The SBC-Pacific Telesis-SNET-Ameritech Mergers Were the Death of State Fiber Optic Deployments:

There are plans underway for SBC to merge with AT&T. This will prove to be a terrible thing for America's telecommunications and broadband future and customers. (We address this in other sections.)

We believe that the creation of SBC, formed from a merger of Southwestern Bell, Pacific Telesis, SNET and Ameritech should be investigated and broken up. This enlarged mega-Bell harmed the fiber optic based broadband deployments that were underway in EVERY state — from California-Pac Bell and Connecticut-SNET, to Ohio-Ameritech and Texas-Southwestern Bell. SBC never fulfilled its state obligations to upgrade the networks properly.

More importantly, when one company can control 40% of America's digital future, and it decides to NOT do something, it impacts not only the 13 states the company controls (about 125 million people) but also the entire economy.

Exhibit
The SBC Hatchet of Fiber Optic Deployments
(Sources: Bell Annual Reports)

	Money (billions)	Households	Merger	Shutdown	Cable
Pacific Telesis	$16.0	5,500,000	1997	1997	0
Ameritech (3states)	$6.6	6,000,000	1999	2000	304,000
SNET	$4.5	1,000,000	1998	2000	31,000
SBC, Texas	$1.5				0
Pronto	$6.0				
Total	$33.6	12,500,000			

By 2002, over $33.6 billion should have been spent by the mega-Bell for fiber optic cable deployment in over 12.5 million households.

As discussed, Pacific Bell promised deployment in 5.5 million households and to spend $16 billion by 2000; Ameritech promised 6 million households at over $6.6 billion by 2000 (in just 3 states); SNET promised $4.5 billion for just Connecticut. Texas was to commit $1.5 billion to wire schools, libraries and government agencies with fiber optics, all by 2000.

We need to stress a vital point: SBC stated in every merger that the mergers were good for broadband, competition and the economy, by bringing upgrades, new services, etc. According to the SBC 1999 Annual Report, the merged SBC-Ameritech company would start a new $6 billion dollar fiber optic broadband plan called "Project Pronto". [1]

> "Broadband Initiative in October 1999: As the first post-Ameritech merger initiative, SBC announced plans to offer broadband services to approximately 80 percent of SBC's United States wireline customers over the next three years (Project Pronto). <u>SBC will invest an estimated $6 billion in fiber, electronics and other technology for this broadband initiative. The build-out will include moving many customers from the existing copper network to a new fiber network."</u> [Emphasis added]

As we will show, Project Pronto, as well as every other fiber optic broadband plan in the states, was stopped by the mega-Bell, SBC.

Secondly, the FCC completely failed to enforce the merger conditions when SBC-Ameritech deceptively opted to not start wireline competition outside of their regions. Besides the failure of "Project Pronto", by 2002, SBC-Ameritech was supposed to have been competing with wireline services in 30 cities "out-of-region" or pay large fines.[2]

> "At December 31, 2001, $1.9 billion in remaining potential payments could be triggered if the "Out-of-Region Competition" and "Opening Local Markets to Competition" conditions discussed below are not met. The following briefly summarizes all the major conditions:
>
> "Out-of-Region Competition: In accordance with this condition, we will offer local exchange services in 30 new markets across the country. We are required by the FCC to enter these 30 markets as a provider of local services to business and residential customers by April 2002. Failure to meet the FCC condition

> requirement could result in a payment of up to $40 million for each market. Entrance into these new markets did not have a material effect on our results of operations or financial position."

None of this competition happened out of region and the FCC never enforced this condition. In fact, SBC believed it fulfilled its obligations by having 3 customers per 22 cities — 66 customers made up nationwide, robust competition.

We will also discuss elsewhere that Verizon, which was formed from NYNEX, Bell Atlantic and GTE, also promised to compete out of region and had also cut virtually every fiber optic deployment in its territories.

Both companies pulled one of the largest bait-and-switches in history. Not only did they both roll out an inferior product, DSL, which used the copper wiring, but both used the mergers to consolidate their own local service positions by taking the money and using it to roll out their long distance services.

Enlarging the mega-Bell SBC (which controls the fate of 125 million customers) is ridiculous on any level, and there are NO merger conditions that will be enforceable.

Let's first focus on the fiber optic broadband deployments and closures, using data to make the case clear: the previous mergers were bad for broadband.

First, What Is SBC?

During the 1990's, Southwestern Bell became SBC, and starting in 1997, first acquired Pacific Telesis, then SNET, and then Ameritech. According to SBC's 1999 Annual Report:[3]

> "SBC was formed as one of several regional holding companies (RHCs) created to hold AT&T Corp.'s (AT&T) local telephone companies. On January 1, 1984, SBC was spun-off from AT&T pursuant to an anti-trust consent decree, becoming an independent publicly traded telecommunications services provider. At formation, SBC primarily operated in 5 southwestern states. SBC subsidiaries merged with Ameritech Corporation (Ameritech) in 1999, Southern New England Telecommunications Corporation (SNET) in 1998 and Pacific Telesis

> Group (PAC) in 1997, thereby expanding SBC's wireline operations into a total of 13 states."

This one company now controls most of the telecommunications in 13 states including:[4]

> "…the term "SBC/Ameritech" shall mean Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, Nevada Bell, The Ohio Bell Telephone Company, Pacific Bell, The Southern New England Telephone Company ("SNET"), Southwestern Bell Telephone Company ("SWBT"), and Wisconsin Bell, Inc.; any successor or assign of such company that provides wireline telephone exchange service; and Ameritech Corporation, SBC Communications Inc., and any successor of either company."

The states are:

- Ameritech — Ohio, Illinois, Indiana, Wisconsin, Michigan
- Southwestern Bell — Texas, Oklahoma, Missouri, Kansas, Arkansas
- Pacific Telesis — California and Nevada
- SNET — Connecticut

In terms of market reach, SBC now controls two of the largest states in terms of population. According to the 2004 World Almanac[5]quoting 2002 Census data by state, SBC controls California, which has about 35 million people, while Texas has 21 million; about 56 million people combined. When all of the states are added together, the population coverage is approximately 125 million people; about 40% of the entire United States. (We note that in each state there are other incumbents, such as Verizon ((formerly GTE)), but SBC is the largest by far. Also, they do not compete with each other directly.)

We need to make it clear that SBC controls 90+% of wireline phone service in most states. This is because even their competitors must rent the wires. Also, SBC and BellSouth own Cingular, which also gives them about 40% of the entire wireless markets. In broadband, SBC was successful in putting most ISPs out of business so that they now own 90+% of the wireline DSL market.

