

**REMARKS OF SEEMA M. SINGH, ESQ.
RATEPAYER ADVOCATE**

**I/M/O the Joint petition of Verizon Communications Inc. and MCI, Inc.
for Approval of Merger**

BPU Docket No. TM05030189

**PUBLIC HEARING
Somerset County Administration Building
20 Grove Street
Somerville, New Jersey 08876**

Tuesday, September 13, 2005 – 7:00 PM

Good evening. My name is James Glassen, and I am an attorney representing the New Jersey Division of the Ratepayer Advocate. Our office was created by the New Jersey Legislature to represent ratepayers in cases such as this involving public utility service. This jurisdiction includes the right to comment on mergers such as this matter under review by the New Jersey Board of Public Utilities.

Verizon Communications Inc., and MCI, Inc., filed a Petition with the New Jersey Board of Public Utilities on March 3, 2005 requesting that Board approve a proposed plan of merger wherein Verizon and MCI would merge.

In evaluating the merits and whether or not to approve the merger petition submitted by Verizon Communications and MCI, the Board must

consider several factors. First, the Board must evaluate the impact of the merger on competition. Second, the Board must evaluate the effect of the acquisition on the rates of the ratepayers affected by the acquisition of MCI. Third, the Board must evaluate the effect of the acquisition on employment vis a vis the employees of the affected company. Lastly, the Board must consider if the proposed merger will adversely affect the continued provision of safe and adequate service at just and reasonable rates.

Our office is continuing to review the merger based on the information that is being supplied by Verizon and MCI, in order to ensure positive benefits for ratepayers. The Ratepayer Advocate's inquiry is focused on the critical issues of whether the proposed merger will result in positive benefits and competitive choice of service(s) at just and reasonable rates for all New Jersey ratepayers. The Ratepayer Advocate has filed Testimonies setting forth its recommendations on the basis of the information known to date.

The Ratepayer Advocate opposes the approval of the merger at this time unless certain conditions are established that would satisfy the public interest concerns addressed in our Testimonies. The overarching questions are: what positive benefits exist for ratepayers in New Jersey? That is, what must be done to promote competition, maintain and/or lower rates paid by

consumers in New Jersey, enhance the quality of service to be provided by the merged company, and ensure just and reasonable rates.

The Ratepayer Advocate notes that the Nation's current oil crises, now exacerbated by the results of Hurricane Katrina, will continue to affect the pockets of ratepayers across the state with gasoline prices soaring well above \$3 a gallon.¹ In a similar negative trend, the U.S. Census Bureau reported that for the fifth straight year household incomes for the middle class failed to increase, finding that incomes for 95 percent of households were flat or falling. Furthermore, as reported in the New York Times' editorial comment dated September 1, 2005, titled "Life in the Bottom 80 Percent," the poverty rate in the U.S. actually increased in 2004.² The comment is noteworthy and reads as follows:

"Economic growth isn't what it used to be. In 2004, the economy grew a solid 3.8 percent. But for the fifth straight year, median household income was basically flat, at \$44,389 in 2004, the Census Bureau said Tuesday. That's the longest stretch of income stagnation on record.

Economic growth was also no elixir for the 800,000

¹ See New York Times, front page article "*Gas Prices Surge as Supply Drops*," dated September 1, 2005.

² See New York Times, page A9 "*Poverty in U.S. Grew in 2004, While Income Failed to Rise for 5th Straight Year*," dated August 31, 2005, and page A2, editorial column, of the New York Times, "*Life in the Bottom 80 Percent*," dated September 1, 2005.

additional workers who found themselves without health insurance in 2004. Were it not for increased coverage by military insurance and Medicaid, the ranks of the uninsured – now 45.8 million – would be even larger. And 1.1 million more people fell into poverty in 2004, bringing the ranks of poor Americans to 37 million.

When President Bush talks about the economy, he invariably boasts about good economic growth. But he doesn't acknowledge what is apparent from census figures: as the very rich get even richer, their gains can mask the stagnation and deterioration at less lofty income levels.

This week's census report showed that income inequality was near all-time highs in 2004, with 50.1 percent of income going to the top 20 percent of households. And additional census data obtained by the Economic Policy Institute show that only the top 5 percent of households experienced real income gains in 2004. Incomes for the other 95 percent of households were flat or falling.

Income inequality is an economic and social ill, but the administration and the Congressional majority don't seem to recognize that. When Congress returns from its month-long summer vacation next week, two of the leadership's top priorities include renewing the push to repeal estate tax, which affects only the wealthiest of families, and extending the tax cuts for investment income, which flow largely to the richest Americans. At the other end of the spectrum, lawmakers have stubbornly refused to raise the minimum wage: \$5.15 an hour since 1997. They will also be taking up proposals for deep budget cuts in programs that ameliorate income inequality, like Medicaid, food stamps and federal student loans.

They should be ashamed of themselves.”

In contrast, Verizon New Jersey was granted a \$31 million rate

increase earlier this year and obtained reclassification of 2-4 business lines which mean rates for 2-4 business lines are no longer regulated. Lastly, Verizon's net average income over the last five years was \$5.4 billion. The Ratepayer Advocate believes that the acquisition of MCI by Verizon will eliminate substantial competition to Verizon in the market. The Ratepayer Advocate is cognizant of these facts and of their impact on New Jersey ratepayers. In light of the foregoing, the proposed merger must be closely scrutinized and critically evaluated to ensure that New Jersey ratepayers receive the positive benefits expected by the estimated \$7.3 billion in synergy savings.

The Ratepayer Advocate recommends that the Board impose several conditions which will provide the positive benefits for mass market consumers and protect jobs in New Jersey. The proposed conditions are as follows:

- Merger synergies should flow to customers either through rate reductions or a rate freeze.
- Verizon should commit to offer broadband access at basic local exchange service rates.

- Verizon should commit to offer naked DSL at reasonable terms and conditions throughout the state.
- The service quality standards need to be revised and strengthened. Financial sanctions should be imposed if service quality standards are not met.
- Verizon should commit to meet at least the same level and mix of employees as existed as of July 2005 for three years after the merger consummation
- In light of the elimination of Verizon's major rivals (AT&T and MCI), Verizon should commit to provide fiber to the premises throughout New Jersey within 3 years.
- Verizon should commit to compete out-of-region in mass markets and if it is unwilling to, the Board should direct divestiture of MCI's residential and small business customers in New Jersey.
- The Board should commit to a a comprehensive investigation of intrastate access charges within, at most a nine month period.

On balance, without the imposition of these conditions, the merger would jeopardize competition, expose ratepayers to excessive rates, jeopardize employment, and fail to provide safe and adequate service at just and reasonable rates. The Ratepayer Advocate urges the Board to take every action necessary in order to protect ratepayers and such action includes imposing the recommended conditions suggested by the Ratepayer Advocate.

On behalf of the Ratepayer Advocate, thank you for your attention and assistance. Goodnight.