

DSSA

310 NORTH MILWAUKEE AVE.
LAKE VILLA, IL 60046
(847)356-7800 • FAX (847)356-8791

15 April, 1999

RECEIVED

APR 16 1999

FCC MAIL ROOM

Office of the Secretary of the FCC
445 12th St. SW, Room TW-A325
Washington, DC 20554

RE: Ex Parte Filing in CC Docket #98-141

To Whom It May Concern:

I am enclosing some of the materials which we have developed through our intervention in the Ameritech/SBC merger proceedings before the Illinois Commerce Commission.

We have developed relationships with a number of other organizations and situations around the country with respect to public technology intervention strategies and initiatives to mitigate the digital divide. We have more materials, including graphic displays of the digital divide in Illinois, the six county metro region and the state of Illinois.

If any of our additional materials would be helpful to you in your deliberations, please feel free to ask for them. If it would be useful for me, or others with whom I have been working, to meet with you in Washington to discuss these materials or our experiences, I am sure that could be arranged. Or perhaps, we could arrange a video conference, or a multiple conference call.

Thank you for giving us the opportunity to participate in these important deliberations.

Sincerely,



Don S. Samuelson

cc: Ellis Jacobs
Mark Savage
Robert Atkinson
Thomas Krattenmaker
Bill Dever

Enc.

No. of Copies rec'd 0/1
List ABCDE



310 NORTH MILWAUKEE AVE.
LAKE VILLA, IL 60046
(847)356-7800 • FAX (847)356-8791

April 13, 1999

Jackie Hayes
Common Carrier Bureau
Office of the Bureau Chief
445 12th St. SW, Fifth Floor
Washington, D.C. 20554

Re: Ameritech/SBC Merger

Dear Jackie:

Thank you for taking the time to talk with me today. I am enclosing some of the materials we talked about in our phone conversation. I would be happy to expand on them with you or other members of the FCC staff. The enclosed materials include:

- Rebuttal Testimony of Don Samuelson on behalf of DSSA and the Neighborhood Learning Networks before the ICC on Docket #98-0555 regarding the Ameritech/SBC Merger;
- Initial Brief filed on February 24, 1999;
- Reply Brief filed on March 11, 1999;
- Summary of the programs we are proposing as part of our recommended remedies;
- Letter written on March 13, 1999 to Congressman John Porter suggesting the value of gathering, analyzing and evaluating the various existing demonstrations of public technology interventions funded by the Department of Education, the National Science Foundation, the Department of Housing and Urban Development, the Department of Labor, and other governmental agencies interested in workforce development or **“mitigating the digital divide.”**

Illinois has a merger statute which requires that “savings” from the merger be determined. In this respect, Illinois is like California, and unlike the other states in the Ameritech service area which appear to have no merger approval provisions (Wisconsin, Indiana and Michigan) or which have no mandatory “savings” provision (Ohio). California, as you know, required that the Pac Tel/SBC merger create and fund in a significant way a California Community Partnership to provide assistance to disadvantaged or underserved markets and other remediation programs.

The positions we have taken in the merger proceedings in Illinois before the Illinois Commerce Commission are relatively clear, simple and consistent.

First, we argue that the “standard” of Illinois Commerce Commission review should be a “public interest” or “public convenience” standard, and not the mere compliance with a narrow reading of the merger statute.

Second, because of the uncertain and likely negative effect the merger will have upon prospective competition in the residential markets in Illinois, in particular the poor or otherwise disadvantaged markets, we have recommended that the Illinois Commerce Commission require the compliance of Ameritech/SBC with the Section 271 checklist process, in Illinois, to the satisfaction of the ICC, to assure that the merger results in a competitive marketplace in Illinois for all sectors of the telecom marketplace.

Third, we propose that there be a more careful review of the determination of merger savings, drawing upon the framework – if not the numbers – developed by Ameritech/SBC in Illinois, the methodology developed in California for projecting the savings in Pac Tel/SBC, and the various savings projections made by SBC and Chairman Whitacre in presentations to the financial community and in the April 12th Business Week article at page 84.

Fourth, we argue that the savings should be allocated to consumers rather than shareholders (since the shareholders will be receiving a \$13.2B premium in the deal), and the savings ought to be allocated to consumers equally in the form of rate reductions and programs funded by estimated savings which relate to awareness raising, education and access. We feel that the compliance by Ameritech/SBC with the Section 271 checklist standards before the approval of the merger are the best guarantee that the marketplace will create optimum combinations of alternatives, quality services and lower costs.

There are four program areas which we have been advancing before the ICC. One relates to the “preparation” of the market through consumer education and awareness raising efforts. The second relates to the development of an Illinois version of the Commerce Department’s TIIAP program, to involve neighborhood and community groups in the development of effective and replicable public technology interventions. The third involves the support for community technology centers, like those supported by Ameritech in Ohio, and SBC in Missouri. And finally, we propose the aggressive and comprehensive gathering of “best practices” in the U.S. and abroad, which advance the interests of disadvantaged and underserved markets in learning about and using the types of technology interventions that can help to level the technology playing field and mitigate the digital divide. As my letter to John Porter points out, I think it is important that there be comprehensive and rigorous review of the results of existing programs of this type so that they can be efficient and cost effective.

I would be happy to expand upon these points, or modify this letter in whatever way might be most effective in bringing these concerns and ideas to the consideration of the Federal Communications Commission or its Staff.

Sincerely,

Don S. Samuelson



310 NORTH MILWAUKEE AVE.
LAKE VILLA, IL 60046
(847)356-7800 • FAX (847)356-8791

March 13, 1999

To: Representative John Porter
Chair – House Appropriations Subcommittee on
Labor, Health, Human Services and Education

From: Don Samuelson

Re: Department of Education request for \$65M in
FY 2000 for Community Technology Centers –
and the need for an overall strategy and context.