Besides market size, let's review circumstances in California which we've discussed in our case studies, and also look at SNET and Ameritech. We also discuss Texas (a Southwestern Bell state) and Project Pronto.

Fiber Optic Deployments Were All Cut Once SBC Took Over.

In reviewing the materials, it is obvious that Southwestern Bell's (now SBC) announcements on video dialtone/broadband services were more constrained than the other companies in the mid-1990's. However, Southwestern Bell was one of the first to discuss online services when it had touted ISDN back in 1986, almost two decades ago.

Southwestern Bell, **1986** Annual Report: [6]

> "At the forefront of new technology is ISDN. Scheduled for commercial availability in 1988, ISDN will revolutionize day-to-day communications by allowing simultaneous transmission of voice, data and images over a single telephone line.
>
> "With ISDN customers will have the potential to access videotex, telemetry, alarm services, sophisticated calling features, teleconferencing much more economically than they can today."

We bring this up because the company was positively destructive to the info highway projects in every state in the 1990's.

Pacific Bell: 'California Dreamin'.

(Note: We have published elsewhere the story of California's failed broadband deployments.)

As discussed in previous sections, Pacific Telesis, the parent of Pacific Bell and Nevada Bell, told regulators, investors, and the public that it was going to spend $16 billion on the fiber optic info highway in California.

According to Pacific Telesis's 1993 Annual Report:[7]

> "In November 1993, Pacific Bell announced a capital investment plan totaling $16 billion over the next seven years to upgrade core network infrastructure and to begin building California's "Communications superhighway". This will be an integrated telecommunications, information and entertainment network providing advanced voice, data and video services. Using a combination of fiber optics and coaxial cable, Pacific Bell expects to provide broadband services to more than 1.5 million homes by the end of 1996, 5 million homes by the end of the decade." [Emphasis added]

We also presented video dialtone application materials which showed that specific parts of California were all laid out to be rewired.[8]

Exhibit
Pacific Bell Video Dialtone Deployments, 1995

Application	Phone Co.	Location	Households	Approved
12/20/93	Pacific Bell	Orange Co., CA	210,000	7/19/95
12/20/93	Pacific Bell	So. San Francisco Bay	490,000	7/19/95
12/20/93	Pacific Bell	Los Angeles, CA	360,000	7/19/95
12/20/93	Pacific Bell	San Diego, CA	250,000	719/95
TOTAL			1,310,000	

And like the other video dialtone applications, this was fiber to the home, replacing the old copper wiring, and it had channels galore. Also, the number of households was for immediate deployment. Pac Bell stated that by 1996 it would have 1.5 million households wired. This data shows 1.3 million.

SBC Does a Hatchet Job on Pac Bell's Fiber Optic Plans: Merger 1997, Shutdown 1997.

When SBC merged with Pacific Telesis, SBC did a hatchet job on Pacific Bell's existing fiber optic deployment. While Pacific Bell at least gave the appearance that it cared, though didn't fulfill any of these obligations, SBC simply pulled the plug on all of these plans. [9]

> "Pacific and Southwestern Video Curtailment/Purchase Commitments - SBC also announced in 1997 that it was scaling back its limited direct investment in video services in the areas also served by Pacific Bell Telephone Company (PacBell) and Southwestern Bell Telephone Company (SWBell). As a result of this curtailment, SBC halted construction on the Advanced Communications Network (ACN) in California. As part of an agreement with the ACN vendor, SBC paid the liabilities of the ACN trust that owned and financed ACN construction, incurred costs to shut down all construction previously conducted under the trust and received certain consideration from the vendor. In the second quarter of 1997, SBC recognized net expense of $553 million ($346 million net of tax) associated with these activities. During the third quarter of 1997, SBC recorded the corresponding short-term debt of $610 million previously incurred by the ACN trust on its balance sheet."

What this says is that SBC pulled the plug early and therefore had to pay off the various vendors, whether or not the work had been completed. There is no indication of the actual expenditures versus the payoffs to terminate early.

As we pointed out in the case study, and is clear from this quote, Pac Bell never came close to spending any serious money on this project, certainly not anywhere near the $16 billion as stated in their annual reports.

According to the 1999 Annual Report, SBC also shut down the video dialtone trials in Richardson Texas and San Jose, as well as scaling back the Tele-TV work.[10]

> "Additionally, SBC curtailed certain other video-related activities including discontinuing its broadband network video trials in Richardson, Texas, and San Jose, California, substantially scaling back its involvement in the Tele-TV joint venture and withdrawing its operations in territory served by SWBell from the Americast venture. During 1999, SBC negotiated a settlement with its Americast partners related to the withdrawal. The settlement did not have a material impact on SBC's financial condition or results of operations. The collective impact of these decisions and actions by SBC resulted in a charge of $145 million ($92 million net of tax) in the second quarter of 1997."

If the incumbent closes down the entire operations for the entire state, who is left to deploy the fiber optic networks which were upgrades to the current network? As we discussed in the case study, the deployment plans of Pac Bell were in place since the early 1990's and led to the deregulation of the company's revenues and profits on the state level.

SNET

SNET (Southern New England Telephone) told the state of Connecticut, investors and the public that it would be spending $4.5 billion over 15 years.[11]

> "On January 13, 1994, the Telephone Company announced its intention to invest $4.5 billion over the next 15 years to build a statewide information superhighway ("I-SNET"). I-SNET will be an interactive multimedia network capable of delivering voice, video and a full range of information and interactive services. The Telephone Company expects I-SNET will reach approximately 500,000 residences and businesses through 1997."

As previously quoted, the materials filed with the FCC showed that they would be rolling out 1 million households of video dialtone services. [12]

Exhibit
SNET's Filed Connecticut Fiber Optic Video Dialtone Deployments, 1995

Date of application	telco	state	homes	type
4/28/95	SNET	CT	1,000,000	permanent

The SBC Hatchet on Connecticut: Merger 1998, Shutdown, 2000.

In comes the SBC hatchet. By 1999, the SBC 1999 Annual Report calls it a "cable" service with 31,000 customers, and by 2000, SBC decided to close down this service.

SBC 1999 Annual Report: [13]

> "Cable Television - SBC also operates a cable television system under the SNET brand in Connecticut that is currently included in the Wireline segment. SNET began offering cable television service in the first quarter of 1997. As of December 31, 1999, SNET provided cable television services to approximately 31,000 households in Connecticut."

SBC 2000 Annual Report: [14]

> "Cable Television - We also operate a cable television system under the SNET brand in Connecticut that has been included in the wireline segment results. Our request to close this business is currently under review by the Connecticut Department of Public Utility Control and a final decision is expected in early 2001."

