff writer Hugh McDiarmid Jr. can be reached at 1-248-691-2400.

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Ruling widens Ameritech control

Company can handle 90% of local toll calls

June 20, 1998

BY BRENDA RIOS
Free Press Business Writer

If you want to make a call to any city outside your local area, you could be forced to use **Ameritech** to handle that call, unless you're willing to dial another company's five-digit access code.

A court of appeals decision opened the way for Ameritech to become the only company offering direct-dial, local toll calls in 90 percent of Michigan's phone exchanges. Toll calls require customers to dial 1 before a telephone number, such as calls from Detroit to Southfield.

Ameritech, which operates 85 percent of the state's local service, has not decided whether it will use the court decision to restrict competition in the state's \$600-million local toll market, Ameritech spokeswoman Sara Snyder said.

Snyder said the court's decision supports Ameritech's belief that it should not be required to open the local toll market to competition until it can offer long-distance service.

The ruling stays a 1994 order by the Michigan Public Service Commission forcing Ameritech to open its network to competition.

The Michigan Attorney General's Office appealed the ruling last week.

The court's ruling said Ameritech must allow other companies to vie for the local toll business in only 10 percent of its five million phone lines in Michigan.

Currently, 70 percent of Ameritech's local toll

AT&T

Day: 20 cents

Evening: 18 cents

Weekend: 15 cents

Ameritech

Flat rate: 18 cents

MCI

Day: 17 cents

Evening: 12 cents

Weekend: 12 cents

calls are open to competition. Snyder said Ameritech voluntarily opened its share of the market while it appealed the commission's order to allow competition because it anticipated going into the long-distance business.

Ameritech refused to open the remaining 30 percent of its market until it could offer long-distance service. That 30 percent includes most of southeast Michigan -- a large and lucrative area, according to critics.

Richard McLellan, chairman of the Michigan Competitive Telecommunications Providers Association (MCTPA) - an alliance of long-distance carriers, said the court's ruling will thwart efforts to limit phone monopolies.

"This will reverse some of the important changes we've made in Michigan," McLellan said. "It could represent the first time competition is rolled back."

The MCTPA, the public service commission and some long-distance companies have all filed appeals to the ruling with the Michigan Supreme Court.

"Does the court of appeals decision permit Ameritech to do this? Arguably yes. But is that consistent with the public interest? Absolutely not," said Joan Campion, MCI's regional director for public policy.

Campion said Ameritech's stronghold on the local toll market was tied to its effort to implement a program that toughens requirements for switching customers' phone service.

Ameritech maintains the program was designed to protect customers from slamming -- the practice of changing a customer's long-distance carriers without his or her permission. The public service commission ruled Ameritech used the program as a guise to dissuade people from leaving its local toll service.

Critics also say Ameritech's hold on Michigan's phone market could result in higher rates for consumers, but Snyder says the company offers competitive rates.

Business Writer Brenda Rios can be reached through E-mail at rios@det-freepress.com or