RECEIVED

APR 16 1999

FCC MAIL ROOM

Patricia McNeil, Assistant Secretary of Education for Vocational and Adult Education, in a prepared statement before the Subcommittee on March 10, said:

“The Department also includes \$65 million for Community-Based Technology Centers (CTCs) in the Education Reform request. CTCs will give adults in economically distressed urban and rural communities access to technology for learning. Our nation has a digital divide. Minority and low-income homes are unlikely to have the computers and Internet connections that are increasingly common in American homes. Many low-income people do not have even the most basic computer skills and have no way to acquire them. The CTCs will make it possible for residents to come to a local center and not only use computers for Internet access, writing a business letter, or preparing a resume, but receive instruction in computer use and basic skills from qualified adult educators. This proposal builds on a previous public investments in community-accessible computers, which have demonstrated that computer access can literally make a difference in peoples’ lives —through new jobs and other opportunities. This initiative will increase the numbers of communities that have centers and ensure that centers are available to adults with limited reading and basic skill.”

1. This proposal should be put in a broader context, involving the efforts of HUD, Commerce, Labor, and the FCC. And an effort should be made to collect, organize, analyze and make sense of our current experience with CLCs.
 - a. You are familiar with HUD Neighborhood Networks program. It has supported more than 400 computer learning centers in HUD housing developments. There are almost 600 more in some phase of planning. Niles Terrace in Waukegan. Northwest Tower in Chicago.
 - b. The Department of Commerce has a TIIAP program which has been supporting innovative uses of technology (including computer learning centers) for inner

city, disadvantaged and rural communities for over five years. It has accumulated wonderful demonstration projects, which warrant replication.

- c. The Department of Labor has provided support for the instructional programs going on in CLCs, in HUD housing, for welfare-to-work objectives. And DOL has supported CLCs more generally.
 - d. The Department of Education has a Technology Challenge Grant program to support the use of technology to promote community/adult education and lifelong learning. Waukegan won an award in 1995. Chicago won in 1997.
 - e. The Department of Education has a 21st Century Learning Center program designed to create computer learning centers and other after-school programs, to take care of children during the key time period from 3:00 to 6:00, after school is out, before the working parents come home.
 - f. A number of state public utility commissions are requiring that computer learning centers be set up by telecom companies as parts of rate hearings, and more recently the merger hearings involving SBC/PAC Tel (California) and Ameritech/SBC (Illinois). SBC has created community technology centers in Missouri. Ameritech has created a program in Ohio. The California PUC has required SBC/Pac Tel to create an \$82 million education and access fund for technology initiatives in "disadvantaged" communities in California. SBC has agreed to fund a similar system of public technology initiatives in Ohio. A similar request is before the Illinois Commerce Commission related to the Ameritech/SBC merger hearing in Illinois.
2. There are trade associations around the country, which have tended to specialize in the development and improvement of computer learning centers and community networks. This experience base should be collected, organized and disseminated.
- a. HUD has its Neighborhood Networks program.
 - b. CTC Net, in Boston, is a NSF funded effort to support the development of community technology centers in inner city neighborhoods and rural communities. It has more than 400 affiliates. It will be holding its annual conference this June in Chicago.
 - c. AFCN, the Association for Community Networking, is an association of community networks providing awareness raising, training, low cost access and other services to needy populations. It has a substantial number of affiliates.
 - d. TIIAP has a substantial collection of public technology initiatives that it has funded over the past five years.
 - e. UK Communities Online is a similar trade association operating out of the UK.
 - f. There are similar initiatives like this going on throughout the world.
-

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

RECEIVED

APR 16 1999

FCC MAIL ROOM

SBC Communications Inc.,)
 SBC Delaware Inc.,)
 Ameritech Corporation,)
 Illinois Bell Telephone Company d/b/a Ameritech)
 Illinois, and Ameritech Illinois Metro, Inc.)
)
 Joint Application for Approval of the)
 Reorganization of Illinois Bell Telephone)
 Company d/b/a Ameritech Illinois, and the)
 Reorganization of Ameritech Illinois Metro, Inc.)
 In Accordance with Section 7-204 of the Public)
 Utilities Act and for All Other Appropriate Relief)

ICC Docket No. 98-0555

**THE PROPOSED MERGER BETWEEN AMERITECH AND SBC SHOULD BE
 REJECTED BY THE ICC UNLESS THE COMPANIES CAN SHOW THAT
 THEIR COMBINATION ADVANCES THE INTERESTS OF THE AVERAGE
 CONSUMER AS WELL AS THE "DISADVANTAGED" MARKETS ON THE
 WRONG SIDE OF THE DIGITAL DIVIDE.**

The arguments advanced by Ameritech and SBC are not persuasive that there are significant public interests to be gained from the merger. The stockholders of Ameritech will surely benefit—they will receive a \$13B premium for their stock. The senior management of Ameritech will benefit—through generous retirement packages. But the average consumer—those with one phone line, no Internet use, and no cellular phone—will not benefit from this merger. Their rates have been going up. Basic service has been deteriorating. They are not being introduced to the benefits of advanced telecom services. And the situation is even worse for the disadvantaged and underserved markets

on the wrong side of the “digital divide.” In short, the merger as proposed will only further benefit the telecom “haves.” It is not intended to help the telecom “have-nots.”

The merger as proposed should be completely rejected or conditioned on the development of a comprehensive system of remedies that will protect the interests of small businesses as well as average and low-income residential customers who want and need access and training in the use of advanced telecom services, and the benefits of competition for their business. There are no benefits in the proposed merger for rural or inner city residents, the poor, the elderly, the handicapped, the poorly educated or those not currently receiving telecom services. Ameritech/SBC has not met the statutory standard of showing that the merger is in the public interest.

This brief will show that there is a “digital divide” between the well educated and well off and the less educated and poor that threatens future industry and commerce in Illinois, the quality of the work force, the future communications between citizens in Illinois and even the future of an informed constituency to participate effectively in community affairs and government.

The October 1998 Report of the Metropolitan Planning Council on “The Digital Network Infrastructure and Metropolitan Chicago” described the connection between equity and economic development in this way:

“Equity and economic development are inseparable. There cannot be excluded groups that are disenfranchised by the economic, social, political, and technological shifts that are occurring. Poverty is highly place bound and, to use Graham’s term, “information apartheid” will diminish our return.”

Metropolitan Planning Council, *The Digital Network Infrastructure and Metropolitan Chicago* 13 (1998)(hereinafter "The MPC Report")(attached as an exhibit to the Rebuttal

Testimony of Don S. Samuelson on behalf of DSSA and the Neighborhood Learning Networks Before the Illinois Commerce Commission, December 18, 1998).