The idea that SNET, which had state laws changed to accommodate the building of a fiber optic based service would be allowed to simply "close this business", as if this was some whim is, of course, worth investigation.

More to the point, if SBC was supposed to be serious about fiber optic services, closing down two state's programs where the wiring alone not only had value but also could be used with different electronics for the fiber optic services it was claiming it was going to deploy, is of course illogical.

Ameritech

The oddest closing of all was by Ameritech, which simultaneously closed down its fiber optic deployments in 5 states. According to the 1994 Investor Fact Book, Ameritech was building a video network that was going to extend to 6 million customers by 2000.

Ameritech Investor Fact Book, March 1994: [15]

> "We're building a video network that will extend to six million customers within six years."

Ameritech also filed its video dialtone applications with the FCC, which listed deployments in Detroit, Columbus, and Chicago, among other places.

Exhibit X
Ameritech Video Dialtone Requested Permanent Authorizations

- 232,000 homes in Detroit, MI
- 262,000 homes in Columbus and Cleveland, OH
- 115,000 homes in Indianapolis, IN
- 501,000 homes in Chicago, IL
- 146,000 homes in Milwaukee, WI
- **1,256,000 Total homes**

And let's be clear. This is all fiber video dialtone stuff.

Ameritech petitioned the FCC for ALL five states. [16]

> "Ameritech Operating Companies for authority pursuant to Section 214 of the Communications Act of 1934, as amended, to construct, operate, own, and maintain advanced fiber optic facilities and equipment to provide video dialtone service within geographically defined areas in Illinois, Indiana, Michigan, Ohio, and Wisconsin."

Ameritech, in five states, would roll out 390 channels in an "economically diverse section of its service area".

> "Ameritech maintains that approval of the applications would permit its video dialtone network to reach 1.3 million homes, businesses and institutions in geographically and economically diverse sections of its service area. The proposed hybrid network would provide 310 multicast (240 digital and 70 analog) channels and 80 switched digital channels." [17]

Billions of Spending on the State Level

Ameritech also made state-by-state commitments to update their networks and sold them as a "fiber optic future." The Ameritech 1993 Investor Fact Book shows that at least $6.6 billion was to be spent in just three states, Illinois, Ohio and Michigan. These commitments were all for "Alternate Regulation" plans (deregulation) that gave these companies more money in the form of higher phone rates for many services and no caps on the companies profits.

Exhibit
Ameritech Investment Commitments, 1992-1998
The Ameritech Investor Fact Book, 1993

Illinois	$3.0 billion	Investment commitment over 5 years.
Ohio	$1.6 billion	Investment commitment over 5 years
Michigan	$2.0 billion	Investment commitment, 1992-1995
Indiana	$150 million	• $120 million in "Digital Broadband Facilities" to connect schools, hospitals, and government over the next 6 years. • $30 million for the next six years for educational hardware, software and training.
Wisconsin		pending legislation

We need to make it clear that state laws were changed because of a massive press campaign with multiple promises over several years. Below is a collection of articles and their summaries from the Chicago Tribune from 1992 to 1994. To sum up, Illinois Bell would spend $3 billion on a "massive upgrading" of its fiber optics in exchange for removing its 13.1% profit cap. This would bring fiber optics to Chicago area suburbs and 40 others. Ameritech, the holding company, would spend $5 billion for the mid-west information superhighway and $1 billion with two electronic equipment suppliers for hardware to supply fiber optic service to 5 million of its 16 million customers by 1995! This was supposed to be distributed over six metropolitan areas in the five states to start:

- **Ameritech Fiber Links Going to Suburbs First**, Feb 2, 1994[18]: "Ameritech's plan to bring digital video services to customers through optical fiber will start by targeting nearly two dozen Chicago-area suburbs and parts of more than 40 others, but not the city itself."
- **Ameritech's Fiber Plan**, Jan 27, 1994[19]: "Ameritech will announce a plan to spend close to $5 billion installing optical fiber to bring the information superhighway to Midwest homes, schools and businesses. The construction will center on six metropolitan areas in the five states in which Ameritech provides local telephone service, including Illinois."
- **Bell Rate Plan Appears Right on Line**, Dec 2, 1992[20]: "Illinois Bell Telephone Co. is likely to find a willing ear among state regulators for its new rate plan, which would lift the

profit cap on the state's largest phone utility in exchange for $3 billion in new fiber-optic lines."

- **Bell Seeks Rate Overhaul**, Dec 1, 1992 [21]: "Illinois Bell Telephone Co is expected to ask state regulators to lift the utility's 13.1% profit cap in exchange for a massive upgrading of its system, including widespread installation of fiber-optic cables."
- **Ameritech Expanding Fiber Optics to Residential Users** Sept 1, 1992 [22]: "Ameritech will spend almost $1 billion with two electronic equipment suppliers for hardware to supply fiber-optic service to 5 million of its 16 million customers by 1995, the company said Monday."

We will return to this information later.

We need to note that Ameritech was proud that it was able to change the regulation in their favor. From the 1994 Investor Fact Book:

> "In 1994, Ameritech proactively changed the way in which we are regulated. We have replaced rate-of-return regulation with price-cap plans without earnings sharing in all five states in which we are franchised as a communications carrier.
>
> "As a result 100% of Ameritech's $8 billion of intrastate revenues are now regulated by prices, not earnings. The plans foster market based pricing and give Ameritech greater incentive to earn more by allowing us to keep all that we earn."

To paraphrase — Ameritech got rid of anyone looking at their profits, even though they were still a monopoly. Some services could now be "market priced." Ameritech could charge what customers were willing to pay, even though there was no competition in 1994. In this bucket would be "Calling Features", Call Waiting, etc. that cost about 1 penny to offer, but could sell for $5.00 per month per line. We will return to this topic in future sections.

SBC Next Hatchet Job: Ameritech's Fiber Networks: Merger 1999, Shutdown 2000.

SBC, once again, waiting for the ink to dry on its merger agreements, took over in 1999 and by 2000 it was getting rid of the entire Ameritech network.

SBC 2000 Annual Report — "Cable Television Services":[23]

> "We offer enhanced cable television services in the Chicago, Cleveland, Columbus and Detroit metropolitan areas through our subsidiary Ameritech New Media, Inc. (ANM). As of December 31, 2000, ANM provided cable services to approximately 304,000 customers in approximately 100 Midwestern communities. In 2000, ANM scaled back its construction of additional cable networks and expansion plans for new cable franchises and we are currently in negotiations to sell ANM."

