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PATRICK A. MILES, JR.

January 25, 1999

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JAN 25 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary Federal Communications Commission
1919 M Street, NW, Room 222
Washington D.C. 20554

Re: Ex Parte Presentations with respect to SBC Communications, Inc. and
Ameritech Corporation Joint Request for Approval of a Proposed Transfer of
Control; CC Docket No. 98-141

Dear Madam Secretary:

Pursuant to Section 1.1206(b) of the Commission's Rules (47 C.F.R. § 1.1206(b)), this
letter serves as notice that Mayor Robert J. Thomas of the City of Westland, Michigan, Westland
City Attorney Angelo Plakas, and the undersigned made an oral presentation and submitted the
attached letter to Radhika Karmarkar and Rosalind Allen of the FCC's staff on Friday, January
22, 1999.

The presentation was made during the FCC Local and State Government Advisory
Committee meeting, at which Ms. Karmarkar was in attendance to discuss the joint request by
SBC Communications, Inc. ("SBC") and Ameritech Corporation ("Ameritech"), as described in
the FCC Public Notice released July 30, 1998, DA 98-1492.

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The oral presentation focused mainly on the matters contained in the attached letter dated January 6, 1999, and the comments of the National Association of Telecommunication Officers and Advisors filed on October 15, 1998.

The presentation also included the following points:

1. Ameritech New Media, the cable arm of Ameritech Corporation, is the largest cable overbuilder in the United States. SBC, by its present and past actions and words, appears unwilling to continue pursuing cable competition. We noted that SBC sold off its cable systems in both Maryland and the Washington, D.C. area. SBC also shut down its cable operations in Richardson, Texas, and San Jose, California. Indeed, when SBC sought FCC approval of its acquisition of PacTel which, like Ameritech, had initiated cable services in some areas, SBC told the FCC that multichannel video programming "consumers will benefit" from because it would "facilitate innovation and timely deployment" of cable services. See e.g. Petition to Deny of Sprint Communications Company L.P., dated October 15, 1998, CC Docket No. 98-141, at 42, n.62. Despite that assurance, shortly after the acquisition of PacTel, SBC shut down PacTel's multichannel video programming operations in San Jose, California. Id.
2. SBC's Chairman and CEO, Edward Whitacre was noncommittal on continuing cable competition when questioned by Senator Mike DeWine of Ohio, Chair of the Senate's Judiciary Subcommittee on Antitrust, Business Rights and Competition. Mr. Whitacre "declined to make any promises" regarding continuing Ameritech New Media's cable efforts. MultiChannel News, May 18, 1998, at 1.
3. SBC's intentions with regard to Ameritech New Media appear even more suspect when it attempted to rewrite FCC Form 394 by striking the certification language in Part 2, Item (c) of the form and include an affidavit in lieu thereof with language more to SBC's liking. See attached SBC/Ameritech FCC Form 394, p 5.
4. The proposed SBC/Ameritech merger fails the public interest standard of Sections 214 and 310 of the Communications Act, as amended, as described by Professor Thomas Krattenmaker, who heads the FCC Internal Mergers Task Force and is the Chief of the Common Carrier Bureau's Policy and Program Planning Division. Professor Krattenmaker stated at the En Banc FCC hearing on December 14, 1998, that the public interest standard involves the following inquiry: "Will the merger

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increase or decrease efficient interaction between the parties and between the firms and their customers? And whether the merger will further or retard the achievement of the goals of the Communications Act, especially the deregulatory, pro-competitive goals of the 1996 Telecommunications Act?" [emphasis added]. In this light, the SBC/Ameritech merger fails the public interest standard if it erodes the cable competition offered by Ameritech New Media. This is another example of consolidation over competition.

5. The FCC should not grant approval of the SBC/Ameritech merger without the condition that Ameritech New Media stays in the cable business, provides cable service under its cable franchise for the balance of their terms, and continues to obtain franchises and provide cable service in additional municipalities in the five-state area Ameritech serves.

