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# FEDERAL COMMUNICATIONS COMMISSION

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In Re:

ILEC MERGER )  
EN BANC HEARING )

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Date: December 14, 1998

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

In Re: )  
 )  
ILEC MERGER )  
EN BANC HEARING )

Suite 856201  
FCC Building  
1919 M Street, N.W.  
Washington, D.C. 20554

Monday,  
December 14, 1998

9:30 a.m. The parties met, pursuant to the notice, at

BEFORE: WILLIAM E. KENNARD, Chairman  
SUSAN NESS, Commissioner  
MICHAEL K. POWELL, Commissioner  
HAROLD FURCHTGOTT-ROTH, Commissioner  
GLORIA TRISTANI, Commissioner

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Hearing Began: 9:00 a.m.

Hearing Ended: 4:06 p.m.

1                                   P R O C E E D I N G S

2                                   Agenda Item:   Session 1:   ILEC Mergers -  
3   Introductory Comments

4                                   CHAIRMAN KENNARD:   Good morning and welcome.  
5   Today the FCC will hold the second of two public hearings to  
6   examine mergers that are pending before this agency.

7                                   We are examining three mergers:   the proposed  
8   merger of SBC Communications and Ameritech; the proposed  
9   merger of Bell Atlantic and GTE; and the proposed merger of  
10   AT&T and TCI.   These mergers are historic.   If approved they  
11   will have an immediate and profound effect on the structure  
12   of the telecommunications marketplace.

13                                  I am very proud that the Commission is holding  
14   these hearings today.   Never in recent history has the  
15   Commission held public hearings on mergers before, inviting  
16   members of the public and many interested parties to appear  
17   before the Commission and address these pending proceedings.

18                                  Why is this important?   It is important because  
19   the public has a huge stake in the outcome of our decisions.  
20   The outcome of FCC decisions on these mergers will affect  
21   the pace of competition, service quality issues, the rates  
22   that consumers pay, and it will affect millions of American  
23   consumers.

24                                  The public has a right to know who will benefit  
25   from these proposed combinations.   The public has a right to

1 know how the FCC is going to decide these mergers. The  
2 public has a right to know who are the interested parties,  
3 what arguments they are presenting before the Commission,  
4 what issues we deem important as we consider these mergers.

5 I absolutely reject the notion that these  
6 decisions should be made by bureaucrats working in silence  
7 and only talking to lawyers and lobbyists and corporate  
8 executives. We must have an open process. We need to hear  
9 from everybody. The public must know the major questions  
10 before us. We must have a robust, open, and comprehensive  
11 debate about these important questions and advocates for the  
12 public interest must be heard. That is why we are here  
13 today.

14 For me the single most important question on my  
15 mind is really quite simple and that is, "How will each of  
16 these mergers benefit American consumers?" That is the most  
17 important question before us.

18 We know that these mergers create compelling  
19 benefits for the companies proposing them and their  
20 shareholders and executives but we need to know how average  
21 American consumers will be benefited from these combinations  
22 because it is our job to ensure that the public interest is  
23 served. No one else has that obligation but this agency, to  
24 ensure that the public interest is served.

25 So, I, for one, will be listening to hear answers

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1 to the following questions: How will these mergers affect  
2 our national policy to promote competition in  
3 telecommunications markets so that consumers have choice?  
4 How will these mergers affect the quality of service for  
5 consumers? How will they affect the rates that consumers  
6 pay? How can we ensure that our poorest consumers and those  
7 in underserved communities will get service, quality  
8 service?

9 Two of the merger proponents before us, Bell  
10 Atlantic and SBC, have already acquired significant  
11 telephone companies through merger in the past few years.  
12 SBC acquired Pacific Telesis, Bell Atlantic acquired NYNEX.

13 I want to know how those mergers affected  
14 competition and service quality for consumers in those  
15 areas. Have promises that were made to regulators been  
16 kept? Are consumers better off as a result of those  
17 mergers? Because those questions will implicate the  
18 pending mergers that are before us today.

19 Are the companies that propose to merge complying  
20 with the law and FCC regulations? We are living in a new  
21 regime in telecommunications today, as a result of the 1996  
22 Telecommunications Act. It is now our national policy to  
23 promote competition in all telecommunications markets. Will  
24 these mergers promote competition or inhibit competition?

25 Now, before we begin let me say one thing, I

1 approach these mergers with a completely open mind. These  
2 are very difficult issues. We are still gathering all of  
3 the facts and hearing arguments from many people. My mind  
4 is not made up. We still have a lot of fact gathering to  
5 do. So, I am looking forward to learning a lot today and  
6 also hearing from all of the witnesses and my colleagues up  
7 here. Commissioner Ness.

8 COMMISSIONER NESS: Thank you very much, Mr.  
9 Chairman. I would like to extend a very warm welcome to all  
10 of our distinguished panelists today. This is a second in a  
11 series of en banc discussions we are going to be having on  
12 the mergers. The first we heard from the proponents of the  
13 mergers, what their plans were, what their vision was at the  
14 future and a merged entity.

15 Today we hear both from the proponents as well as  
16 the opponents of the proposed mergers. I am looking forward  
17 to hearing -- each of you has a very different perspective  
18 on what these mergers will mean to the American consumer and  
19 to our economy. I am really looking forward to hearing from  
20 each of you about that and to have a spirited dialogue as to  
21 what all of this means.

22 I don't want to repeat the questions that the  
23 Chairman has raised. I thought he raised some excellent  
24 questions. I share many of those interest in finding out  
25 the answers to many of those questions. I want to

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1 reiterate, however, that it is essential that we do keep an  
2 open mind on this. There is a wealth of information that  
3 is being presented, both today and in the record, all of  
4 that will be reviewed, assessed, and will help us as we try  
5 to come to a conclusion as to whether the proposed merger or  
6 mergers are in the public interest.

7 At the end of the day we have to vote as to  
8 whether or not it does in fact serve the public interest to  
9 approve these mergers and that is a question that deserves a  
10 lot of thought and careful review. So, without further  
11 adieu I want to again welcome everyone and plan to ask tough  
12 questions on both sides to see if we can get at some of the  
13 answers to these issues. Thank you, Mr. Chairman.

14 CHAIRMAN KENNARD: Thank you, Commissioner.  
15 Commissioner Furchtgott-Roth.

16 COMMISSIONER FURCHTGOTT-ROTH: Thank you, Mr.  
17 Chairman. Thank you for holding these hearings that we've  
18 been having on mergers. I too would like to welcome our  
19 distinguished guests to the FCC.

20 One of the most cherished principles in America is  
21 equal protection before the law, that individuals can come  
22 before the law and know they will be treated no differently  
23 from any other American, that companies can before agencies  
24 and before the law and know that they will be treated no  
25 differently from any other company.