Ironically, the Bell companies have been getting various federal and state Senators and Congressmen to write bills so that they can offer cable services without franchises. Curiously, Ameritech had 115 franchises that it owned and then SBC threw away.

SBC 2000 Annual Report —"Cable Television Services":[24]

> "ANM's cable television systems are subject to Federal, state and local regulation, including regulation by the FCC and local franchising authorities. ANM has entered into approximately 115 cable television franchise agreements with local government authorities. Generally, these franchise agreements are in effect for a period of 15 years, and are transferable with regulatory approval."

The Sale of Ameritech's Cable Plant -- WOW, What a Deal.

An article in Telephony magazine, "Wow, What a Deal",[25] told of a quite bizarre end to the fiber optic future of the entire Ameritech region. As previously discussed, Ameritech promised 6 million households by 2000. At the middle of 2001, when it was sold off by SBC, WideOpenWest purchased the entire plant, about 300,000 customers, for about $1000 a subscriber.

"According to an industry source, WOW agreed to pay about $1000 per subscriber, although neither company would confirm the figure....When the deal closes in October or November, WOW will grow from 200 Denver-area subscribers to 310,000 users in Chicago, Detroit, Denver, Cleveland and Columbus, Ohio."

What is really odd is that this service was supposed to offer 390 channels and fiber to the home, as told by the video dialtone applications:

"Ameritech maintains that approval of the applications would permit its video dialtone network to reach 1.3 million homes, businesses and institutions in geographically and economically diverse sections of its service area. The proposed hybrid network would provide 310 multicast (240 digital and 70 analog) channels and 80 switched digital channels." [26]

Ameritech put in the fiber! And, according to the article, it was two-way, with a "high fiber count":

"Mark Haverkate, WOW's president and CEO...'It's definitely a two-way system,' Haverkate said. 'It's a high fiber count, small home-per-node size [estimated at about 200 homes]. The system was extremely well built - top-of-the-line equipment across the board. It's been extremely well-maintained.'"[27]

And yet while it had the capabilities to offer more, the system as rolled out by Ameritech was based on one-way analog services:

"'The Americast system is only being used for one-way analog services but can easily support digital and Internet services', Haverkate said."[28]

What is odd from any direction of analysis is that SBC stated in the article that its plan was to get fiber "into the neighborhoods" for video and broadband, and the installed fiber optic system could do this with its eyes closed. Instead, SBC decided to close down the entire system for $300 million dollars.

> "SBC has been trying to shed the cable properties it acquired with Ameritech while trying to get some return on the investment because being a cable provider 'didn't fit with our business strategy,' said a company spokesman. 'That strategy doesn't preclude video and high-speed data; it just won't be done over conventional cable networks.'
>
> "'We've invested $6 billion in Project Pronto, which is to get fiber into the neighborhoods,' the spokesman said. 'Video streaming is certainly going to be part of what they'll be able to get from broadband and have it delivered by DSL.'"[29]

The Project Pronto quotes show the "say anything" mentality of SBC, since it would never spend the $6 billion it kept quoting to the press.

WOW currently offers a series of services, including digital phone at speeds of up to 6mps (500Kupstream). See: http://www1.wowway.com/wowStory.asp?id=1002

Outcome for Pac Bell, SNET, Ameritech and SBC?

SBC trashed all of the various plans when it bought the other phone companies.[30] This piece of irony from an FCC document on the topic is about what we expect.

> "115. Prior to the 1997 Report, SBC acquired Pacific Telesis, and its Pacific Bell Video Services subsidiary. Subsequently, SBC ended its own in-region video efforts, sold its out-of-region systems, scaled back the video plans of Pacific Bell Video Services, and, later, sold most of its interest in Pacific Bell Video Services. SBC later acquired SNET, and proposed to acquire Ameritech. In front of the Senate's Antitrust Subcommittee, SBC Chairman Edward Whitacre would not commit to maintaining Ameritech's cable overbuild operation. SBC, however, as a condition of approval of the SBC-SNET merger, promised the Connecticut Department of Public Utility to continue cable operations for two years. The Connecticut Department of Public Utility gave SBC the right to petition for modification of the state- wide franchise agreement once SBC studies SNET's cable

> operations. Some have observed that since Ameritech has a well-established cable operation, one that has continued to expand even as the merger is pending, it is less likely that it will be sold or abandoned. Some analysts also have pointed out that the Ameritech cable operation could become more important, in terms of offering a complete package of telecommunications services, in light of the pending AT&T-TCI merger."

The scorecard: 3 mergers, and every state retrenched or canceled its fiber optic deployments.

SBC's Own Fiber Plans?

SBC's own deployment plans were shrouded in secrecy. In the "Chapter on Texas", we show that the company had committed to spending $1.5 billion to rewire the schools, libraries, hospitals and government agencies with 45mps services.

An SBC press release revealed that SBC, in 1996, was pro broadband. "GTE to join Disney, Ameritech, BellSouth and SBC in Home Entertainment partnership. Increases venture reach to 68 million access lines, 32 states," July 7, 1996. [31]

> "SBC is building a traditional cable network in Richardson, Texas that will be in service in the fourth quarter of this year. It also is constructing a broadband network that will allow the company to offer cable and interactive services to up to 47,000 Dallas area households in 1996. SBC may provide video-on-demand -- as well as a host of other interactive services such as home shopping, education programs, and interactive games -- to those 47,000 households. SBC, which recently won court approval to provide video programming in its telephone subsidiary's five-state territory, is working with Microsoft, Lockheed and others to develop the delivery system."

SBC also told the San Antonio Business Journal that Americast was about to purchase $1 billion worth of digital set top boxes:[32]

> "Americast -- the television venture between locally based SBC Communications Inc. and four other companies -- last week announced the purchase of $1 billion worth of high-tech boxes, referred to as digital set-top boxes."

And the article surmised that, from this purchase, SBC was serious about video services and that they'd be coming out in 1997 or 1998.

> "SBC officials have been tight-lipped regarding their video plans. However, telecommunications analysts say they expect the San Antonio-based firm to begin offering some type of video services in its major markets in 1997 or 1998….'You should expect to see Southwestern Bell-branded entertainment products in the near future,' says SBC spokesman Bob Ferguson. 'We're very much committed to moving forward with plans to have video offerings for our customers.'"[33]

It seems it was all wishful thinking. By the time of the SBC-Pacific Telesis merger in 1997, the company was pulling out of cable TV and Americast, the joint venture with Ameritech, BellSouth, and Disney. According to Telephony magazine:[34]

> "SBC effectively ended its attempt to enter the wireline cable TV market last week, selling its 94.6% stake in two Washington-area systems for $606 million to an investment group that includes Prime Cable.
>
> "The company has also withdrawn from the Americast partnership and sold an option to purchase 75% of Prime Cable of Chicago to the same investment group."

