

Summary of SBC/Ameritech Proposed Conditions
June 29, 1999

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Federal Communications Commission
Office of Secretary

As a result of recent discussions with the FCC Common Carrier Bureau merger review staff, SBC and Ameritech are expected to propose the following voluntary conditions in the near future as a basis for Commission approval of their proposed merger. Generally, the conditions would apply to a merged "SBC-Ameritech" and have a duration of three years after the firms close their merger. As indicated below, the proposed conditions are intended to promote the public interest and benefit consumers and competition by addressing five distinct public interest goals. The public will be invited to comment on these proposed conditions.

A. Promoting Advanced Services Deployment.

1. Separate Affiliate for Advanced Services

SBC-Ameritech will create a new separate affiliate to provide advanced services, such as ADSL, xDSL and frame relay, in the SBC-Ameritech region. In providing services to the affiliate, the SBC-Ameritech telephone companies will treat the affiliate as they would any competitor. In addition, the combined company will offer temporary loop discounts for competitive local exchange carriers (CLECs) which provide data transmission services pending the development of new operations support services interfaces for advanced services. The separate affiliate will operate independently from the telephone company, except that operation, installation and maintenance functions may be performed by telephone company personnel on a non-discriminatory basis, and both the affiliate and telephone company may market the other's services, with the affiliate using the telephone company's brand name on an exclusive basis.

2. Operations Support Systems (OSS) for Advanced Services

SBC-Ameritech will develop and deploy common electronic OSS for pre-ordering and ordering xDSL and other advanced services to be used by competitors and its new advanced services affiliate.

3. Advanced Services Loop Conditioning

SBC-Ameritech will offer uniform cost-based prices for conditioning xDSL loops.

4. Non-Discriminatory xDSL Rollout in SBC-Ameritech Region

Where SBC-Ameritech deploys xDSL in its region, SBC-Ameritech will ensure that at least 10 percent of rural wire centers where it deploys xDSL will be low income rural wire centers. Similarly, at least 10 percent of urban wire centers where SBC-Ameritech deploys xDSL will be low income urban wire centers.

B. Ensuring Open Local Markets.

5. Equal Treatment for All Competitors

SBC-Ameritech will agree to a set of performance measures and penalties to ensure that all competitors receive the same levels of service that the company provides its own retail operations. The company will implement 20 agreed-upon performance parity and benchmark measures in all 13 states, with liquidated damages to individual competitors and additional payments for non-performance to a designated public interest fund. These payments would be capped per state at up to \$1 billion total in all states over three years if SBC-Ameritech fails to provide service that meets the agreed-upon measures.

6. Uniform Operations Support Systems

SBC-Ameritech will collaborate with competitors to deploy non-discriminatory, uniform OSS application-to-application interfaces (*i.e.*, Electronic Data Interchange ("EDI")), graphical user interfaces, and business rules in all 13 states. Included in this commitment are penalties of \$100,000 per business day if the combined company fails to meet the OSS planning and deployment commitments set out in the agreement. Before the merger closes, SBC will submit an OSS Process Improvement Plan to FCC staff outlining the steps that will be taken.

7. OSS Assistance

SBC-Ameritech will not charge competitors for access to SBC-Ameritech's electronic OSS. SBC-Ameritech will provide special assistance in using its OSS systems to small competitors.

8. Collocation Compliance

Before merger closing, SBC's and Ameritech's independent auditors will conduct a review to determine whether SBC and Ameritech have in place in each of their states methods and procedures to ensure compliance with the FCC's recent rules that reduce costs and delays faced by competitors

seeking to collocate in an incumbent LEC's central office. Also before merger closing, SBC and Ameritech will file a tariff or offer to amend their interconnection agreements in all 13 states to demonstrate compliance with the FCC's collocation requirements. After merger closing, an independent auditor will develop and implement a comprehensive audit of the company's compliance with the FCC's collocation requirements.

9. Most Favored Nation Arrangements

(a) SBC-Ameritech will offer to competitors operating in its territory the same terms and conditions for facilities and services that SBC-Ameritech requests and obtains as a CLEC outside of its region, with prices to be determined on a state-specific basis.