1           The Commission has been reviewing mergers under a  
2 public interest standard, under Sections 310 and 214 of the  
3 Communications Act, a public interest standard that applies  
4 to the transfer of licenses, not specifically mergers but  
5 mergers often involve transfer of licenses.

6           License transfers before the FCC are not an  
7 uncommon event. Last year there were more than 14,000  
8 license transfers. Some of these received very close  
9 scrutiny, some did not. Those that received close scrutiny  
10 were not necessarily different in any meaningful way from  
11 the licenses, license transfers that did not.

12           Some small companies received close scrutiny, some  
13 did not. Some large companies received close scrutiny, some  
14 did not. We have no clear rules in place as of yet to give  
15 clear guidance to the public as to which license transfers  
16 will receive the closest of scrutiny and those that will  
17 not. We have no clear rules in place that describe what the  
18 public interest standard is for those that will receive the  
19 closest of scrutiny and those that will not.

20           Indeed, we have before us today three of the  
21 largest mergers currently in the United States,  
22 SBC/Ameritech, Bell Atlantic/GTE, AT&T/TCI. I cannot help  
23 but note the irony though that the largest merger in  
24 America, the one that involves more telecommunication  
25 licenses before this Commission than are currently held by

1 all but one of those telecommunications companies is not  
2 likely to receive closest of scrutiny. I am referring to  
3 Exxon/Mobil.

4 This Commission has very clear authority to review  
5 mergers under the Clayton Act, very well known procedures  
6 before the public about how that will be implemented but we  
7 had not been doing that. At some point in the future I hope  
8 we will get to some greater clarity, a clarity that will  
9 benefit the public, a clarity that will provide equal  
10 protection for all Americans and for all American businesses  
11 to know precisely how they will be treated by the law.

12 I hope that this hearing today will help shed  
13 light on these specific transactions and also how we may  
14 look at mergers in general at the FCC. Thank you, Mr.  
15 Chairman.

16 CHAIRMAN KENNARD: Thank you, Commissioner.  
17 Commissioner Powell.

18 COMMISSIONER POWELL: Thank you, Mr. Chairman. I  
19 will commend you for conducting a hearing in this area that  
20 creates a great deal of optimism and anxiety for a  
21 significant amount of the communities with interest in these  
22 mergers.

23 In the interest of time, with such a robust panel,  
24 I will reserve most of my comments for questioning. I would  
25 merely, in advance, thank all of the participants for the

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1 time and effort and preparation that was involved in their  
2 participation today. It is invaluable assistance to those  
3 of us who will have to wrestle through a number of very  
4 difficult issues. Thank you.

5 CHAIRMAN KENNARD: Thank you, Commissioner.  
6 Commissioner Tristani.

7 COMMISSIONER TRISTANI: Thank you, Mr. Chairman.  
8 Good morning. We have a full day ahead of us so I will keep  
9 these remarks brief. Just three points.

10 First, I am very pleased that we finally get to  
11 hear the other side to these mergers. Looking over the list  
12 of panelists I am impressed by the diversity of entities and  
13 the quality of their spokesmen. I know they will add a  
14 great deal to my understanding of these mergers.

15 Second, I would underscore that my focus in all of  
16 this is on the consumer. It can be easy to lose sight of  
17 the consumer as we think about market structures and  
18 economic theories. In my view, the best advocates in  
19 communications are the ones who tie their arguments to the  
20 impact on the average consumer. I hope today's session will  
21 give me a greater understanding of how the proposed mergers  
22 impact consumers.

23 Third, it is important to remember that the burden  
24 of proof in these mergers is on the applicants. Congress  
25 long ago recognized that corporate self-interest is not

1     synonymous with the public interest, that is why they set up  
2     a careful set of checks and balances for telecommunication  
3     mergers. At bottom, the applicants must prove that the  
4     merger would serve the public interest.

5             I have already noted my initial skepticism  
6     regarding the notion that a \$25 million company -- excuse  
7     me, \$25 billion company must get bigger before it can  
8     compete out of region. As I also noted, however, I have not  
9     yet made up my mind on any of the three mergers we are  
10    discussing today.

11            I hope today's session will help me advance my  
12    thinking on these very important and very difficult  
13    questions.

14            CHAIRMAN KENNARD: Thank you, Commissioner.  
15    Before we turn to our panelists I wanted to hear from Tom  
16    Krattenmaker, who is the FCC's Director of Research in our  
17    Office of Plans and Policy.

18            Tom Krattenmaker is former Dean of the William and  
19    Mary Law School. He, together with Dr. Bill Rogerson, our  
20    chief economist, head up the FCC's Internal Mergers Task  
21    Force, which oversees our staff evaluation of  
22    recommendations concerning these mergers. Tom.

23            MR. KRATTENMAKER: Thank you, Mr. Chairman,  
24    Commissioners. I too get confused about this millions and  
25    billions but I think it is millions for Ricky Henderson and

1 billions for the mergers.

2 If I might follow Commissioner Tristani's lead, I  
3 thought I'd just talk about three points, apologizing in  
4 advance to you, Mr. Chairman and the Commissioners, you know  
5 what I want to review. What I thought I would do is review  
6 the basics of these transactions for the witnesses and other  
7 participants in the hearings.

8 Following Commissioner Tristani's lead I thought  
9 I'd talk about three things: the parties, the standard the  
10 Commission uses, and some of the issues that have been  
11 raised to date.

12 I think most important to understand would be the  
13 parties. Now, the first panel is going to dwell on two of  
14 the proposed mergers that the Chairman referred to,  
15 SBC/Ameritech and GTE/Bell Atlantic.

16 With respect to SBC and Ameritech there are three  
17 things that you need to know about these firms. One is that  
18 within its region each is the dominant or entrenched local  
19 phone company. In the vernacular of the 1996  
20 Telecommunications Act they are each incumbent local  
21 exchange carriers or ILEC. In their regions these are the  
22 dominant phone companies.

23 Secondly, each of them is what is sometimes called  
24 a "Baby Bell." They each trace to the breakup of AT&T.  
25 Both Ameritech and SBC were spun off from the overall

1 corporation that was the Bell system in the early 1980s.

2 Third, their locations. They are located in  
3 different parts of the country. SBC is largely based in the  
4 western part of the South and up in the northern part of the  
5 West of America. It is basically a southwestern based  
6 company. Ameritech is based essentially in the middle and  
7 the north of the country, think Illinois, Indiana, Michigan.  
8 So, they are in geographically distinct areas.

9 With respect to GTE and Bell Atlantic, the parties  
10 are similar. Bell Atlantic is also a "Baby Bell." GTE is  
11 not, GTE is not part of the old AT&T system but, rather is  
12 the largest independent phone company. Each of them,  
13 however, in its own area is an ILEC, that is an incumbent  
14 local exchange carrier, a dominant firm in its own area.  
15 They are in different parts of the country.