Even the proponents of this proposed merger understand the public policy implications of technology “haves” and “have-nots.” The lead witness of SBC in the cross-examination phase of the hearing process, James Kahan, when asked a question concerning the importance of having telecom providers participate in mitigating the digital divide acknowledged the importance of this issue when he said:

“[T]hat’s a public policy issue that the Commission - the ICC in Illinois should look at.... [I]t’s a very valid concern.... We clearly, if we’re not careful, are going to end up with a society of people that have access to the information and those that don’t. And that has very serious implications not just to the telecom industry. The implications to the telecom industry are very small compared to the implications overall. But those are for policymakers to decide and evaluate, not for companies.”

Testimony of James Kahan before the Illinois Commerce Commission, January 25, 1999, at 447.

This brief will further show that the ICC has both the authority and the duty to condition the proposed merger with a comprehensive plan to address the digital divide in the State of Illinois, and to determine the amount and allocation of savings from the proposed reorganization with which to fund the plan. The ICC has the **authority** under paragraph (f) of Section 7-204 to condition the proposed merger with a plan to protect the interests of the resulting public utility to protect the interests of the customers of the resulting public utility and to create a not-for-profit corporation to develop a plan to mitigate the digital divide. The ICC has the **duty** to condition the proposed merger with a plan that would prevent the unjustified subsidization of non-utility activities to assure that the merger would not have significant adverse effect on competition in markets over

which the ICC has jurisdiction and to assure that the proposed merger is not likely to result in any adverse impact on residential and other retail customers.

The ICC should reject the merger unless it insures that the potential benefits of the merger reach **all** sectors of the Illinois economy in the most cost-effective manner as required by sub-paragraph (1) of Section 7-204(b). To date, Ameritech/SBC has failed to satisfy the requirements of 7-204 and has failed to provide the Commission with justification to make its findings required under 7-204(b).

To assist the Commission in its deliberations on this matter, this brief consists of six parts. Part I describes the digital divide in Illinois. Part II describes what public utility commissions in other states have done to ameliorate the digital divide in their jurisdictions. Part III collects together comments by SBC executives acknowledging the need to develop programs to ameliorate the digital divide. Part IV reviews the Commission's legal authority and duty to develop such programs as conditions on the proposed merger, and to determine the amount and allocation of savings. Part V outlines the kinds of conditions we believe are necessary in developing a meaningful plan to address the digital divide in the state of Illinois. And finally Part VI draws what we believe is the inescapable conclusion from the first five parts, namely that the proposed merger should not be approved unless it is conditioned with a comprehensive system of remedies to ameliorate the digital divide in Illinois.

I. The Digital Divide in Illinois

The Metropolitan Planning Council calls for “Aggressive Plans to Mitigate the Digital Divide.” It notes that:

“[t]here is considerable danger that certain segments of Metropolitan Chicago’s population ... will be excluded from the advancements afforded by the digital network infrastructure. Much of this is tied to financial resources, as some families, schools, and communities are unable to afford or do not understand the imperative of information technology. Yet, the price for leaving some behind is too high.”

The MPC Report, at 5. It continues that:

"An organized plan is needed among community leaders, religious and neighborhood organizations, state and local policy makers, regional planners and educators, business and industry to assure that the Metropolitan region is not characterized by a “digital divide.” The health of our social, economic, and political fabric is dependent on ubiquitous access to the information, resources, services, skills, and opportunities that are being made possible by information technology and the digital network structure."

Id.

The Metropolitan Planning Council also observes with special emphasis that:

“Above all, the concern is for those who do **not** have basic computer skills. An entire segment of our society has been passed by, either by choice, or, more often, inadequate exposure in the schools. To reach those who lack today’s skills will require innovative new means and up-to-date equipment through community centers, libraries, religious and other organizations that may not yet be reached by the digital network infrastructure, as well as the more traditional institutions.”

Id. at 24. Otherwise, we will have a system, which has supercomputers at the top and single line telephones, rather than work stations, at the bottom.

A. Understanding the Digital Divide

The emerging “digital divide” in America is well described by the Benton Foundation when it notes that:

“On one side is an America rapidly rebuilding its economy around digital technologies: a society in which technology increasingly is the key not only to economic success, but to political and social success as well. On the other side are inner cities and isolated rural communities, where the new tools of the Information Age are much harder to find: an America in which individuals lack the skills required in today’s technologically-oriented job market and where communities are finding it ever more difficult to hold themselves together as jobs flee and social bonds fray. If this technology gap is not closed, the dream that the Information Age will bring economic advancement and social progress could give way to a future in which social divisions grow deeper and despair tightens its grip on those who are left behind.”

Benton Foundation, *What is at Stake—Access*, <<http://www.benton.org/Library/WAS2/access.html>>.

Like basic telephone services in the past, access to personal computers and the Internet is now becoming the defining line between technology “haves” and “have-nots.” The importance of bridging the digital divide was recently signaled by the National Telecommunications and Information Administration when it wrote that:

“The concept of “universal service” in U.S. telecommunications policy has traditionally referred to the goal that all Americans should have access to affordable telephone service. As America has increasingly become an information society, however, that concept has broadened to include access to information services. Now that a considerable portion of today’s business, communication, and research take place on the Internet, access to the computers and networks may be as important as access to traditional telephone services.”

National Telecommunications and Information Administration, *Falling Through the Net II: New Data on the Digital Divide*, <<http://www.ntia.doc.gov/ntiahome/net2/falling.html>> (hereinafter "*Falling Through the Net II*").

Echoing this sentiment, the Metropolitan Planning Council emphasizes the impact of technology on elementary and secondary education:

“Technology is compelling education to undergo a profound transition. Concludes Clarisse Croteau-Chonka in a “think paper” written for this report,

“Computers, the Internet, and the interactive video are not just the latest fads, but are shaping the very process of education.... Teachers and students alike, with more and more information available, are assimilating new ideas rapidly and continuously.” Further, technology is ultimately shaping the quality of each student’s future employment—a student becomes computer literate or career prospects are severely limited. Yet, the “digital divide” has grown steadily greater over the past ten years.”

The MPC Report, at 29.

