



---

## Wisconsin Ameritech Fiber Optic Broadband Failure:

***We estimate the Wisconsin/Ameritech/SBC/AT&T was able to garner \$3-\$5 billion in excess phone rates and tax perks for a fiber optic service customers never received.***

In 1993, Ameritech, the phone company for Ohio, Michigan, Illinois, Indiana and Wisconsin, announced that it would be upgrading their networks in most of its regions, replacing the old copper wiring with fiber optics and coaxial cables. By 2000, over 6 million homes should have been enjoying these services --- the company would have spent over \$29 billion in 15 years.

“Ameritech is launching a digital video network upgrade that by the end of the decade will connect 6 million customers in its region to interactive information and entertainment services, as well as traditional cable TV service, from their homes, schools, offices, libraries and hospitals. The video network upgrade will increase Ameritech capital spending by \$4.4 billion, to a total of approximately \$29 billion in 15 years.”<sup>i</sup>

And the hype was everywhere to offer advanced cable TV. According to the Chicago Tribunes, January 1994: “Ameritech's Fiber Plan; Data Links For Homes, Schools, Businesses”

“Ameritech will announce a plan Thursday to spend close to \$5 billion installing optical fiber to bring the information superhighway to Midwest homes, schools and businesses.... The construction will center on six metropolitan areas in the five states in which Ameritech provides local telephone service-Illinois, Wisconsin, Indiana, Michigan and Ohio-and will extend over many years....The announcement will present Ameritech's vision of its role in the next century's information industry, an answer to other regional phone companies, such as Bell Atlantic and US West, that are tying their futures to those of cable-TV firms.”

This was high-quality broadband fiber optic-based services, capable of delivering high definition television in both directions. (over 45mbps).

“Ameritech will employ mix of broadband switches, video servers, and fiber optic and coaxial cable to deliver switched video and video dialtone services from multiple providers, including Ameritech.”<sup>ii</sup>

Wisconsin Bell claimed it would spend \$700 million on these new services. And it would spur jobs and economic growth.

“Ameritech also has committed to invest a minimum of \$700 million in the state's telecommunications infrastructure over the next five years. The investment will see the installation of advanced fiber optics and call-routing systems throughout Ameritech's Wisconsin operating territory, which will help spur economic development and create jobs in many sectors, he said. Among other things, the investment will bring fiber optic lines to the doorsteps of some 460 Wisconsin middle and high schools, colleges, universities, vocational schools, hospitals and major public libraries by the end of 1998.”<sup>iii</sup>



For example, according to FCC filed documents in 1994, Wisconsin Bell was supposed to rewire part of Milwaukee, WI, with 146,000 video dialtone customers to start.

To pay for these deployments, changes in state law were made to remove the 'profit' caps Wisconsin Bell<sup>iv</sup>.

"The PSC will no longer regulate the company's overall earnings, a change that encourages the introduction of new telecommunications services that will become available as the Information Superhighway is expanded in Wisconsin."

### **Outcome, major increases to profits, tax perks:**

In 1994, Ameritech's Investment Alert stated that the company no longer had any regulatory controls by the states in terms of earnings.<sup>v</sup>

"Ameritech has led the industry in achieving regulation that removes regulatory earnings caps.... All of Ameritech's intrastate operations are off of return-on-asset regulation resulting in freedom from regulatory caps on earnings and no earnings sharing."

From 1988 through 1992, Ameritech's average was 15.6% "return on equity", the standard measurement of business returns, the "dividend" paid to its shareholders was \$1.16, and the "net income" was about \$2.2 billion. By 1993, the numbers start climbing and by 1998 the dividend increased 187% to \$3.27, the return on equity was now 36.2%, an increase of 129%, and the net income was \$4.2 billion, an increase of 97%.<sup>vi</sup>

What Happened? Ameritech took the money and rolled our vanilla cable services in some areas, then SBC sold off the properties to WOW. The extra fees were then used to fund the companies' long distance and DSL service rollout (over the old copper wiring), and it cost customers an estimated \$2000 per household--- \$3-5 billion in Wisconsin.

To read more about the Ameritech story see:

<http://www.newnetworks.com/broadbandscandals.htm>

To read more about the failure of the SBC-Ameritech merger:

<http://www.teletruth.org/docs/SBCMergerharms.pdf>

More about Teletruth <http://www.teletruth.org>

Harvard's Nieman fiber story: Where's that broadband fiber-optic access?, March 14, 2006

[http://www.niemanwatchdog.org/index.cfm?fuseaction=Ask\\_this.view&askthisid=186](http://www.niemanwatchdog.org/index.cfm?fuseaction=Ask_this.view&askthisid=186)

---

<sup>i</sup> Ameritech 1993 Fact Book

<sup>ii</sup> Ameritech 1994 Fact Book

<sup>iii</sup> Ameritech press release, September 2, 1994

<sup>iv</sup> Ibid.

<sup>v</sup> Ameritech Investor Alert 1994

<sup>vi</sup> This exhibit used Ameritech annual reports and Fact Books for the compilation.