16 We see the Bell Atlantic largely on the East  
17 Coast, from Maine down through Virginia. GTE is a little  
18 harder to describe but, essentially, it kind of cuts a swoop  
19 from the middle of the East Coast down around down to  
20 Florida and across the southern tier of the country and back  
21 up toward California. GTE is more scattered across the  
22 country in its locations.

23 These are the parties that want to merge. As the  
24 Chairman stated and others of you noted, what the Commission  
25 applies is a public interest standard. What this means is

1 that the issue is the welfare of consumers of  
2 telecommunication services. It also means the Commission  
3 applies a balancing test, that is it considers both the pros  
4 and the cons of any merger that comes before us.

5 "Public interest" is a general phrase and is  
6 likely to encompass many specific subissue. Again, I think  
7 they have largely been mentioned here but for example, an  
8 inquiry into the public interest can entail an inquiry, "Are  
9 the parties complying with the law?" Or, another type of  
10 inquiry that comes up is, "Will the merger increase or  
11 decrease efficient interaction between the parties and  
12 between the firms and their customers?" Or, another kind of  
13 question that comes up under the public interest test is  
14 whether the merger will further or retard the achievement of  
15 the goals of the Communications Act, especially the  
16 deregulatory pro-competitive goals of the 1996  
17 Telecommunications Act.

18 So, the Commission is looking at obedience to its  
19 rules, whether the merger is going to increase or decrease  
20 the efficient interaction between the firms or between the  
21 firms and their customers and whether it will further the  
22 goals of the Communications Act, among other things under  
23 the public interest standard.

24 Now, what are the issues that these mergers have  
25 raised to date? Well, that's what these people are here to

1 talk about today, that is what our panelists and guests are  
2 here. I don't want to presume to say, "Here are the issues  
3 and there is nothing more to be added." Let me try to  
4 highlight some of the principle issues that have been raised  
5 so far in the many filings that have come before the  
6 Commission, both pro and con.

7 With respect to the positive aspects of the  
8 mergers, there is a common thread to both the SBC/Ameritech  
9 and to the GTE/Bell Atlantic application in that each assert  
10 that the principle benefit of the merger will be the ability  
11 to compete outside their territories.

12 SBC and Ameritech assert that once merged they  
13 will have the resources, the ability, the know how, and the  
14 personnel to move into the territories of other phone  
15 companies. They will invade Atlanta, the province of Bell  
16 South; they will invade Denver, the province of US West and  
17 offer competitive phone service, thereby bringing  
18 extraordinary benefits to consumers in those and other  
19 areas.

20 Similarly, GTE and Bell Atlantic emphasize the fit  
21 of their companies, with Bell Atlantic more or less flowing  
22 into GTE. And, as these companies are combined it  
23 essentially enables Bell Atlantic and GTE to act as a dual  
24 force in all of these areas in which you see either one of  
25 the companies presently operating.

1           Now, each also raises other specific claims about  
2 the validity of the merger. These are not Tweedle  
3 Dum/Tweedle Dee, these are two separate cases. For example,  
4 GTE and Bell Atlantic assert that as a result of their  
5 merger there will be a significant strengthening of GTE's  
6 internet backbone service and will prevent that service from  
7 being eroded by competition with other larger backbone  
8 providers.

9           SBC/Ameritech assert that the kind of competition  
10 they will stimulate outside their territories is going to  
11 lead others to invade their territories and, therefore, we  
12 will have a kind of a ping pong or double effect, both  
13 stimulating competition outside their territories and inside  
14 their territories.

15           Now, with respect to these claimed benefits of the  
16 mergers the issues that the parties have raised is whether  
17 these benefits are credible and whether they are merger  
18 specific. That is, are these benefits likely to occur as a  
19 result of the merger? Those are the kinds of questions that  
20 I hope people will address today and that the documents have  
21 addressed in some details.

22           With respect to the other side, the cons,  
23 opponents -- I emphasize these are people who have opposed  
24 the merger -- have raised a variety of questions. In the  
25 interest of time I'd emphasize four.

1           One is what I would call the "efficient oversight"  
2 of the incumbent phone companies. The 1996 Telecom Act  
3 requires that these firms cooperate with new entrants.  
4 Ameritech is required to open up its markets to new  
5 entrants, sometimes called "competitive local exchange" or  
6 "CLEC" carriers to come in and compete with it in Michigan,  
7 Illinois, Indiana and this applies to all of these  
8 companies.

9           This requires, for example, that they permit other  
10 firms to co-locate, where their wires cross to resell the  
11 services of the firm, to use the numbers that had been  
12 assigned so if one were an Ameritech customer and one  
13 switched over to Krattenmaker Telephone Company one could  
14 keep one's same telephone number.

15           The question is that has been raised by some  
16 opponents of the merger is whether a diminution in the  
17 number of large ILECs from six to five or four will  
18 frustrate or impede the ability of states and of this  
19 Commission to regulate that process of opening markets.

20           Second kind of question I would lump under the  
21 phrase "predation", questions have been raised as to whether  
22 the merged parties will have the clout and the incentives to  
23 use that clout after the merger to discriminate against new  
24 entrant phone companies and against long distance companies.

25           A third type of question that has been raised is

1 whether these mergers will end or restrict competition  
2 between the merging firms. Absent the merger would  
3 consumers have benefitted from rivalry between the merging  
4 parties? For example, might SBC have gone into Chicago  
5 while Ameritech attacked St. Louis? Might GTE and Bell  
6 Atlantic have clashed in Pennsylvania and Virginia? We  
7 don't know what the answer to these questions are but we  
8 know that if the merger goes through these kinds of  
9 competition will not occur.

10 Fourth, I would mention the service quality.  
11 People have asked the question of whether the merged firms  
12 will open their markets and provide better services to all  
13 customers, business and residential or whether some will  
14 suffer a reduction in service quality.

15 Now, I have suggested four kinds of issues:  
16 efficient oversight of incumbent local exchange carriers;  
17 predation; restricting competition between the merging  
18 firms; and service quality.

19 I want to emphasize that the merging parties not  
20 only proclaim the benefits of their mergers but deny that  
21 each of these is a real issue and assert, very positively,  
22 that the merger will in fact be beneficial, that we will not  
23 need to have as much oversight over the phone companies  
24 because there will be more competition so the markets will  
25 provide oversight, that they are not in a position to engage

1 in predatory tactics against either other local phone  
2 companies or interexchange carriers because of Commission  
3 rules that they were under no circumstances going to be able  
4 to compete with each other because of regulatory burdens and  
5 because of financial restrictions and that these mergers  
6 will permit them to improve service quality, not to degrade  
7 it.