B. The Digital Divide in Illinois

The DOE Technology Challenge Grant won by the Chicago Public Schools in September of 1997, referred to in the Samuelson Rebuttal Testimony, documented the widening digital divide in metropolitan Chicago with unsettling statistical data. For example, among adults in the top third of the income distribution (\$60,000 and above) in the six county metro area, 82% have **used** personal computers, while among households in the bottom third (\$34,000 or less), only 41% have **used** personal computers. Similarly, among households in the top third of the income distribution 78% **own** personal computers, while among those in the bottom third, only 24% **own** personal computers. Moreover, while 61% of the individuals in the upper third of income have modems connecting their computers to the Internet, only 11% of those in the lower third of income have them. Between the upper third and the lower third, the ratio of **computer use** is 2-1, **computer ownership**, 3-1, and **computer connections to the Internet**, 6-1.

The use and ownership of computers is directly correlated with educational achievement. Among college graduates more than three-fourths have used computers and more than half owns them. The digital divide compounds and multiplies the advantage the well educated already have in access to knowledge and valuable

information. The further one advances in the educational system, the more likely one is to have been significantly exposed to a personal computer, to understand the value of computers, to use a personal computer in one's personal affairs, to use a personal computer at work, and to be able to afford to buy one.

It is the public institutions—rather than the home or workplace—where the residents with the lower third of area incomes, as well as African-Americans and Latinos, are most dependent upon computer access and training. These groups are significantly less likely to own a computer and modem as well as to have access to one at work. Their access is at schools, libraries and other neighborhood locations. These are the institutions that we are going to have to support and strengthen if we are going to engage in a serious effort to provide technology equity to the residents of Illinois. Support for these institutions is at the heart of our recommendations for “remedies” in Part V below.

C. Implications of the Digital Divide

The presence of the digital divide presents a myriad of long-range problems for Chicago and Illinois. Technology and telecom services are no longer simply tools for an isolated sector of society. Technology and telecom services are now necessary to perform the basic functions of **government, business and education**. These functions require that all Americans have competence with and access to basic levels of technology and telecom services.

The Metropolitan Planning Council has noted the impact of these emerging technologies on local communities and neighborhoods:

“Our sense of community may be most deeply affected, both positively and negatively, by technology. In a region where communities and neighborhoods

have great historic importance and strength, people may be pulled away to join virtual communities over the Internet that are shaped around common interests and concerns. It is less and less necessary to live near one another to share common experiences. On-line computer communities require time and commitment equal to that of local interaction, often taking people away from traditional social groupings. But, community networks, other Web sites, and group communications that bring together organizations and community services, elected officials and neighborhood leaders, services and learning resources can promote a greater sense of belonging to the physical community in which we live.”

The MPC Report, at 39.

Technology also mediates the significant impact that business has on local communities. As skilled jobs continue to move from America’s cities they leave neighborhoods that are caught in vicious cycles of decline. Without employers in the area creating skilled workers, neighborhood residents are left with no way to build the skills that they need to fill skilled positions. This leaves neighborhoods unable to attract new industry and jobs. The lack of economic opportunity leads to greater poverty, making these neighborhoods even less attractive to potential investors.

The Metropolitan Planning Council discussed the need for remedial action in the action steps that it recommended for the workplace and training. It stated that:

“The most desirable and high-paying jobs are being created in the sectors dependent upon information technology. Today, 65% of all U.S. workers are using some type of information technology in their jobs. By 2000, this is estimated to reach 95%. Therefore, there is the need to:

1. Improve access to information regarding job skills standards and programs to support training and lifelong learning.
2. Expand the use of technology in all training/lifelong learning programs.
3. Assure access to the digital network infrastructure for all education and training programs.
4. Examine and understand the implications of technology for the workplace.”

The MPC Report, at 45.

In education, the dominant skill is no longer the ability to retain information, but the ability to seek out information and organize it for presentation through word processing, inventory charts, and user friendly graphic displays. Instead of absorbing an established body of knowledge delivered to students by teachers, today's students are developing skills to seek, sift, analyze, and convey information themselves. Instead of studying discrete academic subjects, today's students are addressing real-world concerns in an interdisciplinary way. Instead of studying in isolation, today's students are working in teams. And instead of merely regurgitating what they have learned back to their teachers, today's students are communicating their findings to a much wider public.

The digital divide that exists in low-income households, rural and inner city households and single-parent households also exists in the schools attended by the children of these households. According to the National Center for Education Statistics, wealthy schools are two and one half times more likely to have Internet access in classrooms than poor schools. This has an exponential effect on the digital divide. Neighborhoods with inadequate technology and telecom services cannot rely on industry to build social capital, nor can they rely on local schools to build the technology skills that its residents need. Accordingly, a public sector remedy is needed to supplement the inner city schools in providing training and access to telecom services.

Technology and telecom companies do not invest in areas of the nation that are falling victim to the digital divide. They invest in areas that already possess technology infrastructure, education, and high income levels because that is where the market already exists. This is a problem that not only affects those that fall in the digital divide, but all of American society. Eventually, the costs of ameliorating the digital divide in Illinois

will fall on the Illinois economy as a whole. We need to take advantage of the rare opportunity afforded by the proposed merger to allocate the savings that it will generate in a way that mitigates the digital divide for the benefit of Chicago and Illinois in the 21st century.

II. While Illinois Remains 46th out of 50 in Providing Universal Service, Public Utility Commissions in Other States Address the Digital Divide

Public Utility Commissions in other states served by Ameritech or SBC (California, Ohio and Missouri) have mandated the creation of community technology centers and other remedies to mitigate the digital divide.

The California Experience. The Community Partnership Agreement in California, referred to in the Rebuttal Testimony of Don Samuelson, was designed “to meet the needs of California’s underserved communities for full and equal access to basic and advanced telecommunications services, and to meet the needs of underserved communities for information carried by those services. “The “underserved communities” were defined as “low-income, inner-city, minority, disabled, and limited-English-speaking communities and low income seniors, throughout the various urban and rural regions of California.” California created a \$50M Pacific Bell Community Technology Fund to advance the objectives of “universal service in underserved communities and to provide underserved communities with access to and education about emerging and advanced telecommunications.” California also created a public technology research center, a Pacific Bell Universal Service Task Force, a corporate matching program and a variety of other initiatives to support awareness-raising, education, training and access to

residents of underserved communities. The total package has been estimated to be worth upwards of \$100M.

