

# THE DAILY RECORD

LAW, REAL ESTATE, FINANCE AND GENERAL INTELLIGENCE SINCE 1908

## Impact Of Proposed Verizon/MCI Merger: Is It Robin Hood Or Robbin' The Hood?

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On July 21, I attended a public hearing of the Public Service Commission (PSC) held in the City of Buffalo's Common Council Chambers to hear about the proposed mergers of SBC/AT&T and Verizon/MCI. I looked forward to hearing the comments of those interested in the proposed mergers.

However, what I heard instead was an unabashed love-fest for the good actions and deeds of Verizon and its associated Verizon Foundation by any number of articulate speakers who work for laudable, worthy causes. Disturbingly, what I didn't hear was anyone speaking about the great level or quality of service provided by Verizon in Western New York (other such events were to be held in Albany and New York before the end of July).

More importantly, I didn't hear anyone say how this merger could affect service issues going forward. In fact, the obviously prepared remarks of the speakers had been so heavily influenced by Verizon that I actually heard one speaker, upon completing her remarks, ask a Verizon representative if she'd said "what you wanted me to say."

As an attorney who represents small, medium and large size telecommunications customers, I would like to shine a bright light on this proposed merger on behalf of all Verizon landline users in the state, not because it's necessarily a bad thing, but because the impact on consumers, be they residential or corporate, could be very significant.

To put it in perspective, according to Federal Communications Commission Report 43-08, Verizon New York,

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which is the NYPSC regulated entity, provides 9 million access lines in New York, which represent approximately 20 percent of its lines nationwide, and approximately 85 percent of the access lines within the state. Verizon also has 35,000 workers in New York, which represents approximately 17 percent of its workforce nationwide.

Although the PSC has concerns about the effect of the Verizon/MCI merger on New York consumers, because of SBC's limited presence in New York, it has no issues with the SBC/AT&T combo. What the PSC is concerned about is that the Verizon/MCI merger may create untenable issues of market concentration, which will effectively reduce customer choice, and/or raise consumer prices or reduce end-user service quality.

While the PSC's concerns regarding service to New York customers are, of course, critical in New York, nationally the PSC's concerns are important for one other very important reason. Because New York's PSC is viewed as a leader in state telecommunications regulation, the steps and actions it takes are viewed with great interest by other state and local commissions, as well as the FCC. That is, while other states and the FCC may find other issues with the proposed merger, the actions that New York's PSC takes could be a bellwether for action taken by other administrative bodies that are similarly situated.

As a side note, both Verizon and MCI argued that their proposed merger did not require PSC approval because MCI is not a "commission regulated utility." Despite their protests, their positions were rejected primarily because of

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the nature of Verizon's business and its dominant presence in the New York telecommunications marketplace.

Of primary concern is how Verizon's customers will be affected in localities where there is little or no competition. In these areas, which are most often remote or small, and thus not necessarily as profitable as major metropolitan markets are, the PSC is concerned that with even less competition, Verizon could raise rates or curtail service without giving consumers — residential or commercial — any real options.

While the issues presented by the merger are more complex than there is room to explain here, it's important to note that the PSC has proposed several potential remedies to aid consumers going forward should the merger be approved.

Specifically, the PSC is recommending a 12-month freeze on retail rates charged to MCI customers, limits on rate flexibility (read: increased rates) in those areas where there is limited choice of providers and where poor service quality exists, and finally that where technically feasible, DSL be made available to consumers who do not necessarily obtain their dialtone directly from Verizon.

Understand though, that these are not mandates, but merely options that the PSC has proposed. For further information on the PSC's position, see the whitepaper published on this topic at [www.dps.state.ny.us/05C0237-0242.html](http://www.dps.state.ny.us/05C0237-0242.html).

No one questions that Verizon is a generous corporate contributor to worthy causes in this area and throughout the state. But the comments at the July 21 hearing supporting Verizon never touched on whether this merger would be good or bad for consumers — both individual and corporate — in New York.

As an attorney representing corporate telecommunications consumers, I remain concerned that this merger will not benefit consumers in New York for the simple reason that if Verizon has a difficult time servicing its present customer base, its ability to maintain or improve service levels when the company gets larger and more powerful is certainly suspect.

What I do know, and what the experienced, savvy personnel from the NYPSC know, is that the Buffalo hearing was a tightly orchestrated event that raised issues that were completely and unequivocally irrelevant.

If Verizon wanted to convince the PSC and those in attendance that the merger is good for all, then it should have had its customers — not the beneficiaries of its largesse — speak on its behalf.

On behalf of my clients who are small, medium and large businesses, I will be writing to the PSC to express my concerns, and I encourage you to do the same. Comments on this matter are due at the PSC no later than Aug. 22.

If you have an opinion on this matter, direct comments to either the New York State Public Service Commission, Office of Consumer Services, Ellicott Square Building, Room 814, 295 Main St., Buffalo, NY 14203-2508 or [www.dps.state.ny.us/comment.html](http://www.dps.state.ny.us/comment.html). The case number is 05-C-0237.

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