As previously quoted, the company wrote off the Richardson, Texas, deployment along with the Pac Bell deployments in 1997.

Questions Remain.

Were customers illegally charged for the SNET and Ameritech cable roll outs? In the case of Ameritech and SNET, a separate investigation needs to be considered. How did all of these video-dialtone offerings become regular cable services? We discuss the federal changes to the video dialtone laws in other sections, but at issue is the fact that if the state regulators signed off on a proposed rewiring of the state for a fiber optic service with more capabilities than a collection of cable channels, then this changeover could have been a "bait-and switch".

Two other items need mentioning: Texas and Project Pronto (though there may have also been promises in the other Southwestern Bell states, such as Oklahoma, Missouri, Arkansas and Kansas); Texas is addressed separately in a case study. It was not a merger-based fiber optic plan, but what was promised was not completed.

Project Pronto Was Part of the SBC-Ameritech Merger Conditions.

Project Pronto was needed to show that SBC had a genuine interest in broadband, even though it had cut virtually every fiber optic plan in every state. According to SBC, the company's broadband plan for the merger was Project Pronto, spending $6 billion in three years to reach 77 million customers (August 9th, 2000).

> "The DSL deployment is part of Project Pronto, a $6 billion initiative that will transform Ameritech's parent company, SBC Communications, Inc., into America's largest single broadband provider. Project Pronto will make SBC's DSL service available to approximately 77 million people by 2002 and will dramatically increase the speed of DSL service."

SBC stated that the next phase would be 'direct' fiber optics to customer's homes and offices (May 9, 2001):

> "'Direct fiber is the broadband holy grail - and bringing fiber directly to smaller businesses has always been part of the Project Pronto plan,' said Ross Ireland, senior executive vice president of services. 'But we didn't envision when we announced Pronto that viable technology would be available to enable us to begin our initial direct-fiber deployments to smaller businesses a mere 18 months later and to residential customers shortly thereafter.'"

Notice that these two statements are in contradiction, since DSL goes over the old copper wiring, therefore, fiber optics is being used as a selling tool, a glimpse of the future. Of course, this is ironic, when one thinks of all of the promises made in 1992 for full state deployments by 2000 of fiber based services.

Irony aside, it was clear in 2001 that Project Pronto was nothing but a snail at fast speeds. Dave Burstein, publisher of the respected DSL Prime, did this account of the rollout of DSL by SBC in October 2001. We couldn't have said it better.

> "Subject: SBC's disingenuous financials and Pronto 'cutbacks'. Sent: Monday, October 22, 2001 4:01 PM
>
> "DSL is my speciality, so I was surprised and appalled listening to SBC's call this morning. …I remind everyone that universal broadband service and separation to protect competitors were part of the Ameritech merger deal, voluntarily accepted by SBC. It's a repudiation of a deal they made only two years ago. SBC is now behind BellSouth, Verizon, Bell Canada, Germany, Japan, and Korea in DSL deployment as a percent of lines, despite all the 'Pronto' hype.
>
> "Selim Bingol has disagreements with this work, but after an hour did not have any facts to disprove it either. He did not elaborate, in particular, on how much Pronto is being cut back, and asserted the decision was made late in Q3. Other than initial startup costs of the new subsidiary, he did not offer any facts to explain why it would cost 'hundreds of millions more' - highly unlikely, because the same work needs to be done either in SBC or the subsidiary.
>
> "1- Either SBC's claim they are now cutting Pronto to reduce capital spending is untrue, or last quarter's statement (that most of the capex is behind them) is untrue.
>
> "This is important because delivering broadband to all Americans can jumpstart the economy. It is also a false economy, that will cost SBC over time, done presumably to pretty up the financials and/or pressure Washington into anti-consumer policies.
>
> "They also had in the first quarter said Pronto was behind, with conclusion of the first stage, 80%, being postponed from 2002 to 2003. The one hard fact they released is that they have only installed 4,000 of the 17,000 Pronto DLCs, and only 300 since Q1, which suggests their prior quarters' statements were untrue, and/or

> that the Pronto build was dropped more than five months ago, despite claims to the contrary in D.C..
>
> "Also from SBC Q2 — SBC views DSL as a strategic growth driver for the future — capable of delivering to residential and business end-users a host of entertainment, information and time-management services, as well as high-speed Internet access. In the second quarter: there is nothing in the last quarter - or year - that makes that any less true today.
>
> "2- SBC said putting DSL in a separate subsidiary added 'hundreds of millions' to costs. Hogwash and unsupportable. SBC's DSL subsidiary is a $500M business, and only a very small fraction of this - a tenth of what they claim at most - can be explained by the organizational structure. Whether they are part of the parent company or not, they still have essentially the same costs - the same equipment, provisioning, customer acquisition, support, billing etc. SBC has never justified that number because they cannot.
>
> "The only way the number could be true is if SBC's own subsidiary is getting screwed in a major way by how SBC treats independents. We're sure SBC will not make that claim.
>
> "3- Whitacre (I believe it was his voice) said he thought 'regulation had gotten tougher'. I leave you to judge the reasonableness of this statement. Everything I know, and dozens of opinions I've read, believe that Mike Powell's FCC is a less active regulator. This is evidenced, for example, by his acquiescence in so many price increases, and I can give many other examples. What does this say about the man's judgment or veracity?"

The piece continues, but it is clear that in the 2000-2002 timeframe the company was not fulfilling its obligations under Project Pronto.

Failure to Compete, Failure of the FCC to Enforce Merger Conditions.

Part two of this merger quagmire involves the FCC. The FCC is virtually useless in enforcing any merger conditions, especially pertaining to competition and broadband. For example, the 2001 SBC Annual Report claims that they could be liable for $1.9 billion if the company was not competing in 30 cities outside their own territories by 2002.[35]

> "At December 31, 2001, $1.9 billion in remaining potential payments could be triggered if the 'Out-of-Region Competition' and 'Opening Local Markets to Competition' conditions discussed below are not met. The following briefly summarizes all the major conditions:
>
> Out-of-Region Competition: "In accordance with this condition, we will offer local exchange services in 30 new markets across the country. We are required by the FCC to enter these 30 markets as a provider of local services to business and residential customers by April 2002. Failure to meet the FCC condition requirement could result in a payment of up to $40 million for each market. Entrance into these new markets did not have a material effect on our results of operations or financial position."