The Ohio Experience. In 1994, the Public Utilities Commission of Ohio in response to a complaint related to “unjust and unreasonable rates and charges,” required Ameritech’s Ohio Bell Telephone Company to create 14 Community Computer Centers (“CCCs”) in seven Ohio cities. These CCC’s were intended to bring together hardware, software, network access and training in a tutorial and workshop atmosphere in low income neighborhoods in Ohio’s inner cities. They were located in readily accessible community locations such as schools, libraries, churches and community centers. They were open after normal school hours, evenings and weekends. The selection of the CCCs and the use to which these grants would be put were determined by a nine-member committee of city and neighborhood representatives. The committee was convened and chaired by the Edgemont Neighborhood Coalition, the coalition of community groups in Dayton that had initiated the litigation.

These centers have been successful. In the May 1998 progress report to the PUCO about the CCCs, it was said that:

“The centers and the (Ohio Community Computer Center Network) are a true success story. During the last quarter of 1997, there were over 26,000 visits by children and adults to the 14 Ameritech funded centers with over 6,000 using the centers for the first time during that period. Many of the centers have people waiting in line at the door when they open. Most of the centers are located in communities where, without them, there would be no access to this technology.”

The Edgemont Neighborhood Coalition is also involved in the current Ameritech/SBC merger hearings in Ohio. It has proposed as a condition to the Ohio PUC’s approval of the merger that there be an “equal access mechanism” based on low-income telephone

penetration rates, a universal service performance measurement system and a reporting system “designed to identify the systematic exclusion of customers based on geographic or socio-economic bases.” All of these ideas have relevance to our situation here in Illinois.

The Edgemont Neighborhood Coalition had also proposed an \$82M commitment to technology diffusion and education efforts similar to those already agreed to by SBC in California. The **technology diffusion** efforts will: (1) create community technology centers in HUD-funded public and low-income housing; (2) fund staff, computers and internet access in libraries serving low-income communities; (3) fund communications technology for neighborhood-based organizations; and (4) create a funding program to recognize and support innovative and creative programs where technology can facilitate the bringing of solutions to the problems of low income neighborhoods.

The **education** efforts proposed in Ohio include: (1) consumer education programs provided through schools, libraries, HUD housing and other public institutions; (2) teacher and staff training in the teaching and use of technology; (3) programs oriented to the use of technology by community-based organizations in helping them to use and to communicate the benefits of information and communication technology to their low-income constituencies; and (4) community mapping programs designed to identify and support community leaders and organizations in the use and benefits of information and communication technologies.

The Missouri Experience. SBC has had experience in Missouri similar to that of Ameritech in Ohio through the creation of seven Tele-Community Centers. SBC worked with the Missouri PUC and various consumer groups to create a program of

telecommunication centers in underserved neighborhoods where disadvantaged populations would have easy and low cost access to advanced information and communication technologies. In their Tele-Community Center brochure, SBC states that “without universal access, the same technology that opens new doors can also widen the gap between people of different educational and social economic levels. At SBC, we’re committed to making advanced information technologies available to everyone in the communities we serve.”

III. SBC Acknowledges the Need to Address the Digital Divide

Interestingly, the two primary witnesses for SBC in the cross-examination process recognized the importance of the problem and the need to develop appropriate solutions. Karen Jennings, the Director of the SBC Foundation, spoke favorably of SBC’s experience in Missouri with its Tele-Community Centers and stated that SBC had worked “feverishly” to “see what we can do to alleviate the digital divide.” Testimony of Karen Jennings Before the Illinois Commerce Commission, January 26, 1999, at 671-72.

James Kahan, the lead witness for SBC in the cross-examination phase of these proceedings when asked about the needs or problems of the underserved populations that were to be served by the California Fund, he said:

“I believe [that] the penetration of basic telephony service is lower in those communities.... So they don’t have access to basic service. They don’t know what is available at what price. They don’t know how to get it. They don’t [know] how to order it. A lot of them have language problems. So there are a number of problems, but I think one of the undertakings ...

of the fund was to examine exactly what groups don't have access to the telecom capabilities and why and what can be done to solve that problem.”

Testimony of James Kahan Before the Illinois Commerce Commission, January 25, 1999, at 447.

When later asked a question about the possible public interest obligation that SBC might have with respect to residents of inner city and poor neighborhoods—the consumers and markets that financial institutions are obliged to serve under the Community Reinvestment Act—Kahan said:

“Well, first of all, we have a view about customers that ... I believe is somewhat unique in the industry in that we've done analysis of the needs and expenditures of customers throughout our service territory and found some very interesting conclusions.

One is that not all wealthy people are good telecommunications customers and not all economically disadvantaged people are bad... [W]e have great customers throughout geographic, social, economic areas. Besides our obligation to be the provider of last resort where we're the ILEC, we have a **business opportunity**. And the business opportunity is [to] serve those customers that have a need and a desire and can benefit from our services and that's what we want to do....

[W]hen we enter the market, we're going to provide services, common services, offer them to everybody. And we believe that there are many economically disadvantaged customers that can benefit from an alternative supplier.”

Id. at 453-54.

When asked about whether these services were being supplied pursuant to marketing rather than charitable considerations, Kahan said:

“There are a large group of economically disadvantaged customers who have the ability to pay, want the services, don't know about them, don't know how to get them. That's one thing. There's another group of customers that may have the same desires, but cannot economically afford to pay. That's a different question. And I think, once again, that is a policy

question not just for Ameritech or SBC, but it involved the Commission's leadership in terms of how are they to be served, how is that going to be subsidized, and how to do it, I would hope, in a competitively, neutral fashion."

Id. at 454.

Everybody in this proceeding understands that there are technology "haves" and "have-nots," that the differential allocation of telecom resources has created a "digital divide," and that there should be a solution to this problem. It is also clear that both Ameritech and SBC have participated for some years in funding community technology centers to begin mitigating the digital divide.

Most recently, SBC has agreed to a major initiative in California to create a significant education and community technology program that has substantially expanded on their prior community technology center experience in Missouri. The Edgemont Neighborhood Coalition has proposed a logical extension of the above-described education and technology diffusion initiatives in the Ameritech/SBC merger proceeding in Ohio. We strongly support these initiatives by SBC and the Edgemont Neighborhood Coalition and, in Part V of this Brief, propose a similar set of program initiatives for Illinois.

IV. The Commission has both the Authority and the Duty to Condition the Proposed Merger with a Plan to Address the Digital Divide in the State of Illinois.