Sincerely,

VARNUM, RIDDERING, SCHMIDT & HOWLETT^{LLP}



Patrick A. Miles, Jr.

PM/pjd
enclosures

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Janice Myles
Policy and Planning Division
Rosalind Allen
Office of Plans and Policy
International Transcription Services
Hon. Robert J. Thomas
Angelo Plakas, Esq.

SECTION V - CERTIFICATIONS

Part I - Transferor/Assignor

All the statements made in the application and attached exhibits are considered material representations, and all the Exhibits are a material part hereof and are incorporated herein as if set out in full in the application.

I CERTIFY that the statements in this application are true, complete and correct to the best of my knowledge and belief and are made in good faith.	Signature
WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT. U.S. CODE, TITLE 18, SECTION 1001.	Date August 1998
	Print full name Donna Garofano, Vice President of Public Affairs, Ameritech New Media, Inc.
Check appropriate classification: <input type="checkbox"/> Individual <input type="checkbox"/> General Partner <input checked="" type="checkbox"/> Corporate Officer (Indicate Title) <input type="checkbox"/> Other. Explain:	

Part II - Transferee/Assignee

All the statements made in the application and attached Exhibits are considered material representations, and all the Exhibits are a material part hereof and are incorporated herein as if set out in full in the application.

The transferee/assignee certifies that he/she:

- (a) Has a current copy of the FCC's Rules governing cable television systems.
- (b) Has a current copy of the franchise that is the subject of this application, and of any applicable state laws or local ordinances and related regulations.
- (c) ~~WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT. U.S. CODE, TITLE 18, SECTION 1001.~~ See Exhibit 11.

I CERTIFY that the statements in this application are true, complete and correct to the best of my knowledge and belief and are made in good faith.	Signature 
WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT. U.S. CODE, TITLE 18, SECTION 1001.	Date August 28, 1998
	Print full name James S. Kahan, Senior Vice President for Corporate Development, SBC Communications Inc.
Check appropriate classification: <input type="checkbox"/> Individual <input type="checkbox"/> General Partner <input checked="" type="checkbox"/> Corporate Officer (Indicate Title) <input type="checkbox"/> Other. Explain:	

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Mr. Kenneth Fellman
Chair, Local and State Government Advisory Committee
c/o Kissinger & Fellman, P.C.
Pfarmigan Place, Suite 900
3773 Cherry Creek North Drive
Denver, CO 80209

Dear Mr. Fellman:

I am writing you on behalf of several municipalities who receive (or wish to receive) cable service from Ameritech New Media. As you may be aware, Ameritech New Media (the cable arm of Ameritech Corporation) is the principal company nationwide which builds and operates cable systems that compete directly with conventional cable companies such as TCI, Time Warner, Comcast and the like. On behalf of these municipalities we request that the Local and State Government Advisory Committee ("Committee") adopt a recommendation that the FCC not approve SBC Communications's ("SBC") purchase of Ameritech Corp. unless a condition is imposed that Ameritech New Media stays in the cable business, honors its existing cable franchises for the balance of their term and continues to expand and serve new communities.

The reason for this request is that the FCC can only approve SBC's purchase of Ameritech Corp. if the purchase is in the public interest. The loss of the largest competitive cable company in the U.S. -- franchised to serve 1.5 million homes in 87 municipalities in four states -- would not be in the public interest. This is particularly the case given the strong consumer, municipal, Congressional and FCC desire for competition in cable service.

There are good reasons to believe that such a loss would occur: After the purchase of Ameritech Corp., SBC would shut down Ameritech New Media. These reasons include SBC's

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recent shutdown or sell off of all its other cable systems, SBC's refusal in Senate testimony to agree to keep Ameritech New Media in operation, and SBC's deletion (from FCC forms submitted to municipalities who must approve the purchase) of commitments to, in effect, keep Ameritech New Media in operation for the term of its current cable franchises.

Further information is as follows.