8 These are some of the issues that have been raised  
9 so far. What I am hoping is that these will not only be  
10 fleshed out but other kinds of questions, if they were on  
11 people's minds, will come up as a result of today's panel.  
12 Thank you.

13 Agenda Item: Public Interest Panel

14 CHAIRMAN KENNARD: Thank you very much, Tom. I  
15 will invite now the first panelist to come forward. While  
16 you are doing so let me mention a few of our ground rules  
17 today. We will ask each of the panelists to limit their  
18 opening statement to three minutes time. We have a very  
19 able time-keeper with us today, Lavera Marshall who is very  
20 experienced in these matters. She and I have the  
21 responsibility to keep this moving so I will ask all of you  
22 to try to limit your comments.

23 After your opening statements you will have an  
24 opportunity to respond to questioning from the Commissioners  
25 here. After the first session we will take a brief break

1 before our second panel. As you begin your presentations I  
2 will ask that each of the panelists introduce yourself and  
3 also give us a little bit of background of the organizations  
4 that you represent and why you are here today.

5 Our first panelist is Reverend Jesse Jackson.  
6 Reverend.

7 Agenda Item: Rev. Jesse L. Jackson, Sr. -  
8 Founder, President, and CEO, Rainbow/PUSH Coalition

9 REV. JACKSON: Thank you, Mr. Chairman. I want to  
10 open with a protest on the time limit.

11 (Laughter.)

12 Because we have too much to discuss, too much  
13 ground to cover over a life time proposition not to be able  
14 to give some adequate expression to our concerns. I hope  
15 that it will be accepted and if some case modified.

16 I want to thank all of you for this opportunity to  
17 participate in this historic hearing. They come at a day of  
18 the critical junction in the history of the FCC, corporate  
19 expansion and America.

20 The FCC has an historic opportunity to enforce  
21 standards of fairness, inclusion and competition. The  
22 burden is on the applicants to show that these mergers are  
23 in the public interest. In some instances these applicants  
24 have not yet met their burden and that is why oversight and  
25 enforcement are critical to the public interest.

1           We come here today not to destroy the mergers but  
2           to enforce the Telecommunications Act of 1996 and its intent  
3           and to protect the covenants between the people and the FCC.  
4           We are also here to help the FCC set standards and time  
5           tables, to open doors and expand opportunities for  
6           customers, workers, and those who have been historically  
7           left behind.

8           The concern that the recent deluge of  
9           telecommunications mergers will likely cause consolidation  
10          of wealth, consolidation of ownership, and a resegregation  
11          of the telecommunications industry.

12          Mergers in the local exchange market and  
13          consolidation among cable companies and long distance  
14          companies should concern the Commission because they would  
15          put the control of our public lives in the hands of a very  
16          few.

17          The Commission must consider whether these  
18          companies are willing to extend their telephone lines, offer  
19          lower prices, and more opportunities to our nation's rural  
20          and inner city areas. I was in a town in Kentucky, for  
21          example, in Appalachia, 30 percent of the residents have no  
22          telephones to date.

23          Displaced people must have the same access to  
24          telephone service as those living in affluent suburbs, that  
25          is the spirit of a true democracy. Thus, democratic values

1 must guide your review of these mergers.

2 The Bell companies, the GTE and AT&T, TCI, have  
3 expressed confidence that their mergers will pass muster of  
4 the Commission because the mergers will help them compete on  
5 a global basis and perform service outside their home  
6 regions.

7 On the other hand, consumers are concerned about  
8 lower prices, workers are concerned about the elimination of  
9 their jobs with downsizing and outsourcing, and the  
10 historically disadvantaged are concerned with inclusion,  
11 opportunity, and access to information.

12 We are here to promote inclusion. The FCC must  
13 enforce the law to ensure inclusion. The FCC must no longer  
14 bless segregation and exclusion, as it has historically.

15 There are numerous egregious examples of how the  
16 industry has been exclusive rather than inclusive.  
17 Historically the Commission has been a co-conspirator in  
18 this practice of excluding by awarding licenses to a select  
19 small group of communications companies. As the century  
20 ends there are no minority owned wire line telephone  
21 companies, no minority owned cellular system, no truly  
22 diverse boards of directors, no minority merger advisors on  
23 Wall Street, and very few minority owned cable TV  
24 franchises. These facts make an ugly statement about  
25 America. These laws must change.

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1           Competition among a small group of companies,  
2 targeted at a small segment of our society is not real  
3 competition. Competition is meaningful only when it breaks  
4 down barriers to enter and expand the market.

5           Commissioners, I urge you to dig beneath the  
6 surface of each merger application, discover who of these  
7 companies are joining forces to improve customer service and  
8 the role of the workers or merely protect their territories  
9 and make larger profits. In addition, to evaluating the  
10 comparative effects of the proposed mergers the Commission  
11 must consider other factors. Discrimination is a factor  
12 fundamental to FCC's public interest review. Minorities and  
13 rural Americans pay taxes, contribute to the Social Security  
14 system, vote, and are customers. The public interest is our  
15 interest.

16           Some at the FCC argue that a merger analysis is  
17 not an appropriate forum in which to access broader social  
18 public questions. I disagree. The public interest demands  
19 more than a quick cursory review, more than a brief look. I  
20 believe it is in the public interest to eliminate all forms  
21 of discrimination.

22           In reviewing a merger the Commission should not  
23 determine that some discrimination is objectionable while  
24 turning a blind eye to other forms. The public interest  
25 clearly demands and deserves no less. For example, some

1 mergers, some of the companies propose to merge red line,  
2 video, dial tone, pay phone, and cable television service in  
3 the past.

4 Inclusion means the end of red lining, a practice  
5 which is altogether unfair, unproductive, and illegal.  
6 While these companies now have developed anti-red lining  
7 policies departures from company policy occur on a regular  
8 basis, therefore, the Commission should not act on these  
9 mergers without receiving commitments against red lining  
10 subject to supervision by the FCC.

11 Irrespective of its decision on these mergers, the  
12 Commission should undertake a comprehensive study of red  
13 lining in the long distance, long exchange, and cable TV  
14 industries, develop strong, specific, and enforceable  
15 standards to prevent these companies from marketing or  
16 providing enhanced service on the basis of race, geography,  
17 or income.

18 There are bad mergers and there are good ones.  
19 All mergers are not inherently bad. Merger executives are  
20 necessary led by greed or selfishness. Bad mergers preempt  
21 the competition with neighboring service providers. Bad  
22 mergers create spin offs and advantage only large companies  
23 and international firms. Bad mergers generate layoffs for  
24 thousands of hard working employees. Bad mergers use  
25 combined resources to enter over developed, not under

1 developed, markets.

