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*clm*

June 29, 2005

Mr. Ivan Seidenberg  
Chief Executive Officer  
Verizon Communications  
Corporate Headquarters  
1095 Avenue of the Americas  
New York, NY 10036

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T-03394A-05-0279  
T-03291A-05-0279

RE: MCI- Verizon Merger, Docket Nos.

Arizona Corporation Commission  
**DOCKETED**

JUN 29 2005

DOCKETED BY *CM*

Dear Mr. Seidenberg:

I read with interest the attached article of your interview in the San Francisco Chronicle reported on April 16, 2005. I telephoned reporter Todd Wallach, and he stands by the accuracy of your reported comments.

As part of this docket, this letter is to determine if you meant what you said.

The statements regarding Verizon Wireless, 55% owned by Verizon Communications, do not relate to this docket, but perhaps explain the intensity of Verizon's lobbying campaign against consumer protections for Arizona wireless customers. If you truly believe Verizon Wireless customers have no reasonable expectation of cellular service in their homes, and have no right to a 30-day trial period for the Verizon Wireless products they purchase, then your company's lobbying position is understandable. Wrong, but understandable.

Your intention to pre-empt state regulation of telecommunications ("That's priority No. 1, No. 2 and No 3.") is of concern to this state commissioner.

Your views are to my knowledge unique among telecommunications providers in the State of Arizona. Is there any role in your universe for the states to assure consumer protection? If not, why should this Commission approve the merger proposed in this docket?

Very truly yours,

Marc Spitzer  
Commissioner

cc: Commissioners, Docket, All Parties

Enclosure:

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## **Verizon CEO sounds off on Wi-Fi, customer gripes**

### **Seidenberg also explains phone company's reasons for wanting to buy MCI**

- Todd Wallace, Chronicle Staff Writer  
Saturday, April 16, 2005



The head of the country's largest phone company ridiculed San Francisco's interest in building a municipal Wi-Fi network that is designed to offer cheap or free Internet service throughout the city.

"That could be one of the dumbest ideas I've ever heard," said Ivan Seidenberg, chief executive officer of Verizon Communications, during a meeting with Chronicle editors and writers on Friday. "It sounds like a good thing, but the trouble is someone will have to design it, someone will have to upgrade it, someone will have to maintain it and someone will have to run it."

Seidenberg said private companies like Verizon, which already run data networks, are much better positioned than government agencies to offer high-speed Internet service.

But Adam Werbach, a member of the San Francisco Public Utilities Commission, which is in the early stages of considering building a community Internet network, said Verizon and other phone companies are just worried about increased competition.

"It's like Bill Gates ridiculing Linux or Sony saying that Apple doesn't know anything about the music business," Werbach said.

During an hourlong interview, Seidenberg also sounded off on mobile phone complaints, his company's interest in buying MCI and other topics.

Seidenberg, for instance, said people often complain about mobile phone service because they have unrealistic expectations about a wireless service working everywhere. Verizon Wireless, a joint venture of Verizon and Vodafone, is the state's largest mobile phone provider.

"Why in the world would you think your (cell) phone would work in your house?" he said. "The customer has come to expect so much. They want it to work in the elevator; they want it to work in the basement."

Seidenberg said it's not Verizon's responsibility to correct the misconception by giving out statistics on how often Verizon's service works inside homes or by distributing more detailed coverage maps, showing all the possible dead zones. He pointed out that there are five major wireless networks, none of which works perfectly everywhere.

Seidenberg also defended the company's stiff cancellation fees and tighter return policy.

Last year, the California Public Utilities Commission ordered all phone companies to give customers 30 days to test a service without slapping them with hundreds of dollars in early cancellation fees. But after the PUC suspended the rule a month ago, Verizon shortened its trial period to 15 days to match its 15-day return policy in other states.

"We think there is a deal," he said. "We invest in the business and have the best service. But when you sign up with us, we'd like you stay with us."

Seidenberg also said Verizon is interested in buying MCI, despite its financial and legal troubles, because of its national Internet network and lucrative government and corporate contracts. "It would take us longer to build ourselves," he said.

Last month, MCI's board accepted Verizon's \$7.6 billion takeover offer, spurning rival Qwest's \$8.9 billion bid. So far, Qwest has refused to give up the fight.

Seidenberg ridiculed Qwest's offer, noting that Qwest has a market value of \$7 billion, far less than its \$8.9 billion bid. By contrast, Verizon has a market value of \$95 billion, reducing doubts that it can complete the deal. "We're the right answer," he said.

Although Qwest's offer appears much higher on the surface, both Qwest's and Verizon's offers contain a significant amount of stock. So if Qwest's stock fell sharply after completing the deal with MCI, its offer could actually turn out to be lower. Qwest could not be reached for comment late Friday.

Separately, Seidenberg encouraged Congress to rewrite the Telecommunications Act of 1996 to decrease the role of the states. Phone companies frequently complain that it's difficult to offer national services while conforming to a patchwork of state and local regulations. In addition, some states have tried to regulate phone companies more aggressively than the Federal Communications Commission.

"The first thing we'd do is pre-empt the states," Seidenberg said. "That's priority No. 1, No. 2 and No. 3."

Seidenberg also touted the company's plans to extend fiber-optic wiring to millions of homes across the United States, which will eventually allow it to offer faster Internet service and TV service, competing with cable. Verizon executives declined to say when the company will wire any cities in Northern California.

"There's a lot of factors that come into play," said Timothy McCallion, president of Verizon's Pacific region. Although SBC is the dominant telephone carrier in most of the Bay Area, Verizon offers service in some cities like Los Gatos and Novato.

Verizon is trying to eliminate rules in some states that require it to negotiate separate franchise agreements with each town where it wants to sell TV service, or to offer the product throughout an entire city even though its core telephone business does not always follow the city limits.

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Page C - 1