(b) For any given SBC-Ameritech state, competitors may pick and choose voluntarily-negotiated terms in agreements from other SBC-Ameritech states, subject to certain limitations.

10. Regionwide Interconnection Agreements

Competitors may negotiate one interconnection and resale agreement covering some or all of SBC-Ameritech states, subject to state-specific pricing.

11. UNE Platform

SBC-Ameritech will offer the UNE platform for residential service in the SBC-Ameritech states for a specific period regardless of the outcome of the FCC's UNE remand proceeding. State-specific caps limit the number of UNE platform lines that must be provided.

12. Discount Resold Residential Service by 32 Percent

Competitors that want to resell SBC-Ameritech residential service will receive a 32 percent discount from retail rates for a specific period in any of the combined company's 13 states. State-specific caps limit the number of residential lines that must be provided at a discount.

13. 25 Percent Discount for the "Last Mile"

For three years, SBC-Ameritech will reduce the price of leasing the local residential loops, or the "last mile" into the home, to reflect an average 25 percent discount across all SBC and Ameritech states. State-specific caps limit the number of loops that must be provided at a discount.

14. Compliance with FCC UNE Pricing Rules

SBC-Ameritech will work with the FCC and state commissions to address any FCC staff concerns regarding whether SBC-Ameritech's pricing in any of its 13 states is consistent with FCC rules.

15. Alternative Dispute Resolution (ADR)

SBC-Ameritech will offer competitors a state-supervised ADR process for rapidly resolving interconnection issues.

16. Shared Transport

Ameritech will file tariffs to provide shared transport to competitors using a surrogate billing method in each Ameritech state prior to merger closing, and SBC-Ameritech will provide shared transport utilizing an Advanced Intelligent Network software solution in each Ameritech state within one year of closing.

17. Trial of Access to Existing Cabling in Multi-Unit Properties

SBC-Ameritech will conduct a trial in five cities that will provide competitors with access at a single point of interface to cabling owned or controlled by SBC-Ameritech in multi-tenant residential and business properties.

18. Design of New Cabling in Multi-Unit Properties

SBC-Ameritech will design all new cabling owned or controlled by SBC-Ameritech so that it could be accessed by competitors at a single point of interface.

C. Fostering Out-of-Region Competition.

19. Out-of-Region Competitive Entry

SBC-Ameritech will compete for residential and business customers in 30 new markets outside their traditional operating regions within 30 months. SBC-Ameritech has delineated five verifiable steps that it will take as part of its entry into each of these new markets. SBC-Ameritech will pay \$40 million per market (up to \$ 1.2 billion total) for missing any of those steps within the time period specified for each.

D. Improving Residential Phone Service.

20. No Minimum Monthly Long Distance Fees

SBC-Ameritech will not charge a minimum fee for long distance services on any of its out-of-region (and, when applicable, in-region) residential customers for a specific period of not less than three years.

21. Additional Assistance for Low-Income Customers

SBC-Ameritech will offer low-income Lifeline Universal Service Plans in all SBC and Ameritech states patterned after the Ohio plan.

22. Service Quality Reporting

SBC-Ameritech will develop and file additional local service quality reports based on recommendations of the National Association of Regulatory Utility Commissioners (NARUC) contained in its November 1998 Service Quality White Paper.

E. Enforcing the Merger Order.

23. Conditions Backed by Stiff Penalties

SBC-Ameritech will be strictly liable for any required penalty payments for failing to comply with the conditions. No showing of a willful violation will be required. SBC-Ameritech have agreed to penalties that could exceed \$2 billion associated with the agreed-upon conditions.

24. Internal Compliance Program

SBC-Ameritech will appoint a corporate officer to oversee compliance with merger conditions and make periodic reports to the FCC.

25. Annual Compliance Reviews

SBC-Ameritech will obtain annual reviews of compliance with the merger conditions by an independent auditor acceptable to the Commission. Before closing, SBC-Ameritech will retain an independent auditor acceptable to the FCC to conduct the first annual compliance review.

26. Extension of Conditions.

FCC may require SBC-Ameritech to extend a condition for a period of time that matches any period of non-compliance with that condition.