Ameritech New Media: Ameritech New Media is the cable arm of Amcritech Corp. It started operation in May, 1996, following passage of the Telecommunications Act of 1996, one of whose major goals was to create competition in cable television by allowing and encouraging phone companies to go into the cable business. Comments of Ameritech New Media, Inc. in CS Docket No. 98-102, In re Notice of Inquiry, Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming (July 31, 1998), at p. 11 (hereafter "Ameritech New Media Comments"). To date, Ameritech is the only major telephone company to actively engage in the cable television business. Fifth Annual Report, CS Docket No. 98-102 In re Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming (Dec. 17, 1998), at ¶ 10 (hereafter "FCC Fifth Annual Video Competition Report").

Ameritech New Media's success in cable is substantial: Today, a little more than two years since it first started business, one out of every nine homes in Illinois, Ohio, Michigan and Wisconsin receive or will shortly be able to receive cable service from Ameritech New Media as well as from the incumbent (and formerly monopoly) cable provider. Currently, Ameritech New Media has cable franchises to serve 87 municipalities in areas such as portions of Chicago and its suburbs, much of suburban Detroit, and Columbus, Ohio, among others. Id. In terms of specific numbers, the 87 municipalities have 1.5 million homes (compared to approximately 13.5 million homes in the four state area). Id., U.S. Census data.

The benefits to consumers from the competition Ameritech New Media has provided can be broadly broken into three categories. First, there are lower rates and improved program offerings. Here, Ameritech New Media has affected significant change by moving the Disney Channel -- formerly a premium channel at around \$10 to \$12 per month -- into basic service. The FCC noted in one case study that "upon entering the market, Ameritech [New Media] started an aggressive pricing policy which offered Premiercast (which includes 12 premium channels) for about the same price that TCI was charging for its basic cable service plus HBO and Showtime. In response to Ameritech's entry, TCI lowered its basic cable rate by over \$4.00 . . . added PASS Sports to its cable plus lineup and moved the Disney Channel from a premium service to its expanded basic tier." FCC Fifth Annual Video Competition Report, at ¶ 226 (footnotes omitted).

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Second, Ameritech New Media promised and appears to deliver customer service that is significantly superior to that of some of its conventional rivals. The conventional cable companies have had to address and improve their customer service or risk losing customers. Third, the incumbent operations have often had to accelerate the rebuild of their cable systems (to a 750 MHz or greater standard) so as to compete with the comparable systems being built by Ameritech New Media. Such newer systems both provide more channels, are more reliable and deliver a higher quality picture than conventional coaxial systems. Examples of these and other benefits of competition are set forth in both the FCC Fifth Annual Video Competition Report and in the Ameritech New Media Comments, among other places. FCC Fifth Annual Video Competition Report, at ¶ 7, ¶¶ 224-227; Ameritech New Media Comments at 11-12 and Attachment 1 -- Examples of Competitive Response to Ameritech Market Entry.

SBC Exiting Cable Business: There is substantial reason to believe that unless the FCC mandates to the contrary, SBC will shut down Ameritech New Media after its acquisition of Ameritech Corp. This follows from SBC's shut down or sell off of its cable systems elsewhere and its refusal to provide commitments to keep Ameritech New Media in the cable business as follows.

Until 1997, SBC owned two cable systems which, like Ameritech New Media, competed head to head with the incumbent cable provider. One of these was in Richardson, Texas, the other was in San Jose, California (an affiliate of Pacific Telesis, whom SBC had recently purchased).

In the summer of 1997, SBC shut down its competitive cable operation in Richardson, Texas. See, e.g., "Ops Await SBC/Ameritech Fallout," *MultiChannel News*, May 18, 1998, at 1; "DeWine Presses Whitacre on Cable," *MultiChannel News*, May 25, 1998, at 3. At roughly the same time it did the same for the Pacific Telesis cable operation in San Jose, California. *Id.* As noted in the current FCC proceedings on SBC's purchase of Ameritech, the shut down of Pacific Telesis' cable company occurred despite the fact that a year before "SBC had in fact represented to the FCC that one benefit of its acquisition of Pacific Telesis would be to foster video competition." Petition to Deny of Sprint Communications Company L.P., CC Docket 98-141 (October 15, 1998) at 42 and footnote 62.