2 Historically, MCI and WorldCom committed these  
3 acts, that's why we opposed the merger. After the closing  
4 of their merger they have done little to persuade us to  
5 change our position. MCI/WorldCom, through its internet  
6 company to a large foreign based firm, has planned to sell  
7 its satellite system without a commitment to diversity.  
8 Furthermore, MCI/WorldCom last week announced the lay-off of  
9 3,000 workers. They also continue to be cited by the FCC  
10 for imposing casual rates charged to their long distance  
11 customers.

12 For nearly a year Rainbow/PUSH Coalition has  
13 chosen research, education, and negotiation over  
14 confrontation. We, however, reserve the right to protect  
15 the public interest through legislation, agitation, and  
16 demonstration. Our protest and opposition to MCI/WorldCom  
17 will continue until an enforceable specific plan of  
18 inclusion is executed.

19 Lastly, on the other hand, good people with good  
20 intentions, along with enforced public policy, make good  
21 mergers. Good mergers create new opportunities for  
22 consumers and for entrepreneurs. Good mergers offer new  
23 innovative services to everyone at comparative prices. When  
24 good companies emerge they spin-off facilities to new market  
25 interest at a reasonable price. Good mergers benefit the

1 public interest and do not result in thousands of layoffs.

2 The three pending mergers offer potential to be  
3 good mergers, but only if they continue to make enforceable  
4 commitments to the FCC and the Department of Justice to  
5 promote inclusion and protect consumer groups and labor  
6 organizations.

7 First, there was a possibility that these mergers  
8 will increase competition among local telephone providers.  
9 For example, GTE has facilities in Santa Monica, San  
10 Bernadino, and Thousand Oaks, California, to serve as a  
11 foundation for Bell Atlantic/GTE to compete for local  
12 service in Los Angeles. This facilities base presence will  
13 permit Bell Atlantic/GTE to bill out and compete with  
14 SBC/Ameritech and other local foreign providers outside the  
15 Bell Atlantic region. Also, GTE is exploring ways to create  
16 the nation's first minority owned independent telephone  
17 company.

18 Second, GTE internet backbone puts the new company  
19 in a position to offer enhanced services to residential  
20 lower and rural subscribers. However, the Bell Atlantic/GTE  
21 plan must include a stronger commitment to internet and  
22 technology training targeted to the minority community. We  
23 must not leave anyone behind as we move into this new  
24 technology.

25 SBC and Ameritech have good internal EEO and

1 minority procurement programs and also consider ways to  
2 provide minority ownership through spinoffs. SBC has also  
3 shown global leadership with a strong commitment to develop  
4 telecommunications systems in South Africa. These are  
5 positive steps, however, SBC and Ameritech have outstanding  
6 challenges as well. Initially, their proposed merger plan  
7 red lines residential consumers by emphasizing the need to  
8 serve their large and mid-size business customers. They  
9 must do more to serve rural Appalachia for some inhabitants  
10 do not have basic telephone lines and many Native Americans  
11 in the Southwest region are without access.

12 AT&T's proposed acquisition of TCI raises key  
13 issues. AT&T has strong programs that provide training to  
14 urban and rural areas and promote minority and women owned  
15 enterprise. However, the proposed merger must still be  
16 reviewed closely by the FCC because of AT&T's recent tax on  
17 low volume long distance customers and TCI's repeated rate  
18 increases, questionable employment record, and poor level of  
19 customer service.

20 Fortunately, these come as of late by men of  
21 integrity with excellent track records of community service.  
22 Good men, however, and good women, must be directed by good  
23 public policy to lead to good results.

24 In closing, we need to develop a new covenant  
25 between the government, the private sector, and our

1 communities. We need to create a new approach to evaluate  
2 mergers to foster a policy of inclusion and opportunity for  
3 consumers, workers, and those who have been historically  
4 left behind. Let's work together to build a new large tent,  
5 large enough to include all segments of society and forge an  
6 alliance between the FCC and the telecommunications industry  
7 to heal the breach of the American dream. Thank you.

8 CHAIRMAN KENNARD: Thank you, Rev. Jackson. Ms.  
9 Costa.

10 Agenda Item: Regina Costa, Telecommunications  
11 Research Director, The Utility Reform Network (California)

12 MS. COSTA: Good morning and thank you for the  
13 opportunity to appear. I am Regina Costa. I'm the  
14 Telecommunications Research Director for The Utility Reform  
15 Network (TURN). We are a statewide consumer group in  
16 California. For the past 25 years we have represented the  
17 interests of California's utility consumers.

18 Pacific Bell provides service to approximately 95  
19 percent of California's customers, residential customers and  
20 the vast majority of our small businesses. Since the  
21 acquisition in 1997 there has been a marked change in the  
22 behavior of the company towards its customers and that is  
23 what I want to focus on today, although we are also very  
24 concerned about competitive issues.

25 Specifically, customers have been directly

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1 affected in four areas. The first is quality of service.  
2 The second is there have been proposed rate increases for  
3 essential services. Service has been diminished. And the  
4 fourth area is the introduction of aggressive and misleading  
5 marketing tactics.

6 On customer complaints, in June 1997 the  
7 California Public Utilities Commission noticed that there  
8 was a marked increase in the volume of calls the Commission  
9 was receiving on customer quality of service issues. The  
10 majority of these and the most serious involved significant  
11 delays in service installations and miscommitments for  
12 installations and repairs. These service quality problems  
13 were the subject of great debate at the Commission and in  
14 part prompted the Commission to institute a quality of  
15 service rule making and investigation.

16 While precise statistics on the number of  
17 complaints are not available from the PUC, due to anomalies  
18 in their data collection process, they did cite their  
19 concern with customer frustration in their order as one of  
20 the reasons for instituting this investigation.

21 Now, the Commission's Office of Rate Pair  
22 Advocates has conducted a separate analysis of service  
23 quality complaints. The analysis is due to be released  
24 publicly very soon. What I have been authorized to say is  
25 that their analysis shows a significant problem in the

1 Silicon Valley area where customers there have longer  
2 outages and it takes longer to repair the problems than in  
3 other areas of the state. We are very concerned about this  
4 because that is really the economic engine of California.

5 One area where service quality has been very  
6 thoroughly documented is the provision of ISDN. The reason  
7 for this is that the company asked for a rate increase and  
8 their quality of service came up in this proceeding. One  
9 September 17, 1998 Pacific was fined \$309,000 because they  
10 did not comply with a Commission order instructing the  
11 company to file reports showing customer satisfaction with  
12 their service.

13 One of the questions the Commission asked was why  
14 the company did not follow the Commission's order. The  
15 Commission decision on this matter stated that the company  
16 provided no satisfactory explanation of why the order was  
17 not complied with and that apparently no one in the company  
18 had assumed responsibility for ensuring that the  
19 Commission's order was met.

20 The second issue that was addressed in a decision  
21 that was actually issued September 17, 1998 was that the  
22 ISDN service had actually deteriorated following the initial  
23 CPCU order which was intended to improve service. The order  
24 that was directing the company to improve its service was  
25 issued right about the time SBC required Pacific Telesis.