Exhibit

SBC "Out-of Region" Cities, National-Local Strategy

1. New York	2 Philadelphia	3. Boston	4. Washington DC	5. Miami-Ft. Lauderdale
6. Atlanta	7. Minneapolis-St. Paul	8. Phoenix	9. Baltimore	10. Seattle-Everett.
11. Denver-Boulder	12. Pittsburgh	13. Tampa-St. Petersburg	14. Portland	15. Cincinnati
16. Salt Lake City-Ogden	17. Orlando	18. Buffalo	19 New Orleans	20. Nashville-Davidson
21. Memphis	22. Las Vegas	23. Norfolk - Virginia Beach	24. Rochester	25.Greensboro Winston-Salem
26. Louisville	27.Birmingham	28. Honolulu	29. Providence - Warwick	30.Albany-Troy Schenectady

The FCC agreed to this merger because the Bell company committed to competing outside its regions in 30 of the largest US cities, offering both business and residential customers local phone service. The claim was that this would stimulate nationwide competition as well. The FCC writes: (FOOT)

> "This will ensure that residential consumers and business customers outside of SBC/Ameritech's territory benefit from facilities-based competitive service by a major incumbent LEC. This condition effectively requires SBC and Ameritech to redeem their promise that their merger will form the basis for a new, powerful, truly nationwide multi-purpose competitive telecommunications carrier. We also anticipate that this condition will stimulate competitive entry into the SBC/Ameritech region by the affected incumbent LECs."

This was wireline competition that was supposed to be deployed using their own facilities as well as "Unbundled Network Elements" (UNE-P) that were wholesale services sold by the incumbent to a competitive company.

Phone calls by the author and others over the last few years to purchase SBC wireline residential service were in vain and anyone else reading this knows that SBC wireline service is not available in virtually any city in the United states, especially for local residential phone service. Yet, the FCC agreed that SBC had fulfilled its obligations.

What should be obvious is that SBC gamed the regulatory system on multiple levels. SBC claimed that the entire reason for the merger with Ameritech was to give it the size it needed to compete, i.e. SBC lied. Numerous documents go on for hundreds of pages about this point. (From testimony by James S. Kahan, Senior VP SBC) (FOOT)

> "SBC/Ameritech would not undertake this merger without National-Local strategy.

> "In the absence of the merger with Ameritech, the National-Local strategy will not work. The problem is not primarily that SDB on a stand alone basis, is incapable of raising the capital necessary to fund the national a-local strategy. The more important constraints are a) customer base, b) personnel and earnings dilution and market reactions."

And make no mistake about it; this merger was touted as having many benefits for the public. SBC claimed that it would facilitate more competition in the 30 markets they entered.

> "By implementing the National-local strategy, SBC believes that its actions will accelerate the development of competition in all market segments. There should be no question that the national-local strategy while have pro-competitive effects in the 30 new markets SBC will enter."

We also need to make it clear that SBC wasn't simply gaming the regulatory system, but was papering the country with promises of competition. Just look at the headlines highlighting states/cities that SBC would be competing in, as well as touting the benefits of the merger in states that the company already served.

- **New Jersey** Customers To Have New Telecom Choice
  San Antonio, Texas — October 11, 1999.
- **Baltimore** Will Have New Telecom Choice
  San Antonio, Texas — October 11, 1999.
- **Philadelphia** To Have New Telecom Choice
  San Antonio, Texas — October 11, 1999.
- **Orlando** Will Have New Telecom Choice
  San Antonio, Texas — October 11, 1999.
- **Atlanta** Will Have New Telecom Choice
  San Antonio, Texas — October 11, 1999.
- SBC Files To Provide Local Exchange Service In **Florida, Massachusetts, Washington,** San Antonio, Texas — April 16, 1999.
- **Ameritech** Chief Says Merger Will Speed Competition; Criticizes AT&T For Hypocritical Anti-Merger Efforts Detroit, Michigan — March 16, 1999.
- **Illinois** Consumers And Business Customers Will Benefit From SBC-Ameritech Merger, Chicago, Illinois — March 11, 1999.
- SBC-Ameritech To Compete In **Boston, Miami and Seattle** First -San Antonio, Texas — February 4, 1999.
- **SBC-PacTel** Merger Brought Job Growth, Improved Service And Increased Giving Chicago, Illinois — January 26, 1999.

- SBC-Ameritech Merger Will Offer Consumers More Choices; Vital To Midwest Growth And Jobs Chicago, Illinois — January 25, 1999.

Expectations, at least those being told to the public, were very high. By 2003 the company was to have a positive cashflow of $2 billion and it would have 5-10% of the business and residential customers. Within an additional 6 years the company would have 30 million households and 10 million small businesses. (FOOT)

> "Revenues and customer penetration is targeted to grow quickly under the National-Local strategy. We are aiming for $2 billion in revenue by 2003 and more than $7 billion in revenues by 2008. Earnings are estimated to turn positive in 2003. SBC expects to capture between 5-10% of addressable business and residential customers by the end of the plan." (Page 17)

> "Within the next 10 years, the 30 out-of-region markets will have 30 million households and 10 million small businesses." (Page 23)

Timing? SBC was supposed to start serving residential customers within one year of the closing and by 2003, the majority of customers in every city should have been offered service. SBC also stated that it would be spending approximately $1.4 billion (approximately $500 per customer) for customer acquisition.

> "SBC will begin offering service to residential customers within one year of closing with Ameritech and plans to offer service to a majority of households in the 30 out-of-region markets within four years of closing. We will achieve an overall penetration rate of 4% of the residential customers in all of these 30 markets." (Page 23).

> "To achieve these results SBC anticipates spending approximately $500 per line ultimately served on customer acquisition, product development and marketing expenses related to residential and small business -- a total of $1.4 billion."

SBC's 2001 Annual Report states that it introduced service in 22 new markets outside their region and therefore has fulfilled its obligations, even though the company "scaled back" the service offerings.

> "As of December 31, 2001 we had introduced service in 22 new markets (Boston, Fort Lauderdale, Miami, New York, Seattle, Atlanta, Denver, Minneapolis, Philadelphia, Phoenix, Baltimore, Bergen-Passaic, Middlesex, Nassau, Newark, Orlando, Salt Lake City, Tampa, Washington D.C., West Palm Beach, Louisville and Charlotte), and plan to enter at least eight more by April 2002. In March of 2001, we scaled back our service offerings in these areas in response to certain economic environment and regulatory factors, while still fulfilling our FCC merger condition requirements."