Concurrently, SBC moved to sell off and then did sell off its conventional (monopoly) cable systems in southern Maryland and in Arlington, Virginia to Prime Communications. "Ops Await SBC/Ameritech Fallout," *supra*. ("SBC also abandoned its own domestic cable operations, agreeing last fall [fall of 1997] to sell systems in the Washington, D.C. area to a group including Prime . . .")

SBC's shut down or sell off of its cable operations became the focus of U.S. Senate attention after SBC announced its proposed purchase of Ameritech Corporation. Immediately following the

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announcement, Ohio Senator Mike DeWine, Chair of the Senate Judiciary Subcommittee on Antitrust, Business Rights and Competition, held hearings on the proposed purchase. A focus of Senator DeWine's hearing was on whether SBC would keep Ameritech New Media in business. In response, SBC Chairman and CEO Edward Whitacre, Jr., "declined to make any promises" about keeping Ameritech New Media in operation. See, e.g., "DeWine Presses Whitacre on Cable," *supra*.

A strong indication that SBC is likely to shut down Ameritech New Media comes from the Form 394's which SBC and Ameritech New Media submitted to the 90 communities where Ameritech New Media has cable franchises. By way of background, many municipalities require local approval before there is any change in control of their cable operator. The FCC has prescribed FCC Form 394, "Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise," as the form which cable companies should use for this purpose. In this regard, Section V - Certifications, Part II(c) of the Form requires the transferee/assignee to certify that it

"Will use its best efforts to comply with the terms of the franchise and applicable state laws or local ordinances and related regulations, and to effect changes, as promptly as practicable, in the operation of the system, if any changes are necessary to cure any violations thereof or defaults thereunder presently in effect or ongoing."

The preceding certification immediately precedes the signature block used by SBC.

However, in its Form 394's SBC has stricken this certification. In an exhibit it notes that Ameritech New Media continues to be subject to the local franchise and applicable laws and ordinances.¹

This action appears to be an attempt by SBC to insulate its parent company from liability when it shuts down Ameritech New Media. Specifically, cable franchises and cable ordinances often require the cable operator to provide cable service in a municipality for the full term of the franchise. Such an obligation to provide service is part of the basic quid pro quo with the cable operator. SBC is apparently concerned that if it unilaterally shut down Ameritech New Media, or otherwise allowed it to cease operations, that the Form 394 certification could be used to "pierce the

¹ I would note that we have represented approximately 100 communities on cable television transfers of control, including purchases by AT&T, TCI, Comcast, MediaOne and Time Warner. Until now, we have never seen a cable company strike an FCC required certification. For example, AT&T did not strike this certification in the Form 394's regarding its proposed purchase of TCI.

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corporate veil" and hold the parent company (SBC Communications, Inc.) liable for such actions. Presumably this is what the FCC intended by requiring the purchaser of a cable company to commit to the municipality to use its best efforts to comply with the franchise and local laws. Otherwise, if a conglomerate purchased a cable company and then decided to shut it down, a community might be without recourse. This may particularly be a risk in situations such as this where SBC is acquiring numerous and diverse assets of which a cable company may be a small and undesirable tag-along.

The preceding actions by SBC show a general decision to exit the cable business, combined with actions regarding Ameritech New Media (refusal to commit to keeping it in business, deletion of commitments that might bind SBC in this regard) which make shutting down Ameritech New Media easier. There is thus substantial cause for concern that SBC will shut down Ameritech New Media after the purchase occurs.

I would note that NATOA, in its October 13 comments in the FCC case regarding the proposed purchase of Ameritech Corporation by SBC, raised the same concerns outlined above. See Comments of NATOA, attached.