1 So, the service quality deteriorated while SBC owned  
2 Telesis.

3 This raises at least three questions in our mind.  
4 Number one, if service quality for a service like ISDN  
5 deteriorates what is the likelihood that this company will  
6 attempt to provide good service quality for less lucrative  
7 services.

8 Pacific claims it faces intense competition in the  
9 local exchange market and, presumably, this competition is  
10 for what people would consider higher end customers and more  
11 lucrative services, yet that service quality declined.

12 Second question is the issue of infrastructure.  
13 The Commission decision, which I have cited and quoted from  
14 extensively in my prepared statement, says that the service  
15 quality was very bad through most of 1997. This again was  
16 during the time period after SBC acquired Telesis.

17 The third question is we are very disturbed that  
18 the company did not comply with a Commission order. They  
19 did not provide the information that was requested and they  
20 could offer no good explanation for doing so. We think this  
21 raises questions about the company's interpretation of its  
22 public service obligations.

23 The second area is proposed rate increases. I  
24 have a very detailed description of these increases in my  
25 statement. There is not time to go into all of them,

1       however, I have cited to the applications, I have cited to  
2       advice letters if you are interested in that.

3               One of the most important services was directory  
4       assistance. Currently the rate in California is 25 cents.  
5       SBC proposes to raise the rate immediately to 50 cents. In  
6       California we have a price cap mechanism where there is a  
7       price ceiling and a price floor. At the price ceiling you  
8       can raise a price to that level with parties having no  
9       opportunity to protest. The decision states, "We will not  
10      entertain protests for price increases up to the price  
11      ceiling."

12             They have proposed a price ceiling of \$1.10. So,  
13      in essence they are asking for a blank check to raise the  
14      price to \$1.10. In all of their public statements they  
15      insist we are wrong on this and that they are requesting an  
16      increase to 50 cents. They have requested similar increases  
17      to what we believe are essential services which are busy  
18      line verification and emergency interrupt, very high request  
19      for price increases there. These issues have met with  
20      substantial public opposition. There have been a series of  
21      hearings.

22             The third point is the diminishment of service.  
23      Public offices have been closed. There has been a proposal  
24      to charge to allow alternate payment locations to charge  
25      fees to customers who pay their bills in person. There is a

1 proposal to reduce the directories that are available to  
2 customers by eliminating yellow pages, yet charging the same  
3 price that someone currently pays for a yellow and white  
4 pages directory. This effects rural customers because these  
5 directories are cobound. We protested this and the  
6 Commission staff agrees with us and have recommended that  
7 that be rejected, that is due to be voted on Thursday.

8           There are five complaints currently pending on  
9 aggressive misleading marketing. They were filed by Latino  
10 Issues Forum and Greenlighting, the Utility Consumers Action  
11 Network, and the Commission staff, the Office of Rate Pair  
12 Advocates.

13           Very briefly, quoting from the description of  
14 Latino Issues Forum, they allege that "Pacific has  
15 instructed service representatives to use deceptive names  
16 for packages of expensive optional services to pressure  
17 customers into removing complete caller ID blocking so they  
18 can market more caller ID and to withhold information  
19 critical for consumers to make informed purchasing choices.

20           The other point in this area was there was a  
21 proposal from SBC to engage in direct telemarketing to  
22 Pacific customers with unlisted telephone numbers. They  
23 tried to do this through an advice letter tariff revision.  
24 They withdrew it after a state senator pledged to introduce  
25 legislation blocking it. This was after they said our

1 concerns on privacy had no merit.

2 In conclusion, to date, Pacific Bell customers  
3 have not benefited in any readily apparent way from the  
4 performance of Pacific following the acquisition by SBC.  
5 The volume of calls about service quality problems has  
6 risen. The company has proposed significant rate increases  
7 for essential services, public offices have been closed,  
8 there is a proposed fee for customers paying their bill in  
9 person, and the company's marketing tactics have raised  
10 substantial concern on the part of consumer advocates and  
11 Commission staff. Thank you.

12 CHAIRMAN KENNARD: Thank you, Ms. Costa.  
13 Commissioner Butler, welcome.

14 Agenda Item: Jolynn Barry Butler, Commissioner,  
15 Public Utility Commission of Ohio.

16 COMMISSIONER BUTLER: I am Jolynn Barry Butler. I  
17 am a Commissioner on the Public Utility Commission of Ohio.

18 I'd like to start today by thanking you for once  
19 again including states regulatory commissions on panels  
20 before this Commission. I believe that under your  
21 leadership, Chairman Kennard, and with the current panel of  
22 commissioners we have today that the states and the Federal  
23 Communications Commission have never enjoyed such a close  
24 working relationship and I really commend you for that.

25 I am here today not as an advocate, not as a

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1 proponent, nor as an opponent of any of the mergers before  
2 you. I can't be because I am a judge in these very same  
3 mergers.

4 In Ohio, for example, we have cases pending on  
5 GTE/Bell Atlantic and on Ameritech/SBC. Therefore, what I  
6 am here to do today is to report to you on the issues and  
7 the process but not to take a position, it would be  
8 inappropriate for me to do so.

9 With regard to state authority and what the states  
10 are doing on these mergers, it depends on the legislative  
11 background and the legislative authority of each of the  
12 state commissions. In Ohio we have clear authority to  
13 review the mergers of incumbent telecommunications  
14 companies.

15 In other states they use their general supervisory  
16 authority to undertake such reviews but in some states there  
17 is no authority and the commissions feel that they are not  
18 able to undertake any review of these mergers at all. So,  
19 it depends on where you are, in which state, as to what  
20 level and form of review of mergers will take place.

21 Let me use Ohio as an example because we do have  
22 clear authority and that is not at issue. In Ohio both of  
23 the incumbent local exchange company mergers are under  
24 review. We started our process by not allowing those  
25 mergers to be approved automatically, which our statute

1 provides for. If we do not take action as a commission  
2 within 30 days of the filing of a merger then it is approved  
3 by operation of law by our saying nothing.

4 We suspended the approval automatically and turned  
5 our staffs loose to do an investigation. We issued issues  
6 lists so that the parties would know what we were going to  
7 look at as we reviewed the mergers.

8 The Ameritech/SBC merger is the farthest along in  
9 Ohio. We have issued our issues list. The staff has done a  
10 preliminary report of investigation and the record hearings  
11 are to start on January 5 of next year, just a few weeks a  
12 way.

13 Our standard of review is the public interest  
14 standard, much as yours is. However, my message to you is  
15 that each state has a very different level of review and  
16 different level of authority to review.