As described more fully herein below, under sections 5/7-204 and 207 of chapter 220 of the Illinois Compiled Statutes, the Commission has both the authority and duty to condition the proposed merger with a plan to address the digital divide in the State of

Illinois, and to determine the amount and allocation of the savings resulting from the proposed reorganization.

A. The Commission has the **Authority** to Condition the Proposed Merger with a Plan to Address the Digital Divide in the State of Illinois.

Under 220 Ill. Comp. Stat. 5/7-204(f), "[i]n approving any proposed reorganization ... the Commission may impose such terms, conditions or requirements as, in its judgment, are necessary to protect the interests of the public utility and its customers." Moreover, 220 Ill. Comp. Stat. 5/7-207 permits a not-for-profit corporation to be "organized by a public utility, a telecommunications carrier, a combination of either or both, or in combination with any other person or organization upon application to and approval of the Commission." Accordingly, not only does the Commission have the power and authority to condition the proposed merger with a plan to address the digital divide in Illinois, but it may also require that this plan be implemented through a not-for-profit corporation organized specifically for this purpose.

Conditioning the proposed merger with a plan to address the digital divide in the State of Illinois is necessary to protect the interests of both the resulting public utility and its customers. By providing access to digital networks and training to the disadvantaged populations of Chicago and Illinois, the public utility resulting from the merger of SBC and Ameritech would be augmenting their user base. Not only would such access and training create more users of sophisticated telecommunication services but it would also allow the cost of the infrastructure supporting these services to be spread across a wider population, thereby reducing the cost to all rate payers.

In the 1970's, the great modern Philosopher, John Rawls, defined justice in the public interest to require that "income and wealth . . . are to be distributed equally unless an unequal distribution of any or all of those goods is to the advantage of the least favored." ¹ In this merger situation, the poor must benefit as well as the rich or the public interest will not be served. Without advanced telecommunication access and training, the poor will remain poor and be shut off from future economic opportunity. With advanced telecommunication access and training, they will benefit by becoming knowledgeable users of telecom services.

This Commission must put "Rawlsian conditions" on the distribution of wealth, income and savings in this plan. As Professor Rawls says, "[s]ocial and economic inequalities are to be analyzed . . . to the greatest benefit of the least advantaged consistent with the just savings principles." At present, the proposed merger is shockingly out of balance in the wrong direction. By moving some of the weights (wealth), the distributive balance can still be shifted to favor the least advantaged and serve the public interest.

B. The Commission has the Duty to Condition the Proposed Merger with a Plan to Address the Digital Divide in the State of Illinois.

Under 220 ILCS 5/7-204, "[n]o reorganization shall take place without prior Commission approval." Moreover, before the Commission may approve any proposed reorganization, it "must find that . . . the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customers; [that] the proposed reorganization is not likely to have a significant adverse effect on competition

¹ Rawls, John, A Theory of Justice. P.303, 1971.

in those markets over which the Commission has jurisdiction; and [that] the proposed reorganization is not likely to result in any adverse rate impacts on retail customers." For the reasons set forth below, none of these required findings can be made unless the Commission conditions the proposed merger with a plan to address and ameliorate the digital divide in Illinois, to allow all market segments to share in the benefits of this merger.

In order to find that the proposed merger will not result in the unjustified subsidization of non-utility activities by the customers of the resulting public utility, the Commission must condition the proposed merger with a plan to address the digital divide in Illinois. As SBC and Ameritech have repeatedly acknowledged, the principal beneficiaries of this merger will be corporate clients and the "premier" residential users, those paying more than \$200 a month for a second telephone line, Internet access, a cellular phone and three or more vertical services. These users will benefit through reduced rates for telecom services resulting from increased competition for their business. These lower rates are in effect subsidies for the private non-utility uses to which these privileged classes of users are putting their telecom services. Thus, unless similar "subsidies" are allocated from the savings generated by the proposed merger to the disadvantaged populations of Illinois in order to provide them with training and access, the Commission can not make the required finding under 220 ILCS 5/7-204(b)(2).

Conditioning the proposed merger with a plan to address the digital divide in the State of Illinois is also necessary to find that the proposed merger is not likely to have a significant adverse effect on competition in those markets over which the Commission

has jurisdiction. There will be substantial competition among various telecom service providers for large corporate and premium residential markets. There will be less competition for the average residential, small business and disadvantaged residential markets. SBC and Ameritech have acknowledged that they will use the savings generated from the proposed merger to further develop the infrastructure of those high end markets serving corporate clients and premier residential users. As a result of this decision, the absence of an adequate infrastructure serving the disadvantaged populations of Illinois will continue. As a result, the cost and problems associated with providing advanced telecommunications and high bandwidth services to the disadvantaged populations of Illinois will increase even further and prevent a competitive market serving these groups from developing. This result can only be avoided by allocating some of the savings generated by the proposed merger to improving the network infrastructure, access, awareness, and services for these populations.

Moreover, by delaying the needed investment in an adequate infrastructure to serve the disadvantaged populations of Illinois, SBC and Ameritech are ensuring that these improvements to the infrastructure will be financed by rate payers rather than from the savings that the proposed merger will generate. Unless the Commission requires that savings be diverted from the high-end markets to those areas serving the disadvantaged populations of Illinois, the proposed merger is likely to ultimately result in higher rates for retail customers. Thus, conditioning the proposed merger with a plan to address the digital divide in the State of Illinois is necessary to find that the proposed merger is not likely to result in any adverse rate impacts on retail customers.

C. Under 220 ILCS 5/7-204c, The Commission Must Allocate Any Savings Resulting From The Proposed Reorganization.

There appears to be a significant difference of opinion among the experts on the proper amount of reorganization savings. Lee L. Selwyn, an expert witness on behalf of the Government and Consumer Intervenors, stated that the cost savings of \$90M, net of implementation costs to be \$31M, was “unrealistically small.” Testimony of Lee L. Selwyn Before the Illinois Commerce Commission, January 27, 1999, at 80. His calculations of the “allocation of merger savings resulted in an after-tax annual savings of \$216M, or \$343M on a pre-tax basis, by applying a 9.5% discount rate for 10 years to the \$1.4B present value of the savings. Id. at 83-91.