Public Interest Would Be Harmed: Prior FCC approval is required of SBC's purchase of Ameritech Corporation. Such approval can only be granted if it is in the public interest. It is not in the public interest to approve any such purchase which would harm cable competition by shutting down Ameritech New Media.

Specifically, SBC Communications and Ameritech Corporation have jointly applied to the FCC for approval of the proposed purchase. See, In re SBC Communications, Inc. and Ameritech Corporation, CC Docket No. 98-141. The FCC has recently restated (in another case involving SBC) the public interest standard by which such purchases are evaluated.

"As we explained in the recent *WorldCom-MCI Order*, before the Commission can approve the transfer of control of authorizations and licenses in connection with the proposed merger, Sections 214(a) and 310(d) require the Commission to find that the proposed transfers serve the public interest. The legal standards of Sections 214(a) and 310(d), which we must apply to the transfers before us, require us to weigh the potential public interest harms against the potential public interest benefits and to ensure that, on balance, the merger serves the public interest which, at a minimum, requires that it does not interfere with the objectives of the Communications Act. This analysis necessarily

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includes an evaluation of the possible competitive effects of the transfer, and the applicants bear the burden of proving that the transaction, on balance, serves the public interest. Where necessary, the Commission can attach conditions to the transfer of authorizations or licenses in order to ensure that the public interest is served by the transaction." In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Southern New England Telecommunications Corporation, Transferor To SBC Communications, Inc., Transferce, CC Docket No. 98-25 at ¶ 13, (footnotes omitted) ("SBC-SNET Order").

Competition in cable service service -- in particular, head to head competition from competing cable-type companies -- is one of the principal desires and policy objectives of consumers, municipalities, Congress and the FCC.

For example, one of the principal objectives of the Telecommunications Act of 1996 was to reduce cable's monopoly by getting telephone companies to compete in the cable business. A number of provisions of the 1996 Act dwelt on this, including provisions removing restrictions on telephone companies entering the cable business and provision of a number of alternatives (conventional cable service and Open Video Systems) by which phone companies could compete head to head with cable companies for customers. Such provisions were part of the general thrust of the 1996 Act to attempt to replace regulation with competition. The FCC has recently noted the preceding in its 1998 Annual Report on Cable Competition. See generally, FCC Fifth Annual Video Competition Report at ¶¶ 10-12 and *passim*.

Other actions by Congress and the FCC showing their strong desire for competition in cable service include the following:

- The Congressional requirement for the FCC to conduct an annual assessment of the state of competition in cable and related multichannel video programming services.
- Provisions in the Cable Television Consumer Protection and Competition Act of 1992 preventing exclusive cable franchises and providing that second and subsequent cable franchises cannot unreasonably be denied.
- Congress' directive to the FCC -- and FCC proceedings -- to make in-home wiring available to all cable companies and video distributors (so that the consumer can switch cable companies without having to have the cable wires in the home replaced

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-- previously the incumbent cable company commonly refused to let competitors use the wiring it had installed).

- Program access provisions of the 1992 Cable Act, which ban exclusive contracts and other means by which cable operators prevent competitors from obtaining access to certain satellite programs that are essential (HBO, the Weather Channel) or desirable for competitors to operate.

The public interest would be harmed if Ameritech New Media were to cease operations. This is evidenced by several points.

