



# Department of Justice

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## **AG UNVEILS PLAN TO OPEN LOCAL PHONE MARKETS, ALLOW AMERITECH IN LONG DISTANCE MARKET "AN HISTORIC DAY FOR THE AMERICAN CONSUMER"**

WASHINGTON, D.C. -- In a landmark move, Attorney General Janet Reno announced today that the Department of Justice has filed a motion with Judge Harold Greene to allow Ameritech Corp., a local phone company, to offer long distance phone services on a trial basis. Before Ameritech could do so, however, the Department of Justice would have to find that actual competition and opportunities for substantial potential competition exist in the local telephone exchange market. The plan is supported by AT&T Corp., MFS, Inc., and the Consumers' Union. The proposal would be one of the most significant modifications of the 1982 AT&T consent decree, also known as the Modification of Final Judgment. This decree provided for the AT&T breakup and barred the so-called Baby Bells from the long distance market.

The proposed modification was filed today with Judge Harold Greene in the United States District Court in Washington, D.C. If approved by the Court, the modification would allow a trial, supervised by the Department and the Court, in which Ameritech could provide long-distance service for customers in Chicago, Illinois and Grand Rapids, Michigan. The trial could start only after local exchange competition develops in those areas.

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"Today is truly an historic day for the American consumer," Attorney General Janet Reno said. "Our action will bring real competition to the local market for the first time, and as a result, more competition for the long distance market as well. Competition means increased choices, decreased prices -- a double victory for the American people."

Assistant Attorney General Anne Bingaman added, "Over the last decade, increases in long distance service competition and telecommunications advances have been breathtaking. The central challenge has been to find a way to increase local telephone competition as a foundation to the possible easing of the Modified Final Judgment's restrictions. Today's proposal takes a giant step toward meeting that challenge."

The Department of Justice proposal calls for a three-stage process. The proposed order would first have to be approved by the Court, following a period of briefing by all interested persons and hearings by the Court. Prior to Ameritech's entry into long distance service, the Department must determine that actual competition and substantial opportunities for additional competition exist in local exchange services and that other conditions of the order have been satisfied. Finally, after Ameritech's entry, the Department would retain a wide range of supervisory powers, including the authority to terminate the experiment at any time if conditions warranted. The District Court would retain the discretion to take necessary supervisory actions at any point at the request of any party.

"We can finally see the light at the end of the tunnel," Attorney General Reno added. "A light that leads to more competition, innovation and further growth in one of America's most exciting, important and strategic industries."

"This proposal is the result of thorough, tough negotiations between the Department, Ameritech, and AT&T, and immense efforts by state regulators and others," Bingaman concluded. "I believe we've struck a good balance, one that protects the consumer and promotes real competition in the local telephone markets for the first time, and which will improve service and lower prices in both local and long distance markets."

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In early 1994, Ameritech submitted a plan to the Justice Department asking for a waiver of the long distance telecommunications prohibition under the Modification of Final Judgment. The Department repeatedly has solicited comments from and met with a wide range of interested parties and worked closely with state regulators in Illinois and Michigan as well. The proposed

order has the support of the regulators; AT&T, a party to the original decree; MFS Inc., a provider of alternative local service; and the Consumers' Union. Other support is expected.

Among the Justice Department's preconditions that Ameritech must meet before it will enter the long distance market are:

- the unbundling of Ameritech's loops and ports as approved by state regulators
- the necessary technical, operational and administrative changes to implement local parity
- the resale of local service, interconnection, number portability and nondiscriminatory number assignment
- a compliance plan to meet the preconditions, including establishment of a separate subsidiary by Ameritech
- the development of actual competition and opportunities for substantial potential competition in local exchange service

Upon Ameritech's application, the Department's investigation, and findings that these conditions have been met, the Department under the proposed order would allow Ameritech to enter the long distance market on a trial basis in Chicago and Grand Rapids, subject to Department and Court supervision.

Prior to Ameritech's entry, a series of safeguards would be imposed by the Department proposal, including:

- Department of Justice authority to terminate the trial under certain conditions
- Ameritech leasing, not owning, long distance transport facilities
- Ameritech separating long distance operations into a subsidiary

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The AT&T consent decree, approved by Judge Greene, oversaw the AT&T breakup and resulted in seven Regional Bell Operating Companies. In addition, it imposed line-of-business restrictions on the Regional Bell Operating Companies. Those restrictions, as subsequently modified by the Court, prohibit the Regional Bell Operating Companies from providing long distance service and manufacturing telecommunications products.

The separation of the Regional Bell Operating Companies' local exchange monopolies from long distance services has increased dramatically competition in the long distance market. As a result, consumer choice has increased as long distance rates have decreased.

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