How are the savings to be allocated? In the recent SBC experience in California, approximately 20% of the savings in California allocated to ratepayers were directed to education and technology diffusion programs to help disadvantaged populations. Whatever savings ultimately result from this proposed merger should be allocated in a similar manner.

For all of the foregoing reasons, therefore, the Commission not only has the authority but the duty to either reject the proposed merger or condition it with a plan to address and mitigate the digital divide in Illinois.

V. Remedies

Illinois needs a system of remedies to create technology equity and mitigate the existing digital divide in the “less connected” and “underserved” markets of Chicago and Illinois.

There are a number of initiatives that need to be taken to assure that the potential benefits of the merger between Ameritech and SBC will be shared among all the residents of the State. First, reporting and compliance monitoring systems need to be developed to assure that universal service objectives are achieved and that there is no systematic exclusion of customers based on geographic or socio-economic criteria. There can be no telecom services “redlining.” Second, an entity needs to be created as a condition of this merger that would be responsible for designing and implementing the specific technology access and education initiatives that will be created to mitigate the digital divide in Chicago, other Illinois cities, and rural Illinois. Third, there needs to be community technology initiatives in disadvantaged areas so that adequate training and access to telecom services is provided to all education and income levels throughout the State. Fourth, we need an urgent and comprehensive “Marshall Plan” of technology awareness-raising and education so that every man, woman and child in Illinois has an understanding of the benefits they might receive by investing time and energy in the development of telecom skills and capacities.

The Illinois Commerce Commission must condition its approval of the Ameritech/SBC merger based on its statutory duty to achieve public convenience of telecommunication connections in such a way as to overcome the digital divide through “public necessity” and “market competition incentives” for Ameritech and all other telecommunication providers.

It is only when the ICC has determined that “underserved” and “disadvantaged” markets will be competitively-served and the performance of Ameritech and other carriers can be assured into the future, that it is appropriate to approve a merger which

contemplates the transfer of a \$13B premium over Ameritech's former market price to be used as capital to meet the high-end markets SBC seeks to serve in its National-Local strategy. That is, only when the ICC has determined - through appropriate conditions - that there is a low-end Local-National strategy to match the high-end National-Local strategy should the merger be approved.

A. Reporting and Compliance Monitoring Systems

Mechanisms need to be created to assure that we achieve significantly improved low-income telephone penetration rates in the State of Illinois. There is no reason that we should be ranked with Mississippi, Louisiana and Arkansas in being among the worst states in the country in providing basic telephone services to our low-income population. It is simply unacceptable. We agree with the proposals made by the Edgemont Neighborhood Coalition in the Ohio review of the Ameritech/SBC merger related to New Entrant Carriers (NECs) and the "equal access mechanism" as promising mechanisms to achieve these objectives.

We also agree with Edgemont that it is also appropriate to establish a universal service performance measurement system, with specific penalties for both post-merger deterioration in universal service and failure to achieve the national standards in a timely manner.

Finally, there needs to be a reporting mechanism established that can (1) identify the various penetration rates for various basic and advanced telecom services by income level and geography, (2) assure that there is no "redlining" of telecom services, and (3) guarantee that there will be no need for the type of Community Reinvestment Act-like regulations to assure the fair and equitable distribution of telecom services. Again, the

reporting and compliance structure proposed by the Edgemont Neighborhood Coalition in Ohio is a good model to follow in Illinois.

B. The Need for Independent Entity to Design and Implement a Comprehensive System of Remedies for Mitigation of the Digital Divide

The ICC needs to condition its approval of the merger with a condition that an independent entity be created with the authority and financial capacity to establish the various reporting, access and educational objectives which should be affirmed as part of this merger.

An independent entity needs to be created as a condition of this merger. The objectives of the entity should be to design and implement policies and programs to define and solve the problems of the technology “have-nots” on the wrong side of the digital divide in Illinois and to increase telecommunication productivity as a whole. Industry representatives should be included on the Board of the entity. There should be a clear majority on the Board that represents public—rather than industry—perspectives.

The executive staff of the entity should be selected by the Board of the entity and they should report to the Board. An appropriate level of technical and clerical staff necessary to conduct the work of the entity should be supplied by Ameritech and other telecom service providers.

The basic mission of the entity should be created by the ICC as part of its review of this merger. There should also be an ongoing oversight function performed by the ICC—with meaningful controls—to assure that the provisions to mitigate the digital divide are accomplished in an appropriate and timely manner. The independent entity created as a condition of this merger should be able to “oblige” the ICC to initiative

appropriate enforcement action. Such an entity would be appropriate to undertake similar functions with respect to other telecom providers.

The entity should have a limited life—say five years—enough to provide transitional assistance to historically underserved telecom markets until such time as the market place and traditional public institutions can provide permanent solutions to the needs of the markets. However, interim diffusion and education remediation efforts are required during some transitional periods.

C. Technology Diffusion Efforts

There are a number of initiatives that should be required as a condition of the approval of this merger in order to distribute the benefits of this merger to a wide number of disadvantaged and underserved communities throughout Illinois.

DOE Technology Challenge Grant. The first of these initiatives is very specific and relatively immediate. It involves the contribution of a \$5M matching grant to a partnership of Chicago area institutions that received a DOE Technology Challenge Grant in 1997 in order to demonstrate how the combination of technology and education in disadvantaged neighborhoods could promote technology skills at all age and education levels in inner city neighborhoods, advance lifelong learning, integrate parents into the educational process, and achieve workforce development objectives. The Grant was for \$6M. It was to be spent over five years. The Grant is now in its second year. There is a \$10M private sector-matching requirement. If Ameritech/SBC contributed \$5M, it could be matched by \$5M from other telecom and technology industry providers. The partners in the Grant are the Chicago Public Schools, the Chicago Housing Authority, the Office of Catholic Education and the Chicago Urban League. The two “beta” neighborhoods

from which replicable templates are to be built include West Town and Grand Boulevard. The basic concept of the Grant is that there should be some neighborhood technology hub or network, a comprehensive program to train teachers to use technology in their teaching and to create a “system” of neighborhood computer learning centers in HUD and public housing, settlement houses, churches, parks, libraries, and various after-school, evening and weekend programs sponsored by schools and other various neighborhood organizations. This effort to create “neighborhood learning and employment networks,” while limited initially to the West Town and Grand Boulevard communities in Chicago was intended to be developed into templates and systems capable of being used by all of the combinations of high schools and neighborhoods in Chicago and all of the other suburban, downstate and rural communities in Illinois.