- As the FCC has pointed out, the Telecommunications Act of 1996 was intended to foster telephone company entry into cable service: "At the time of the Telecommunications Act of 1996 ("1996 Act") passage, members of the local telephone industry indicated that they would begin to compete in video delivery markets . . . As a general matter however, significant competition from telephone companies has not developed . . . [w]ith the exception of Ameritech, which has acquired 87 cable franchises and reports that it serves 200,000 subscribers." FCC Press Release accompanying FCC Fifth Annual Video Competition Report, at ¶ 2.
- Ameritech New Media is the nation's largest cable "overbuilder." It has the largest number of customers of any overbuilder mentioned by the FCC. FCC Fifth Annual Video Competition Report, at ¶¶ 12, 43-46. And according to the FCC, 149 communities have awarded franchises to competing video operators since 1995. Ameritech New Media holds 87 of these franchises. Id.
- Ameritech New Media brings competition in cable service to 1.5 million homes in 87 municipalities, or roughly one in nine homes in the four states where it operates. Id. Census data.
- The number of homes served or able to be served by Ameritech New Media is rapidly increasing -- it has gone from zero to 1.5 million homes that receive (or shortly will be able to receive) service in the two and a half years since Ameritech New Media's launch in May, 1996. Id.; Ameritech New Media Comments, p. 11.
- Continued increases at this rate would shortly bring head to head competition in cable service to millions of more homes, in particular to many of the remaining 12 million homes in the four states where Ameritech New Media currently operates.

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Ameritech New Media's comments to the FCC in the 1998 proceeding on the status of competition in video markets sets forth in detail the beneficial aspects of its operations and how they serve the public interest. Some excerpts from the comments are as follows.

"The state of competition today in the multichannel video programming distribution ("MVPD") market is like a tale of two cities. In relatively few areas of America, there are discrete pockets of meaningful competition to the incumbent cable industry. In such communities, including those served by Ameritech New Media, Inc. ("Ameritech"), consumers are realizing the benefits of robust competition: more choice, better service and price discipline. Happily, the type of direct, head-to-head competition Ameritech is providing as a cable overbuilder, regulated under Title VI of the Communications Act of 1934, is working in precisely the way Congress hoped when it enacted the Cable Television Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996.

* * *

"Ameritech continues to be the very best example of what happens when competition takes hold in a market. Over the past year, Ameritech has continued its successful penetration of numerous local video markets. Ameritech now provides cable service to more than 150,000 subscribers, offering them more channels and better service, all at competitive prices. One out of every three cable subscribers in areas where Ameritech is marketing is now watching AmericastTM -- Ameritech's cable service. In areas served by Ameritech, competition is working.

"Since its launch in May, 1996, Ameritech has successfully secured franchises in 78 communities having a total population of more than 3 million people living in over one million homes. Ameritech currently operates cable systems in 61 communities. That represents a gain of 30 franchises and more than a doubling of communities actually served by Ameritech in the last year alone. In these areas, viewers have a choice among competing MVPD providers, and enjoy attractive programming packages, offered by Ameritech at reasonable

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prices. In addition, they are experiencing the unique benefits of Express Cinema™, an eighteen (18) channel movie offering, providing "near video-on-demand" to Ameritech's customers.

"Ameritech's provision of dynamic, head-to-head competition in MVPD markets has spurred incumbent cable operators into action, causing them to modify their service and respond with their own version of improved, higher quality service offerings at more affordable prices. These incumbents are working to retain their customers and also "win back" customers that have migrated to Ameritech, by providing one or more of the following service improvements: upgrading networks; adding channels; offering free channels; offering discounts on monthly bills; creating value packages and competitive promotions; refraining from charging for set top boxes; offering discounts on expanded tiers; offering free monthly service; offering community coupons redeemable at local restaurants, grocery stores and other merchants; offering free line and wire maintenance; offering free installation; offering two premium channels for the price of one; offering free digital service for a limited time; offering "checks" to pay for cable service; moving a la carte premium service channels to be part of expanded basic tier; and providing free pay-per-view coupons."

[Ameritech New Media then provides a several page example of head to head cable competition in Berea and North Olmsted, Ohio; its practices to promote its service, and its competitors' responses.]

"Such vigorous responses to competition are precisely what Congress envisioned when it enacted the deregulatory, pro-competitive provisions contained in the Telecommunications Act of 1996. However, Congress wants competition to flourish in all communities, not just select ones. The case studies discussed above vividly illustrate how consumers fortuitous enough to reside in areas in which Ameritech provides service are winners. Where competition is present, it is working. Equally clear, however, is the reality that consumers located in the far more numerous areas yet to experience competition remain hostage to unresponsive, entrenched cable providers. That is an unacceptable public policy outcome."