17 I won't go into the issues in detail because in  
18 Ohio, at least with regard to the SBC/Ameritech merger, we  
19 have identified the same list of issues that both you and  
20 Mr. Krattenmaker have mentioned today. But, again, how  
21 those issues play out on a state-by-state basis will be very  
22 different. I will cite one example without naming any  
23 names.

24 A company that has a very very good service record  
25 in one state may have a not so good service record in

1 another state and each state's commission will be looking  
2 either to maintain a level of service which is good or  
3 improve a level of service which is bad as we review  
4 mergers.

5 In Ohio, just speaking as one commissioner, my  
6 main goal is to make sure that these mergers further the  
7 public interest. First of all, that their effect on  
8 competition is to increase the level of competition that we  
9 have in our state, particularly for residential and small  
10 commercial customers; that quality of service is maintained  
11 or enhanced; that carrier-to-carrier issues that have arisen  
12 since the enactment of the 1996 Telecommunications Act are  
13 resolved; and that we have the ability to do post-merger  
14 oversight because we don't have a lack of access to books  
15 and records.

16 To sum up, I commend you for your dedication to  
17 enhancing the relationship between state regulators and  
18 federal regulators. I encourage a continued dialogue on  
19 this and other issues and, in particular, I would encourage  
20 you to convene a meeting, much like this Commission convened  
21 when Bell Atlantic and NYNEX were proposing to merge, to  
22 discuss state and federal issues on a one-to-one basis with  
23 state regulators. Thank you.

24 CHAIRMAN KENNARD: Thank you, Commissioner Butler,  
25 and thank you for those kind words. Mr. Carey.

1                   Agenda Item: Timothy S. Carey, Chairman and  
2                   Executive Director, New York State Consumer Protection  
3                   Board.

4                   MR. CAREY: Good morning, Mr. Chairman,  
5                   Commissioners, and distinguished colleagues. Thank you for  
6                   the opportunity to discuss the impact of proposed mergers  
7                   involving the regional Bell operating companies on the goals  
8                   and objectives of the Telecommunications Act of 1996.

9                   I am Chairman and Executive Director of the New  
10                  York State Consumer Protection Board, an agency in the  
11                  Executive Department of the New York State government and I  
12                  am charged with representing the interests of all New  
13                  Yorkers.

14                 Our belief is that mergers are not necessarily  
15                 consistent nor inconsistent with competition in  
16                 telecommunications markets or the public interest. All  
17                 mergers are not created equal and each potential merger must  
18                 be analyzed thoroughly by considering the facts and  
19                 circumstances of each proposal, not only at the federal  
20                 level but, as the Commissioner said, at the state level.

21                 In general, consumer advocates are skeptical of  
22                 mergers, since tangible consumer benefits are not always  
23                 easily identified. Merger proponents must demonstrate how  
24                 they will bring more competition to telecommunications  
25                 markets and how the public interest and the average American

1 will benefit.

2 Regulators must ensure that the advertised  
3 benefits from the mergers are in fact realized in the  
4 marketplace. I would like to share with you our experiences  
5 that we have had in New York with recent merger of NYNEX and  
6 Bell Atlantic. It is a good example of how consumers have  
7 been well served by a merger when regulators provide  
8 appropriate oversight.

9 Shortly after NYNEX/Bell Atlantic announced their  
10 proposed merger in the spring of 1996 on a direction of  
11 Governor Pataki, former Chairman of the State Public Service  
12 Commission, John O'Meara, stated the PSC would not approve  
13 the merger unless the quality of New York State Telephones  
14 local service improved substantially. I am glad to report  
15 that over the past year the company service quality has  
16 improved dramatically.

17 To ensure that the company service quality did not  
18 deteriorate after the merger was approved the company was  
19 required to hire at least 750 additional employees to  
20 address service quality and to invest an additional  
21 \$1 billion in service related infrastructure. The company  
22 service quality standards were also made more rigorous.

23 The New Yorkers also obtained other benefits from  
24 the merger. One, the cost savings from the merger are  
25 essentially funding the cost of opening of local markets to

1 competition. Such as, substantial cost of developing the  
2 OSS.

3 Local rates in New York have not increased to fund  
4 these costs. Those cost savings have also partially funded  
5 a reduction in New York's intrastate carrier access charge  
6 and the NYNEX/Bell Atlantic merger benefitted New York's  
7 economy since the merging companies established their  
8 headquarters in New York City and committed to maintain all  
9 existing work functions in the state. Overall, more than  
10 one year after the merger was initially approved, subject to  
11 conditions there is no doubt that the average New Yorker is  
12 better off than had the merger not occurred because New York  
13 PSC ensured the Bell Atlantic status satisfied each of those  
14 conditions.

15 If local markets are to be open and competition  
16 expanded the FCC must ensure that conditions imposed on  
17 mergers are implemented in a timely fashion. Unfortunately,  
18 in the Bell Atlantic/NYNEX merger some of the conditions  
19 imposed by the Commission, particularly the requirement for  
20 uniform OSS interface has yet to be satisfied.

21 Meanwhile, in New York, we are continuing the hard  
22 work to fully open Bell Atlantic's markets to competition.  
23 Tests by an independent audit of the ability of the  
24 company's OSS to handle commercial volumes are now  
25 beginning. Under the guidance of the New York State PSC

1 substantial progress has been made, although more work needs  
2 to be done.

3 Based on progress to date, I fully expect New York  
4 State to be among the first states in which you will find  
5 that an RBOCs market is fully open to competition.  
6 Accordingly, while a merger could eliminate one would be  
7 potential competitor to Bell Atlantic in New York, GTE is  
8 not well known in New York and has no particular advantage  
9 over the literally dozens of companies that are already  
10 serving customers in New York.

11 Since New York's local market is expected to be  
12 open to competition in the near future the merger would not  
13 materially harm local competition in New York. Overall, we  
14 are looking for verifiable and enforceable conditions to be  
15 imposed on these mergers at the state and federal levels.

16 At the state level we are working for similar  
17 conditions as the ones we obtained in a previous merger  
18 involving Bell Atlantic. At the federal level we recommend  
19 that Bell Atlantic be required to satisfy the conditions  
20 imposed by the FCC on its previous merger and those  
21 conditions should be extended to GTE's territory as well.  
22 Two, the proponents demonstrate that mergers will enhance  
23 local telephone competition, and three, to proponents  
24 demonstrate that the public interest will be better served.

25 Thank you, again. I look forward to your

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1 questions.

2 CHAIRMAN KENNARD: Thank you, Mr. Carey. Ms.  
3 Hogerty.

4 Agenda Item: Martha S. Hogerty, Office of the  
5 Public Counsel, Missouri; Chair, Telecommunications  
6 Committee, National Association of State Utility Consumer  
7 Advocates (NASUCA)

8 MS. HOGERTY: Thank you for inviting me to be here  
9 today. I am Martha Hogerty. I am the Public Counsel for  
10 the state of Missouri and as such am the rate payer advocate  
11 for the citizens of Missouri before the regulators.