Since we could not find any competitive SBC Local wireline residential services being offered in any state, we went back to the original merger conditions, and found that the FCC's conditions were essentially useless; a bad joke on what was promised versus what would actually be delivered.

The Fine Print?

SBC claims it is in compliance because it has "**at least three customers" in 22 states** or at least 66 customers.

- On March 28, 2001, the Company notified the Commission that it had installed local telephone exchange switching capacity and was providing facilities-based local exchange service to **at least three** unaffiliated customers in the **following seven markets: Atlanta, Denver, Ft. Lauderdale, Minneapolis, New York, Philadelphia and Phoenix.**
- On April 9, 2002, the Company notified the Commissioner that it had installed by April 8, 2001 local exchange switching capacity and was providing local exchange service to **at least three unaffiliated customers** in the following **10 markets**: **Baltimore Bergen-Passaic, Middlesex, Nassau, Newark, Orlando, Salt Lake City, Tampa, Washington DC and West Palm Beach**.

- In total, SBC notified the FCC that it had installed in 2001 a local telephone exchange switching capacity and was providing facilities-based local exchange service to **at least three unaffiliated customers** in the above listed seventeen markets, **five more than the required additional twelve markets** to be deployed by April 8, 2001. **Additionally SBC started operations in the Charlotte and Louisville markets in November 2001, making a total of nineteen new markets that SBC entered in 2001.**

Meanwhile, the FCC also believed that SBC was in compliance. According to an article in XChange magazine.[36]

> "'In fact, SBC had met the terms of its commitment to launch facilities-based local voice services in 30 markets by the second quarter of this year', says John Winston, assistant bureau chief at the FCC's Enforcement Bureau. 'They have complied,' Winston says. 'That's all I have to say on the matter.'"

Unfortunately, the FCC has failed to read its own rulings because SBC's obligation was to also have offered competitive services to **ALL** residential and business customers through resale and UNE-p services.

> "…collocating in each of ten wire centers; offering facilities-based service to all business and all residential customers served by each of those ten wire centers; **<u>and offering service, whether by resale, unbundled elements or facilities, to all business and all residential customers within the entire service area of the incumbent RBOC</u>** or Tier 1 incumbent LEC in the market or make voluntary incentive payments to a state-designated fund (or as governed by state law) in the amount of $110,000 per day for each missed entry requirement, for a total of $1.1 million per entry requirement per market." [Emphasis added]

There was never any advertising to entire cities that we could find. They gamed the regulatory system and got away with not having to pay $1.9 billion in damages.

In an interview with a Boston reporter in 2003, when asked if there was SBC wireline competition in Boston, he responded:[37]

> "No sign of SBC here in Boston, plenty of signs of Cingular. I thought it was a fairly open dirty secret that SBC did nothing more than barely live up to the letter of the FCC decrees, 'offering'' service within xx months of the merger in these markets, then shutting it down six months later. Haven't they sort of all but said publicly they have done the bare minimum needed to meet the FCC regs???"

Three customers in twenty-two markets is NOT robust competition. The FCC should never have set a threshold for the merger that could be met with three friends out for a late night beer who are talked into getting some SBC service. America depended on the FCC to make sure that the mergers were in the public interest and both SBC and the FCC failed to do this.

The SBC-Ameritech-SNET-Pac Bell Punchline.

By the end of 2002 there is no mention of the "National-Local" strategy in the SBC 2002 10K Annual Report. There is no mention of any other city or state with any significant wireline services being offered.

The Largest Bait and Switch in History: SBC Enters Long Distance.

In his book *The Billionaire Shell Game*[38], published by Doubleday in October 1998, award-winning, former *New York Times* reporter L. J. Davis describes the Bell operating companies' bait and switch tactics employed in every state and at the federal level in Washington. Based on independent interviews and a survey of the documentary evidence, Davis came to many of the same conclusions reached here. Further, Davis posits that the tactics were part of the RBOC plans to win approval to enter the long distance markets earlier than they would have otherwise been allowed to under normal market movement. They never really cared about broadband.

"Like the other six regional telephone companies that had come into independent existence with the break up of AT&T in 1984, Bell Atlantic had a single great goal in the autumn of 1993. Bell Atlantic and the other six baby bells were determined to enter the lucrative long distance business before the march of science rendered their existing equipment vulnerable, obsolete, or both, but getting there was no simple task. Before Bell Atlantic could offer a long distance service- even within its own part of the country, using its own lines and switches- sixty years of federal law and judicial decisions had to be overthrown, and there was only one certain, reliable, and simple way to do it: persuade Congress to pass bold new legislation that would remake Bell Atlantic's world.

"Unfortunately, there was no great public outcry for such a new law. There was, in fact, not a peep from the public, whose indifference on the subject of telecommunications law was as large as the public's very considerable ignorance of it, and it was extremely difficult to explain why Bell Atlantic, a company with annual profits of over a billion dollars, felt a compelling need to overturn more than half a century of lawmaking in order to make more money. The easy part had already been done; influential congressman had been provided with large sums of money and more would be forthcoming, but encouraging the legislators to think correct thoughts was only part of the task. It was also essential to provide Congress with a plausible and, above all, a popular and easily understood reason for writing the new law. The secret of the trick, Bell Atlantic and other regional television companies had correctly come to believe, was cable television.

"With great fanfare, the telephone companies announced that, if only one small condition was met, they would provide cheap, friendly, and reliable cable television service, using their existing networks. The cable companies would no longer hold the country in the iron grip of monopoly, and the viewing public would soon be happy. All it took was a small change in the existing laws— and, while the legislators were at it, they might as well make a few additional and long-overdue modifications of the statutes in the interest of tidiness and for the benefit of all. To the regional telephone companies, God — long distance service — would be found in the modifications. Television was the cover story.

> "The regional telephone companies had never been interested in television, and most of them weren't interested now. The goal had always been the long distance business, and the goal never changed. Once the new telecommunications bill was passed and signed, the telephone companies could run a few inexpensive tests in places like Omaha, El Cerrito and Richardson, Texas. If the tests succeeded, well and good, the telephone companies could make some extra money. If the test failed, no great harm was done; the telephone companies could claim technical difficulties and public indifference and quietly abandon the undertaking. In the meantime, it was important to feign enthusiasm until the law changed..."

I could not have said this better. What happened was a bait and switch of massive proportions. Let us put some facts into this equation. I believe we have just proved that the fiber optic deployments that were being conducted were all closed down almost as soon as the ink was dry on the mergers. Whether or not each Bell company would have actually rolled out anything looking like what they had promised is, of course, an additional question, requiring additional investigations.

