



The AT&T-SBC, Verizon-MCI Mergers. Death to Competition.

Investigate and Break Up SBC, Break Up Verizon.

The AT&T-SBC, Verizon-MCI Mergers will destroy all local and long distance wireline residential competition. It will destroy the two largest competitors, AT&T and MCI, who have already been decimated through a non-profitable-wholesale-local-phone regime, (known as "UNE-P"), a regime that the FCC helped to mold by raising those rates.

More to the point, both SBC and Verizon made chumps out of the regulators and the public, essentially misleading them with promises to compete with each other for wireline phone service, if they would accept their previous mergers.

- Verizon: Bell Atlantic, NYNEX and GTE
- SBC: Southwestern Bell, Pacific Bell (CA), Nevada Bell, SNET, and Ameritech

What we expect to happen is that SBC and Verizon will let the residential side of AT&T and MCI dwindle outside of their regions. They will not enter each other's market to sell a local-long distance packages because the wholesale rates are unprofitable.

Less Competition: Other competitors will be slow, if at all. The cable companies have only 3 million voice customers and they only compete in specific markets. VOIP requires broadband and Vonage, the leading competitor who doesn't own a network, only has 600,000 customers. Only 3% of the population have gone totally wireless. And the remaining current phone competitors are all moving away from selling residential services.--- Where will the competition be for local and long distance services?

And if there are less residential competitors, there will certainly be less choice for businesses, since neither cable nor wireless is focusing on businesses as being all wireless or using the cable networks.

The Bells already "won". After only a few short years, while competitors fall, the Bell companies have been able to bundle-ize their offerings, local, long distance and DSL and get over 50% of all customers. Local stand-alone prices continue to rise as well, even though prices should be decreasing because the costs of service continues to drop sharply.

And please don't believe the stuff ---that everyone wants "bundles". Did you know that based on FCC data, (combined with our phone bill surveys) most customers do better buying ala carte. Worse, 15-25% of customers who are on bundles are paying more



than before. One reason is because every tax and surcharge is NOT put into the advertised price of a bundle... oops, including the FCC Line Charge and Universal Service taxes, adding 35% to the advertised price in many states.

And so what if these companies have been able to cross-subsidize their long distance and DSL rollouts on the backs of local phone customers. It is clear from various phone bill data that the Bell companies been allow to use advertising and marketing allowed to local service, including phone bill inserts, to give a free ride to the other supposedly competitive services. For more information about phone bill issues:

<http://www.newnetworks.com/phonebillinto.html>

But that's not the problem. The problem is these phone companies do not deserve to get bigger to serve the public interest. Besides less competition, both Verizon and SBC gamed the regulatory system and media and mislead the public, claiming that the previous mergers would yield wireline competition and broadband in each other's territories. SBC said it would be in 30 cities outside of its own holdings by 2002, Verizon said 26 cities in 18 months after the Verizon-GTE merger. And they were supposed to be using the competitive "UNE-P" services, the same unprofitable ones that other competitors would use. In fact, it's now clear that SBC never fulfilled its wireline commitments, but used the money to create Cingular. They were also able to use licenses set aside for "Very Small Businesses". What a scam!

Teletruth already presented information about SBC's failed merger commitments: See: (We will be updating this information)

<http://www.teletruth.org/TakeAction/Breakupsbcameritech/PR-SBCAmeritech.html>

Did the FCC do a study to compare what SBC and Verizon said to regulators and the public about the wonderful impacts the mergers would have --- vs the reality?

And let's not start in about the harm to broadband. America, is what, 14th place and falling? Did you know SBC pulled the plug on all interactive fiber-based services in both Pac Bell as well as Ameritech? Did you check the predatory DSL wholesale pricing that drove thousands of Internet Providers out of business? Maybe you should read how the Bells also gamed the regulatory system state by state to not deliver fiber-optic broadband as promised and yet collected billions per state. And yet the FCC's Triennial decision now blocks any competitor from using any fiber-optic upgrades, even though they are customer funded.

Here's a timeline from the San Diego Tribune about the failed California fiber-optic deployment .<http://www.newnetworks.com/californiabroadband.html>



And here's a summary of what happened in California with broadband.

<http://www.netaction.org/broadband/bells/calif.html>

The really sad part is that by 2000, half of the United States was supposed to have a fiber-optic connection to their home. We now estimate that over \$120 billion has already been collected for services the customer never received. That's over \$1000 a household. And what was promised was at speeds of 45mps, not 200K. The FCC dummed-down the broadband requirements to lower America's expectations, and not hold the Bell companies accountable for commitments. Do you think America would have been number 14th had these companies every fulfilled their commitments. Here's a collection of materials about the Bell companies' failed fiber-based deployments, and the money collected from customers for services they will never receive, as well as our FCC Comments on this (since 1998.):

<http://www.newnetworks.com/BroadbandandDSL.htm>

Backbone Control. And with the purchases of AT&T and MCI, the Bell companies will have control of the majority of telecom and data/Internet backbones, the underparts of the networks that allows companies to offer Internet and long distance service. Remember, they control territorial fiefdoms. If SBC doesn't roll out something in one state, no big deal, but when these phone companies control 14 states.

Get the Actual Costs of the Networks. No one in America knows the actual costs of the networks today, and that's because the FCC decided to close down the audits of the phone companies prematurely. In 2000, the FCC's own auditors found \$19 billion dollars of missing equipment that had been added to virtually every phone charge in America. Because of political pressure, the FCC dropped the audits when only ¼ was done. The FCC should revisit this material and find out what is the actual cost of service, since it impacts every charge on the phonebill, but also all wholesale prices. Our work shows that these are seriously cooked books and need investigation: See:

<http://www.teletruth.org/auditupdate.html>

Merge or Purge?

Maybe before the FCC considers making these companies larger, the FCC should consider investigating breaking them up. History shows that the FCC certainly can't craft any 'condition' that will be viable.

We argue, and will present more data in the future, to show that the previous mergers should be annulled or these companies should be required to fulfill their previous obligations and commitments made to the public before any new joinings that are sure to do more harm than public good.



The joke has been on those in Verizon and SBC.

Corporate Compensation was the big merger winner. And who exactly benefited the most from the mergers? – Why, senior management. During the Year 2000 when the GTE and Bell Atlantic merger was put into motion, six individuals received 10.1% of all stock options with an estimated value of \$151-\$380 million. From 1999-2001, the top 6 executives of Verizon-GTE received a total of 9.8 million shares with an estimated value of \$424 million to \$1.1 billion. The group has made \$194 million dollars in salaries and other perks, including various merger bonuses.

See: "Bell Executive Compensation: A Primer in Corporate Greed" 2002

<http://www.teletruth.org/docs/compensationFIN.doc>