12 I have filed comments jointly with 5 similar  
13 consumer advocate organizations in the Southwestern  
14 Bell/Ameritech case and with 14 other organizations in the  
15 GTE/Bell Atlantic case.

16 I have provided for you a statement. I will not  
17 read it today but I will simply highlight my major concerns.

18 Our concern, first and foremost, is that these  
19 mergers will continue and enhance the monopoly control of  
20 the local exchange network. If these mergers are permitted  
21 SBC and Ameritech will have control of 56 million access  
22 lines, that is 35 percent of the total access lines  
23 nationwide. GTE/Bell Atlantic will have 63 million access  
24 lines, 39 percent nationwide. This, we believe, will result  
25 in a duopoly with control over 74 percent of the nation's

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1 access lines.

2           There is no dispute that still today local  
3 exchange is a monopoly controlled by the incumbents. Our  
4 development of competition, thus far, has been very slow.  
5 With respect to these two companies combined I believe  
6 approximately .81 percent of their access lines have been  
7 lost to facilities based UNEs.

8           In order to garner control these companies are  
9 willing to invest a significant market premium. Based on  
10 December 3 stock prices, they are willing to pay an  
11 additional \$154 per access line in the Southwestern Bell  
12 case and \$47.50 per access line in the GTE case.

13           It is our belief that these companies will  
14 certainly find a way to recover this premium from their most  
15 captive customers, our clients. Moreover, there is no  
16 commitment to pass through any merger savings or estimated  
17 synergies to the bulk of their customers.

18           Because of the current regulatory structures,  
19 essentially limited regulation in most of the states we do  
20 not expect savings to be passed through. Indeed, as far as  
21 we can determine, there have been no significant savings  
22 passed through to consumers with the other mergers that have  
23 taken place to date.

24           In our opinion monopoly rents will continue and  
25 will be used to finance out-of-region strategies. Recall

1 that these companies are currently earning return on  
2 equities ranging from the high 20 percent to the low 40s.

3 Mergers are not necessary to enable entry into  
4 out-of-region markets and there is nothing in these  
5 applications that supports that claim. These companies  
6 currently have the wherewithal to compete. They are not  
7 willing to compete through the interconnection provisions of  
8 the act or through investments in new networks, rather they  
9 would further monopolize the local exchange and finance.

10 It is important that the Commission continue to  
11 forge the course that it has forged with the  
12 Telecommunications Act. The companies are in a position  
13 where they must open their markets to competition. Not one  
14 company has done so to date, no 271 application has been  
15 granted. It is important that this Commission deny these  
16 mergers, encourage these companies, hold their feet to the  
17 fire and ensure that they open their markets to competition  
18 so that competition can truly develop and benefit all the  
19 consumers of this nation. Thank you.

20 CHAIRMAN KENNARD: Thank you, Ms. Hogerty. Rick.  
21 Agenda Item; Richard Jose Bela, Esq., President  
22 and CEO, Hispanic Association on Corporate Responsibility.

23 MR. BELA: Honorable Commissioners, my name is  
24 Richard Jose Bela. I am the President of the Hispanic  
25 Association on Corporate Responsibility. It is a coalition

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1 of the most prominent national hispanic community  
2 organizations in the United States. It serves as a watchman  
3 agency for the hispanic immunity. We monitor the inclusion  
4 of Hispanics in corporate America in the areas of  
5 employment, procurement, philanthropy, governance, and  
6 service, and we compare that inclusion to our community's  
7 contributions to that company's revenue. We call this  
8 concept "market reciprocity."

9 In regards to the telecommunications industry  
10 today we believe that freedom of speech in the 21st Century  
11 will require interconnectivity to our evolving national  
12 telecommunication network. To ensure this freedom HACR  
13 supports seven telecommunication principles referred to in  
14 the industry as "universal service, public access, open  
15 competition, community reinvestment, equal employment  
16 opportunity, service diversity, and market reciprocity." We  
17 believe these seven principles are an essential part of the  
18 1996 Telecommunications Act and that this Commission serves  
19 as its guardian.

20 Our community is growing in a dynamic and dramatic  
21 manner. By the Year 2050 we will represent 1/5 of all  
22 Americans. Already this year Hispanic school age children  
23 surpassed all other ethnic minority groups in the country.  
24 We are a vital part of our nation's future.

25 Upon the public announcement of the three pending

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1 mergers, HACR contacted the CEOs of each of the companies  
2 involved. We sought to ascertain each company's commitment  
3 to these seven principles.

4 HACR is pleased to support any company that shares  
5 this vision and this commitment. To date we have met with  
6 the CEOs from SBC/Ameritech and Bell Atlantic/GTE. Our  
7 experience regarding the past mergers have shown us that  
8 there have been reasonable increases in the employment of  
9 minority and women in the inclusion in the areas of  
10 executives, board membership, procurements, and particularly  
11 in philanthropy where both companies have provided funds to  
12 underserved communities at the rate of \$50 million.

13 We are greatly encouraged by their expressed  
14 commitment to the underlying HACR telecom principles and to  
15 their commitment to continue working with us to establish  
16 and implement programs to achieve these goals. We commend  
17 the Commission on its stewardship over our public airways  
18 and for the expressed commitment from leading media  
19 companies to abide by EEO principles, whether or not  
20 required by law.

21 We ask that this Commission, likewise, ask the  
22 telecom companies about their commitment to these same  
23 principles. We further commend the Commission for calling  
24 these hearings that afford all citizens, not just the rich  
25 and the powerful or the opposing competitors, the right to

1 have their voices heard in an open and democratic manner.  
2 These hearings certainly serve that purpose. We greatly  
3 appreciate the opportunity to present these comments and  
4 look forward to keeping the Commission informed of our  
5 future progress. Thank you.

6 CHAIRMAN KENNARD: Thank you very much. Professor  
7 Kovacic.

8 Agenda Item: William E. Kovacic, Visiting  
9 Professor, The George Washington University Law School.

10 PROF. KOVACIC: My thanks to the Commission for  
11 the privilege of participating in this hearing. My name is  
12 William Kovacic and I am a Visiting Professor at The George  
13 Washington University Law School where I teach anti-trust.

14 I want to inform the Commission that my wife is a  
15 partner in one of the law firms that represents TCI in the  
16 AT&T/TCI transaction before this body and that the views I  
17 express today are mine alone.

18 I want to discuss the process by which federal  
19 authorities review the competition policy effects of  
20 telecommunications mergers. Since 1992 I have worked with a  
21 number of transition economy governments on competition  
22 policy issues.

23 One of the most urgent issues before the  
24 transition competition and sectoral regulators is, "How  
25 should competition policy issues be resolved in basic