

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to consider Ameritech Michigan's compliance)
with the competitive checklist in Section 271) MPSC CASE NO. U-12320
of the federal Telecommunications Act of)
1996.)

AFFIDAVIT OF
JOSEPH GILLAN

STATE OF MONTANA)
) s.s.
COUNTY OF MISSOULA)

The undersigned, being of lawful age and duly sworn on oath, hereby certifies,
deposes and states the following:

I have caused to be prepared the attached written testimony in support of AT&T
Communications of Michigan, Inc. in the above referenced docket. This
testimony is true and correct to the best of my knowledge, information, and belief.

Further Affiant sayeth not.

Handwritten signature of Joseph Gillan over a horizontal line, with the typed name 'Joseph Gillan, Affiant' below it.

Subscribed and Sworn to before me
this 22 day of June, 2001.

Handwritten signature of Juliana E. Carter over a horizontal line, with the typed name 'Notary Public' below it. Below the signature is 'Frenchtown MT' and 'exp. 6-1-2002'.

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**Affidavit of Joseph Gillan
On Behalf Of
AT&T Communications of Michigan, Inc. and TCG Detroit**

I. Introduction

1. My name is Joseph Gillan. My business address is PO Box 541038, Orlando, Florida, 32854. I am an economist with a consulting practice that specializes in issues related to the telecommunications industry. I have been engaged in this profession for more than twenty years.

2. I am a graduate of the University of Wyoming where I received B.A. and M.A. degrees in economics. The University of Wyoming was one of the nation's first universities to offer a graduate economic program that focused on issues unique to regulated industries, including telecommunications.

3. From 1980 to 1985, I was on the staff of the Illinois Commerce Commission where I had responsibility for the policy analysis of issues created by the emergence of competition in regulated markets, in particular the telecommunications industry. While at the Commission, I served on the staff subcommittee for the NARUC Communications Committee and was appointed to the Research Advisory Council overseeing the National Regulatory Research Institute.

4. In 1985, I left the Illinois Commission to join U.S. Switch, a venture firm organized to develop interexchange access networks in partnership with independent local telephone companies. At the end of 1986, I resigned my position of Vice President, Marketing/Strategic-Planning to begin a consulting practice.

5. I have testified on issues concerning telecommunications before more than 35 state commissions (including the Michigan Public Service Commission), four state

legislatures, the Commerce Committee of the United States Senate, and the Federal/State Joint Board on Separations Reform. I currently serve on the Advisory Council to New Mexico State University's Center for Regulation.

6. I have been asked by AT&T Communications of Michigan to explain how a corporate separation of Ameritech Michigan's wholesale and retail operations would more efficiently – and far more effectively – achieve the nondiscrimination goals of the federal Telecommunications Act and the Michigan legislature.¹ The experience of the past five years has made clear that regulatory orders *alone* are not likely to open local markets to competition. Rather than continue to rely exclusively on regulation to open the local exchange network to multiple providers, the Commission should require the adoption of a corporate structure for Ameritech Michigan that realigns its commercial incentives to achieve, rather than frustrate, this fundamental goal.

II. The Need to Impose Structural Incentive Mechanisms

7. The federal Telecommunications Act of 1996 (“the Act”) recognized that the existing local network – a network that represents, in effect, more than 100 years of cumulative investment – will take years to duplicate and, for many customers, may not be efficient to duplicate at all. There are a number of critical differences between local and long distance networks that will cause the process of facilities-duplication in local markets to be much slower than was the nation's experience with long distance networks.

8. In essence, long distance network facilities are analogous to interstate highways. These networks serve heavily trafficked corridors – limited in number and highly focused – that extend (generally) between major metropolitan areas. As a practical matter, a long distance network need only establish roughly 1,000 points of termination to serve the entire nation. Moreover, long distance network costs are unaffected by the subscription decisions of individual customers – as customers change long distance carriers, capacity used for one customer is easily used by another, with the customer's choice of carrier implemented electronically at very low cost.

9. These same characteristics, however, do not apply to local networks. Local networks are far more intricate and geographically dispersed because they are used to connect to (and gradually aggregate) individual customers, many of whom are quite small. As a result, opportunities to achieve the traffic concentrations needed to justify network construction are far more limited than compared to a long distance network.