What Is Long Distance and Why Is It Important?

- A ”**Long Distance”** call is a call between states, also known as “interstate”; i.e. a call from New York to New Jersey is interstate, or from New York to California.
- A **“Toll”** call is a call within a state, but usually to different cities; i.e. a call from San Diego, CA to San Francisco, CA would be a toll call.

When AT&T was broken up in 1984 the Bell phone companies were restricted from entering long distance because their monopoly power would allow them to gain too much market share just from being able to bundle their local service with long distance. They were, however, able to keep the very lucrative “toll call” market.

This is too complex to explain here, but needless to say, if you own the local phone customer and you can sell them long distance for another $20-$30 a month and use the existing advertising, etc. to sell it (commonly known today as a ‘package of local and long distance service'), the local phone company generates almost double the amount of revenue from the same customer.

The reason they were not allowed into long distance is now clear; they would easily be able to out muscle the long distance companies, AT&T and MCI. Verizon, who now has control over the "PSTN" (that's "Public" Switched Network), was able to get over 50% of its customers to buy both local and long distance as a package by 2004. With the current restrictions that block AT&T and MCI from selling local service (another long story), these companies were essentially taken apart. It is a primary reason they are currently up for sale. The Bell companies were allowed into long distance before there was sustainable residential local phone competition.

Teletruth's survey work on phone bills found that the majority of customers pay more for a package than they would if they purchased the service ala carte. This is because the advertised price of a package does not include all of the required taxes and surcharges, many of which, such as the "FCC Line Charge", are, in actuality, more direct revenues to the phone companies. We will return to this topic at a later point.

We will now show that SBC not only did not compete for local phone service out-of-region and dumped their fiber optic promises, they instead took the money and entered long distance.

Long Distance Promise Versus the Fiber Optic and Competing Out-Of-Region Promises.

Let's follow the money. First, we find in the SBC 2001 Annual Report that SBC has spent virtually no money in 2001 or even 2000 to fulfill its obligations of the merger conditions. SBC states that they "decreased approximately $90 million in 2001".[39]

> "Costs associated with our national expansion initiative decreased approximately $90 (million) in 2001, reflecting the initiative's scaleback, compared to an increase of $300 (million) in 2000."

However, long distance spending was way up. In total contrast, SBC spent $320 (million) in 2001 and $260 (million) in 2000 for entry into just four states to offer long distance.

> "InterLATA long distance service expenses increased by approximately $320 (million) in 2001 compared to $260 (million) in 2000 primarily reflecting our entry into four new states."

As we previously mentioned, the 2001 plan for the company (as told by press releases) was to focus on long distance, and forget about their commitments to compete. ("SBC Outlines Growth Plans for 2001; Company Reaffirms Commitment to Major Growth Strategies", December 19, 2000)

> "SBC said that delays in regulatory approvals for its entry into in-region long-distance markets, primarily in California and its Ameritech states, have shifted the timing of expected revenues from, and investments in, wireline growth initiatives. SBC continues to work aggressively to accelerate approvals in all of its states.
>
> "'Our mission in 2001 is to build on our strengths and move SBC's transformation to the next level,' Whitacre said. 'That requires financial discipline, and it requires timely access to new markets - beginning with long distance. The freedom to compete in interLATA long distance throughout our markets is an important revenue driver and a key component in our wireline growth strategies.'
>
> "'In 2001, we will place additional emphasis on accelerating long-distance approvals,' Whitacre said. 'At the same time, we will pursue growth opportunities with intensity, balanced with a determined focus on enhanced financial strength and flexibility. We are confident that this balanced approach strongly positions SBC for sustained growth and value creation.'"

Here is a list of the status and approvals to enter long distance as written in the SBC 2001 Annual Report.

Exhibit
SBC Long Distance Applications and Status as of 2001

	Alternative Regulation	Long Distance Application Status
Arkansas	Yes	November 2001
California	Yes, review pending	Decision expected in 2002
Connecticut	Yes	Long distance service provided
Illinois	Yes, pending state approval	Decision expected in 2002
Indiana	Yes, through 12/2003	Filing planned in 2002
Kansas	Yes	March 2001
Michigan	Yes	Decision expected in 2002
Missouri	Yes	December 2001
Nevada	Yes	Decision expected in 2002
Ohio	Yes, through 1/2003	Decision expected in 2002
Oklahoma	Yes	March 2001
Texas	Yes	Long distance service provided
Wisconsin	Yes	Filing planned in 2002

The exhibit also highlights the fact that EVERY state had some form of Alternate Regulation plan which read as more money than the previous "rate-of-return." This new Alternate Regulation was granted, for the most part, based on the fiber optic deployment plans.

By the end of 2002, SBC was able to offer long distance in 6 of the 13 states.[40]

> "Federal regulation prohibits us from providing interLATA wireline long-distance services in six of our 13 in-region states. We provide interLATA wireline long-distance to our customers in Texas, Kansas, Oklahoma, Arkansas, Missouri, California and Connecticut."

And by the end of 2003, SBC was able to offer long distance service in ALL of the states.[41]

"Long-distance voice - Long-distance voice consists of all interLATA (traditional long-distance) and intraLATA (local toll) wireline revenues, including calling card and 1-800 services. Prior to 2003, Federal regulations prohibited us from offering interLATA wireline long-distance services in six of our 13 states. During 2003, we received regulatory approval to offer these services to customers in these remaining six states"

ENDNOTES

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[23] SBC 2000 Annual Report
[24] SBC 2000 Annual Report
[25] WOW, what a deal, Telephony, June 4, 2001
[26] Ameritech Operating Companies for Authority Pursuant to Section 214 of the Communications Act of 1934, as amended, to construct, operate, own, and maintain advanced fiber optic facilities and equipment to provide video dialtone service within geographically defined areas in Illinois, Indiana, Michigan, Ohio, and Wisconsin, Order And Authorization, W-P-C-6926, W-P-C-6927, W-P-C-6928, W-P-C-6929, W-P-C-6930, Adopted: December 23, 1994 Released: January 4, 1995
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[29] WOW, what a deal, Telephony, Jun 4, 2001
[30] FCC CS Docket No. 98-102, 12/98
[31] An SBC press release "GTE to Join Disney, Ameritech, BellSouth and SBC in Home Entertainment Partnership. Increases venture reach to 68 million access lines, 32 states. Press release July 7, 1996"
[32] "SBC Set to Expand in Video Market Recent Americast Deal Signals Bell's Direction." EXCLUSIVE REPORTS, San Antonio Business Journal, August 30, 1996, print edition
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