Computer Learning Centers. The second is to create a fund—similar to the very successful TIIAP program which is run by the Department of Commerce—which would provide matching grants to various neighborhood housing and education-oriented organizations to enable them to create computer learning centers for their constituencies in neighborhoods that would qualify for federal e-rate support. These funds could be used to support the creation and operation of computer learning centers in HUD funded public and low-income housing, the work of libraries in low-income communities, and support for technology initiatives for neighborhood-based organizations. This program would be an adaptation of the existing computer learning center programs created by Ameritech in Ohio and SBC in Missouri.

Innovative Programs. The third initiative is to support creative and innovative initiatives—through technical assistance and money—that could create replicable

programs, products and services that could help bring meaningful and relevant telecom-advancing experiences to low-income neighborhoods. This award would be made on a quarterly basis, the “promising practices” outlined in all of the applications would be widely disseminated, and the awards and the experiences of the winning proposals would be widely publicized. This program would be an adaptation of the “best practices” of the grant programs run by TIIAP in the Department of Commerce and the California Community Partnership in California.

D. Communication Education Programs

To help the technology "have-nots" to acquire telecom skills and capacities, several conditions must be satisfied. First, there needs to be connectivity, the mechanism that connects a local access point to all of the millions of destinations on the Internet and the World Wide Web. Second, there needs to be access to devices that can connect to the connectivity mechanisms: computers, cell phones, TVs, etc. Third, a person needs to know how to “operate” these devices. Fourth, a person needs to know how to select, install and operate the “software” that enables these devices to operate in the intended manner. Finally, and most importantly, an individual has to be “motivated” to invest time and energy and money to start up the road to “drivers education” and obtain a “drivers license” to take advantage of the incredibly diverse journeys that are available on the Information Superhighway.

So there are a variety of “awareness-raising” and educational programs that will be required to communicate the benefits of these investments to every man, woman and child in the State of Illinois, in terms and content that are meaningful and relevant to each individual and family.

One effort would include consumer education programs that would be provided through schools, libraries, churches, HUD housing and other neighborhood institutions. There are a number of programs that could be developed related to Success in School and Success in the Workplace that once developed would have wide application to various audiences throughout the State. A second would involve teacher and staff training in the teaching and use of technology and telecom skills. A third would be oriented to the introduction of technology to non-profits and community-based organizations to help them use these new technologies for their own organizational needs and to communicate the benefits of information and communication technologies to residents of low-income communities. A fourth would be to develop community mapping programs, similar to those described in the "Building Communities" workbook of John McKnight and Jody Kretzmann of the Northwestern School of Urban Affairs to identify and support community leaders and organizations in the use and benefits of information and communication technologies.

Finally, there should be a contract relationship with one or more area educational institutions to gather, process, analyze and disseminate "best" and "most promising" public technology initiatives around the country and world so that residents and organizations in Illinois are aware of all of the experiences that might be relevant to the interests of Illinois in developing the most advanced and cost-effective interventions in mitigating the digital divide. We should know of ideas and plans "everywhere" and we should have application-oriented educational institutions working on determining how they might be helpful to initiatives and organizations in Illinois.

VI. Conclusion

The world is changing. The rate of change is fast and accelerating. Within the technology sector in general and the telecommunications industry in particular, the rate of change is fastest. Only the best-educated and most affluent members of our society are able to keep pace with it and enjoy the many opportunities that it creates. As time passes, the less fortunate and more poorly educated fall further and further behind. For these disadvantaged members of our society, technological innovation only augments their alienation from our general culture and erects a prison of ignorance and hopelessness from which there is little chance of escape.

The proposed merger between Ameritech and SBC promises to further accelerate this rate of change. Unless properly conditioned, therefore, this merger will widen the divide between those who experience technological innovation as opportunity and those who experience it as obstacle. This effect on the digital divide will be especially pronounced in Illinois where so many still lack the access and skills necessary to share in the benefits of the emerging technologies.

Thankfully, this pernicious effect on the residents of Illinois is not inevitable. Properly conditioned, this merger can not only avoid widening the digital divide but also help to narrow it. With proper conditions, this merger will help significantly to mitigate the social ills engendered by the digital divide in Illinois. Without such conditions, it will only aggravate these ills.

Whether this merger contributes to the cure or worsens the disease is now in the hands of this honorable Commission. For the public good of all the residents of Illinois rather than simply a privileged few, we ask that this honorable Commission approve this

merger only if it does so with conditions that address and ameliorate the digital divide in our great state. Unless such conditions are imposed on this merger, we must oppose it. If the merger can not contribute to the good of all, at least let it do no harm.

ORAL ARGUMENT REQUESTED

Dated: February 24, 1999

Respectfully Submitted,

NEIGHBORHOOD LEARNING
NETWORKS

DSSA

BY: _____
DON S. SAMUELSON,
Agent
310 N. Milwaukee Ave.
Lake Villa, IL 60046
(847) 356-7800

BY: _____
DON S. SAMUELSON,
Owner DSSA
310 N. Milwaukee Ave.
Lake Villa, IL 60046
(847) 356-7800

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

SBC Communications Inc.,)
 SBC Delaware Inc.,)
 Ameritech Corporation,)
 Illinois Bell Telephone Company d/b/a Ameritech)
 Illinois, and Ameritech Illinois Metro, Inc.)
) ICC Docket No. 98-0555
 Joint Application for Approval of the)
 Reorganization of Illinois Bell Telephone)
 Company d/b/a Ameritech Illinois, and the)
 Reorganization of Ameritech Illinois Metro, Inc.)
 In Accordance with Section 7-204 of the Public)
 Utilities Act and for All Other Appropriate Relief)

PROOF OF SERVICE

The undersigned, being duly sworn states that he caused a copy of the Rebuttal Testimony to be served upon the parties on the attached service list on February 24, 1999, before 5:00 p.m., by depositing copies in the U.S. Mail, first class postage prepaid.

Don S. Samuelson
 DSSA
 310 N. Milwaukee Ave.
 Lake Villa, IL 60046
 (847) 356-7800

SUBSCRIBED and SWORN to before
me this 24th day of February, 1999.

NOTARY PUBLIC