10. To *partially* address the entry barriers presented by highly diffused traffic volumes, some entrants extend network facilities only so far as the incumbent's wire center. With this network design, the entrant can (potentially) connect to multiple

¹ See Section 355 of the Michigan Telecommunications Act, which specifically requires Ameritech Michigan to offer unbundled access to loops and ports on a nondiscriminatory basis.

customers from a single location, thereby more efficiently gaining *some* scale.² While the ability to collocate at the incumbent wire center and lease its loops may solve one problem,³ it does not solve all problems and equally serious barriers remain. For instance, the systems to migrate customers between networks are manual and, as a result, relatively expensive, unreliable and limited in ability. Consequently, even where competitive networks have been deployed, such networks can generally only efficiently serve customers whose higher capacity requirements (typically, digital services at 1.544 mbps or faster) justify the relatively high fixed cost to initiate service.⁴

11. The predictable result of the economic conditions described above is the development of limited competition for higher-speed digital customers (generally, larger businesses) in limited areas of the largest cities. While beneficial, such focused competition does not fundamentally reduce Ameritech Michigan's market dominance, nor can it be expected to "...determine the availability, prices, terms, and other conditions of providing telecommunication services," as directed by the Michigan legislature.⁵

12. The principal barriers to local competition stem directly from the advantages that Ameritech Michigan inherits from its protected monopoly past, in particular its control of the existing exchange network.⁶ Rather than permit this inherited resource to remain the

² There is, as the Commission is undoubtedly aware, an enormous difference between the "some" scale achieved by new entrants, and the substantial scale achieved by an incumbent network serving the entire market. As the FCC observed when it first reviewed Ameritech Michigan's request for Section 271 authority (¶ 12), Ameritech Michigan's advantages "...largely are the result of the historical development of local exchange markets and the economies of local telephone networks. An incumbent LEC's ubiquitous network, financed over the years by the returns on investment under rate-of-return regulation, enables an incumbent LEC to serve new customers at a much lower incremental cost than a facilities-based entrant that must install its own network components."

³ Even if it were economically rational to extend competitive facilities to each incumbent wire-center to serve customers, there are still more than 23,000 such points in the network today. Thus, even if all other economic considerations were equal (which they decidedly are not), it would take roughly *23 times longer* to establish a single national local network than it takes to establish a national long distance network (with 1,000 terminations). This simple comparison by itself suggests that the time-line to local competition -- particularly competition relying on new facilities - will take far longer to achieve than what occurred in the long distance market.

⁴ Of course, this limitation itself further slows the deployment of alternative networks because a significant portion of the market -- i.e., those smaller customers with conventional service needs -- is not really addressable. With the potential market thus reduced, *achievable* scale economies limit entry to only those wire centers serving large concentrations of higher-speed digital customers.

⁵ Section 101(b) of the Michigan Telecommunications Act.

⁶ It is precisely because of these advantages that SBC was willing to pay a substantial premium (estimated to be \$60 billion) to gain control of Ameritech, rather than compete as an entrant to the region like any other CLEC.

exclusive domain of the incumbent local exchange provider, however, the federal (and Michigan) Act(s) adopted a clearly preferable alternative – require that the ILEC *share* this resource with competitors. In this way, the sheer scale of the existing network would be transformed from entry *barrier* to entry *enabler*, with the result being an explosion of new services, choices and, over time, new investment as well.

13. As a legal framework, the federal Act was clear as to its intention and straightforward as to its path. Its goal was nondiscriminatory access to the existing network, with the emergence of integrated providers (offering local, long distance and other services) the expected result. Unfortunately, the basic structure of the Act relies on one central assumption: The ILECs would establish normal customer-supplier relationships with competitors.⁷

14. The reality, of course, has not matched this expectation. To begin, the very basic structure of the negotiation/arbitration framework dilutes the competitive industry's *collective* ability to address common issues that affect each.⁸ While there may be some issues that are unique to a particular carrier, the core prerequisites to local competition are not. Although the negotiation/arbitration process has proven an awkward approach to arrive at nondiscriminatory access arrangements, the real barrier to local competition has been shown to be the ILEC's dual role as competitor and supplier to its rivals.

15. Opening the local network to competitors is unquestionably complex. But the magnitude of the problem grows exponentially when the entity whose responsibility it is implement nondiscriminatory access is itself the sole beneficiary of the exclusive access that exists today. The past five years have shown that attempting to overcome these incentives through a series of regulatory orders – reached only at the conclusion of protracted and expensive litigation – produces unsatisfactory results. As a recent industry journal summarized:

We hate to say it, but the Telecommunications Act of 1996 is dead. As an instrument for encouraging robust and widespread local competition for narrowband services, delivered over incumbent local loops, it has failed.

⁷ For instance, the Act generally assumed that negotiated agreements would be common, with arbitration a fallback where impasses are reached. Of course, commercial negotiation is only meaningful where each party desires something controlled by the other. As events have shown, there is nothing a CLEC has that an ILEC desires – a conclusion amply demonstrated by SBC's choice to become Michigan's largest ILEC, rather than one of its frustrated CLECs.

⁸ The Michigan Commission is to be commended for addressing issues in proceedings where multiple parties could explain their views, as well as its approach to require the tariffing of standardized arrangements wanted by all.

