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CC Docket 141

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Federal Communications Commission  
Office of Secretary

**Comments of the  
Communications Workers of America**

at the

**FCC Public Forum: SBC Communications Inc. and Ameritech Corporation  
Applications For Transfer of Control**

**CC Docket No. 98-141**

**May 6, 1999**

My name is Barbara Easterling. I am Secretary-Treasurer of the Communications Workers of America.

CWA represents more than 110,000 employees at SBC and Ameritech. These workers and their families, who have put their lives on hold for over a year, are encouraged to learn that the Commission has set a June deadline for this merger review.

CWA believes that the Commission should approve the merger expeditiously because it will benefit both workers and consumers. The proposed merger will stimulate out-of-region investment and create good jobs in the telecommunications industry and throughout the economy. It will protect and advance the provision of affordable, quality services to all Americans. Finally, the merger will allow SBC and Ameritech to compete on a somewhat more level playing field with other global carriers such as AT&T and MCI WorldCom.

The driving force behind the SBC-Ameritech merger is out-of-region business expansion. SBC-Ameritech's National-Local strategy calls for an additional \$2 billion in capital investment and \$23.5 billion in operating expenditures in order to enter 30 new markets. Unlike the vague promises the Commission has received in other merger reviews, SBC and Ameritech have provided the Commission with specific plans detailing this planned investment which will create an estimated 8,000 new jobs. These will be good jobs--with the pay, benefits, and progressive labor-management relations necessary for a skilled, productive, career workforce providing quality service to consumers.

The Commission can test SBC-Ameritech's promise to create new jobs through growth against the actual experience after the SBC-Pactel merger. In the two years since the SBC-Pactel merger closed, SBC's additional investment in California and Nevada has created 4,500 new jobs for occupational employees in those states.<sup>1</sup>

Second, CWA believes that the SBC-Ameritech merger will advance and protect affordable, quality telecommunications service for all Americans. According to most leading telecommunications analysts, the new telecommunications marketplace will evolve to the point where there are five or six fully-integrated players. Absent the proposed merger, SBC and Ameritech will lose their largest sources of revenue--large business customers--to the fully-integrated global carriers that are able to provide customers with a full range of local, long

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<sup>1</sup> CWA comments in this docket filed Oct. 15, 1998 cite 3,600 new jobs created in the first 18 months after the SBC-Pactel merger closed. Since then, an additional 900 jobs have been added for a total of 4,500 new jobs.

distance and data services over their own facilities. The result of the loss of large business customers will be financially weaker companies, with fewer internal resources to invest in the public switched network.

This has important implications for consumers and small business customers. Unlike the fully-integrated global carriers, SBC and Ameritech have the legal obligation to serve everybody. Should SBC and Ameritech lose a significant portion of their high-margin corporate revenue base, this will reduce internal resources available to maintain and upgrade the network serving residential and small business customers. Therefore, the best prospect for preserving and advancing universal service in a competitive environment is to ensure that the carriers such as SBC and Ameritech that must serve everybody have the ability to compete on a level playing field with integrated global carriers that do not share this obligation.

Finally, the Commission's concerns about the anti-competitive impact of the proposed merger in local markets is misplaced. The pro-competitive regulatory regime of the Telecommunications Act, the growth of the Internet and data traffic, and the emergence of new technologies such as wireless and cable are breaking down the potential power local telephone companies have through their control of the copper wire to the home.

A look at the top telecommunications carriers as valued by investors is revealing. The integrated global carriers such as AT&T, MCI WorldCom, as well as foreign carriers such as NTT, Deutsche Telekom, British Telecom, and France Telecom, have the largest market capitalization,

reflecting the financial community's expectation that these carriers have the greatest growth potential. Current market structures leave the local telephone companies such as SBC and Ameritech financially weaker than these integrated global carriers, with market capitalization far below that of the global carriers. The leading U.S. and foreign telecommunications companies have amassed hundreds of billions of dollars to build new networks and to provide new services to U.S. businesses and consumers. The Commission should approve the SBC-Ameritech merger so that these companies have the scale and scope necessary to compete in the global marketplace.

Let me add that regulatory oversight of SBC and Ameritech will continue after merger approval. State commissions will continue to regulate local rates, protecting consumers in local markets where competition is slow to develop. The Telecommunications Act's regulatory framework mandating non-discriminatory interconnection policies, long distance market entry requirements, and other safeguards to protect against market power will continue in a post-merger environment.

Therefore, the Commission should act expeditiously to approve the SBC-Ameritech merger, recognizing the realities of today's telecommunications market structure. Absent the ability to grow, SBC and Ameritech will lose market share and substantial revenue to the integrated global carriers, limiting their ability to provide and advance universal service. But given regulatory approval, a merged SBC-Ameritech will enhance competition through network investment in new markets, creating good jobs in the telecommunications industry and the economy as a whole.