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Ameritech New Media Comments at 1, 11-12, 14-15.

The FCC's conclusions are similar. It found that when incumbent cable operators are challenged by a new entrant such as Ameritech New Media "incumbents have responded by offering better customer services, new services, new products, larger channel complements for the same price, and, in two cases, apparently cutting prices." FCC Fifth Annual Video Competition Report, at ¶ 232.

Remedy - Approve With Conditions: Given the substantial harm to the public interest that would occur if Ameritech New Media ceased operations, the FCC can approve the proposed purchase only if it imposes conditions to ensure that Ameritech New Media remains in operation and continues its expansion. The FCC can (and often does) "attach conditions to the transfer of authorizations or licenses in order to ensure that the public interest is served by the transaction." SBC-SNET Order, supra at ¶ 13.

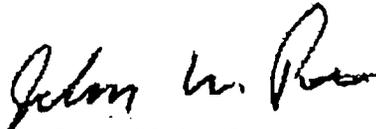
Specifically, we request that, for the reasons set forth above, the Committee recommend that the FCC not approve SBC's purchase of Ameritech Corporation except on condition that Ameritech New Media stays in the cable business and provides cable service under its cable franchises for the balance of their terms; and continues to obtain cable franchises and provide cable service in additional municipalities in the five state area served by Ameritech Corporation. At least for the next few years, the rate of such expansion should be similar to that which Ameritech New Media has had in recent years.

Conclusion: We appreciate your considering this letter. If you have any questions please do not hesitate to contact me.

With best wishes,

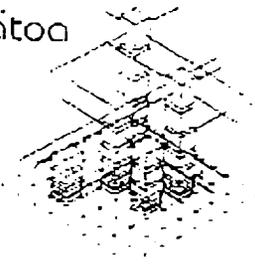
Very truly yours,

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John W. Pestle

JWP/nk

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Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

OCT 15 1993

RE: CC Docket No. 98-141

Enclosed please find Comments of the National Association of Telecommunications Officers and Advisors in the above referenced matter, in required number for circulation.

Thank you for your assistance in this matter.

Respectfully submitted,

Frederic Lee Ruck
Executive Director
NATOA

- cc: International Transcription Service
- Chief, Policy and Program Planning Division, Common Carrier Bureau
- Chief, International Bureau
- Jeanine Poltronieri, Wireless Telecommunications Bureau
- Chief, Commercial Wireless Division

Before the
Federal Communications Commission
Washington, DC 20554

CC 7-15-99

In the Matter of)
SBC Communications, Inc. and)
Ameritech Corporation)

CC Docket No. 98-141

Comments of the
National Association of Telecommunication
Officers & Advisors (NATOA)

The National Association of Telecommunications Officers & Advisors (NATOA) wishes to thank the Commission for this opportunity to comment on the proposed transfer of control of Ameritech Corporation to SBC Communications, Inc. (SBC). Our comments pertain to the effect that this transfer may have on Ameritech's New Media Division – the umbrella for Ameritech's cable television franchises.

NATOA is very concerned about potential anti-competitive aspects of this proposed transfer of control, in particular the adverse affect it could have in precluding Ameritech New Media (ANM), currently the nation's largest cable overbuilder, from adding to its cable franchise properties.

Most communities are still awaiting effective competition from a second cable provider. In those locations of the Midwest where ANM is providing cable TV service, consumer prices offered by the cable incumbents are significantly below those of communities where ANM is not competing. While there is no guarantee that ANM will overbuild in areas where it already serves as the local exchange carrier, the potential of an ANM overbuild will likely be removed from these Midwest communities should the proposed transfer of control be approved. Absent this transfer, ANM will likely continue to acquire cable television franchises, a process which has resulted in over 100 competitive franchises.

