

Statement of

The Honorable Patrick Leahy

United States Senator
Vermont
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Statement Of Senator Patrick Leahy,

Ranking Member, Judiciary Committee

Hearing On

"AT&T and BellSouth Merger:

What Does it Mean for Consumers?"

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I thank Chairman DeWine and Ranking Member Kohl for holding this timely hearing. I was one of five Senators to vote against the 1996 Telecom Act because of concerns about the consequences of that bill. Back then, I argued that the promise of competition between the long distance and local telephone companies would prove to be a myth. I argued in that the Act would allow the local regional bells to reunite easily with unregulated local monopoly powers.

Over the last decade, we have seen massive consolidation in the industry, and here we are again. Just six months ago, two of the biggest local phone companies acquired two of the biggest long distance companies. Where will it end?

When the AT&T monopoly was broken up, it was divided into 7 Bell Operating Companies. After this merger, there would be 3. And the proposed merger we are examining today would establish AT&T as the dominant carrier in 22 states.

It makes me question whether this merger will spur on other consolidations. As soon as AT&T and BellSouth announced the merger, one analyst said that: "Clearly, Verizon has to go after Quest now. Verizon will have to keep AT&T from getting it."

Where will it end?

Six years ago, I introduced a bill to limit mergers among what were then called the RBOCs - the Regional Bell Operating Companies. I recalled that at my farm in Middlesex and at my house here, I have only one choice for local telephone service. I know one thing for sure -- this unending wave of mergers is not helping rural America get better phone service.

When I introduced this bill I was concerned that the concentration of ownership in the telecommunications industry was proceeding faster than the growth of competition. Old monopolies were simply regrouping and getting bigger and bigger.

It was true then and it's true now -- telephone companies should not be able to gain concentrated control over huge percentages of the telephone access lines of this country through mergers, but rather through robust competition.

As President Reagan used to say, "Well, here you go again."

If Congress - and this Committee in particular - does not act to protect competition, consumers will be the ones who suffer by having no choices.

Where will a consumer, enraged that her phone company has given the government records of her phone calls, turn for an alternative?

I am very concerned about the new AT&T policy reported today, in which AT&T asserts that private customer records are AT&T property, which could allow AT&T to divulge that information to the highest bidder or just give it to the Government. I have not seen the actual text of the new policy, but I will be raising questions today on this matter.

In the video services market, the telecoms argue that competition is necessary for innovation and lowering prices for consumers. When it comes to broadband and voice services, apparently they do not feel as strongly about the need to compete.

This merger, of course, is about more than just two of the biggest remaining wireline communications companies becoming one behemoth.

The merger would also put Cingular, the Nation's largest wireless provider, in the hands of the largest wireline company. So much for competition between wireless and wireline companies. Where will it end?

Cingular is currently operating independently of AT&T and BellSouth. It was a promising competitor for voice services and was also a potential player in the broadband access market. Following this proposed merger, it would merely be part of the largest phone and broadband provider.

When SBC and AT&T merged, AT&T agreed to a number of important, but temporary conditions, including offering voice and Internet services unbundled and providing open access to the Internet.

These conditions and commitments only remain in effect for another 18 months. What happens then?

AT&T has made clear its intentions. Mr. Whitacre has infamously said that he's going to charge online businesses, discriminating among services.

This Committee must be vigilant to protect the Internet from anticompetitive behavior.

The Internet has opened windows on the world in one-room schoolhouses in Vermont, and the Internet has opened new doors of knowledge and opportunity to children from Africa to Indonesia. It is the ultimate marketplace of ideas, where a better idea, a better service or a better application can succeed on its merits. The Internet must remain free and open.

I am pleased that the CEOs of AT&T and BellSouth are here today to answer our questions and explain how the merger of their two companies will benefit the public.

We had expected to hold a hearing with executives from AT&T, BellSouth and other companies earlier this month regarding their companies' involvement in the domestic surveillance activities conducted by the NSA without court approval.

I hope we still have that hearing. I will ask some questions on those issues today. I had my staff warn both companies that I intended to ask such questions. This Committee, this Congress and the American people have a right to know if their Government is brazenly ignoring laws passed by Congress, and consumers deserve to know how companies are using their information.

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