NATOA is not only concerned about the potential of future ANM overbuilds, but the status and success of its existing cable franchises, given SBC's treatment of video properties and its current Comments and attitudes towards ANM's cable systems.

Recent actions of SBC seem to demonstrate a general lack of interest in cable operations. In the Washington, DC, area SBC has abandoned its own domestic cable operations, agreeing to sell its Montgomery County, MD, and Arlington County, VA, systems to a group including Prime.¹ SBC shuttered its cable system in Richardson, Texas.² Similarly, it shuttered PacTel's 8,000 subscriber overbuild operations in San Jose, California. San Jose was caught completely off guard by SBC's actions; in fact only two days before the shutdown, PacTel's executives were outlining a new two-year overbuild strategy.³

Acknowledging a likely diminution of effort, SBC's Edward Whiteacre testified before the U.S. Senate Antitrust Subcommittee that he "may pull back on Ameritech's aggressive cable strategy."⁴ Senate Commerce Committee Chairman John McCain lamented that "we have seen the consolidations within the industries; we have seen mergers, rather than competition; and we have seen increased rates, whether they be in cable, or local, or long distance, indicating again that the Telecommunications Act of 1996, whether intended so or not, protected industries and protected everybody but the consumer."⁵

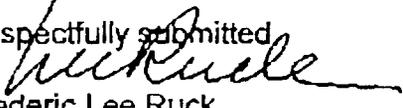
Some industry analysts believe SBC needs Ameritech New "in order to produce a bundled package of cable, Internet access and local and long distance telephone services that will be comparable to what AT&T will be offering as a result of the marriage with TCI." According to Mark Plakias, managing director of Strategic Telemedia, "SBC should be looking at Ameritech New Media as a convergence opportunity, and not a cable opportunity. It's got the scale now to justify a major investment in a bundled-value proposition. Getting rid of ANM would seem to take away from that."⁶ However, the same cable analysts rated the ANM's "chances of survival as dim, at best, arguing that the notoriously bottom-line-oriented SBC will not invest capital in pursuing an overbuild strategy".

Effective competition to the cable industry has been slow in coming, despite the promises of the Telecommunications Act of 1996. ANM's success as a more legitimate and effective competitor to incumbent cable operators is due in large part because of its similarity to the cable model. Consequently, its success in penetration and erosion of an incumbent's subscriber base has forced the incumbent operator to take action in lowering churn by eliminating increases, lowering prices or other consumer benefits that are the result of *effective competition*. The Commission should recognize that these were the highly desired results of the 1996 Telecommunications Act and to negate this healthy direction of consumer benefits would be contrary to the intent and spirit of the competitive nature that Congress sought.

In summary, recognizing Ameritech New Media's success in providing competition and consumer choice in the communities in which they have overbuilt, NATOA requests that the FCC carefully examine the anticompetitive potential in the proposed transfer of control, and to take action to assure that the current and potential benefits that consumers receive via cable TV competition provided by ANM will both continue and increase.

Dated: October 13, 1998

Respectfully submitted,


Frederic Lee Ruck
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¹Several Cities Hoping Ameritech Will Stay in Video Business, *Cable World*, p. 77 (May 25, 1998); Ops Await SBC/Ameritech Fallout, *Multichannel News*, p.1 (May 18, 1998); *Warren's Cable Monitor*, p. 7 (May 18, 1998).

²Ops Await SBC/Ameritech Fallout, *Multichannel News*, p.1 (May 18, 1998).

³Several Cities Hoping Ameritech Will Stay in Video Business, *Cable World*, p. 77 (May 25, 1998); *Warren's Cable Monitor*, p. 7 (May 18, 1998).

⁴Merger Sparks Skepticism, Antitrust Concerns, *Cable World*, p.12 (May 25, 1998).

⁵Ops Await SBC/Ameritech Fallout, *Multichannel News*, p. 61 (June 1, 1998).

⁶Will AT&T Deal Save Americast? *Multichannel News*, p. 43 (July 27, 1998).