In a two-stage competitive process, [the Act presumed] competitors initially would survive by capturing customers in known markets. Then they would grow by creating all the new products. It wasn't a bad theory. We wish it weren't so, but there is no point in pretending the emperor is wearing clothes. He isn't.⁹

16. The competitive sector of the telecommunications industry stands at the brink of collapse, as CLEC after CLEC declares bankruptcy, missed revenue targets, market curtailments and layoffs. According to the Wall Street Journal, the attempt to establish a competitive local marketplace is "...shaping up to be one of the biggest financial fiascoes ever, with losses to investors expected to approach the \$150 billion government cleanup of the savings-and-loan industry a decade ago."¹⁰

17. Importantly, the nation cannot afford (much less accept) the consequences of a failed effort to open local markets to competition. The effect of such an outcome would not only represent a missed opportunity, it would also be a reversal of the competitive gains achieved in long distance and the Internet. As customers increasing turn to packages that combine these services with local exchange service, the local market *must* become competitive or the industry itself will be remonopolized. This possibility is no academic concern, for even casual observers (such as the popular media) have realized "[a]s incredible as it seems, we are well on our way to re-creating regional versions of the old Bell System monopoly..."¹¹

18. Moreover, the collapse of local competition is not limiting its impact on CLECs (and their customers); its effects are also being felt upstream with the manufacturers of telecommunications equipment themselves. For instance, Lucent has seen its debt-rating fall to "junk bond" status, while Nortel has just announced a \$19.2 billion second quarter loss.¹²

19. Perhaps the most telling evidence that substantial barriers remain to local competition is the history of the ILECs' own out-of-region entry strategies. If nondiscriminatory access were truly available, then there would be little motivation for RBOCs to merge with one another to gain access to networks in other regions. Yet, the post-Act period has seen substantial consolidation among RBOCs, as both Verizon and SBC *embraced* Section 271 responsibilities beyond their own regions in order to become ever-large incumbent providers.

⁹ *Death Trap*, Gary Kim, FATPIPE Magazine, March 2001.

¹⁰ Telecom Industry Faces Reckoning – Buried In Debt, Firms Are Falling In Record Numbers, Wall Street Journal, May 11, 2001.

¹¹ CBS MarketWatch, May 3, 2001.

¹² To place this *quarterly* loss in perspective, CNN reported that the loss had offset NorTel's cumulative profit since 1983.

20. Even after acquiring these much larger footprints, however, local entry has proven “too difficult” for these incumbents – even though they each claim they offer open networks to each other. SBC has been particularly dismissive of repeated CLEC concerns that the local market is not yet open to competition:

Right now, all our competitors say nobody can do it, we can’t do it, we can’t do it, we’re not big enough, not enough discount, this isn’t right, this isn’t right. Well, we’re saying we can do it.¹³

21. In fact, however, SBC has failed to live up to this promise.¹⁴ Its decision to abandon out-of-region entry is particularly telling for what it implies about the level of competition that SBC has concluded exists within its own exchanges – including whether meaningful local competition is likely to develop any time soon. As the Commission may be aware, SBC had been a staunch believer in the view that a national local market would emerge once national entrants (such as AT&T and MCI) were established. As explained by SBC:

... SBC must develop the capability to compete for the business of large national and global customers both in-region and out-of-region. We cannot remain idle while our competitors capture the huge traffic volumes generated by a relatively small number of larger customers.¹⁵

22. Like the “dog that did not bark” from the Sherlock Holmes tale, the obvious lesson drawn from SBC’s decision to avoid out-of-region entry is that the predicate to the national-local dynamic – i.e., the presence of any meaningful national-local competitor – simply does not exist. SBC’s change of plans is only rational if it has concluded that no national-local competitor *will* emerge, and that respecting the other RBOCs’ markets is a more profitable path than entry.

23. In short, the observed market behavior of SBC is simply not consistent with its claim that its network is available to any provider on nondiscriminatory terms. The “unthinkable” is no longer unthinkable – we stand at a crossroad between a monopoly or competitive future, with only the ability to *actually* achieve nondiscriminatory access to decide which path will unfold. The question I address below is, quite simply, what is the most efficient, and effective means, to achieve that result?

¹³ Testimony of James Kahan, SBC Senior Vice President, Ohio Public Utilities Commission, Case No. 98-108-TP-AMT, Transcript 173.

¹⁴ See Atlanta Journal-Constitution, March 3, 2001, “SBC retreats from Atlanta”, Michael E. Kanell; Wall Street Journal, February 28, 2001.

¹⁵ Affidavit of James Kahan, Federal Communications Commission in CC Docket No. 98-141, (“Kahan Affidavit”), para. 13.

III. A Structural Solution to a Structural Problem

24. The fact that telecommunications is critical to Michigan's economy is beyond doubt. It is equally clear that the fundamental policy choice has been made – local competition.¹⁶ The question remaining, however, is how best to achieve it. There are two basic approaches.

25. On the one hand, the Commission can continue down the same road it has followed thus far, attempting to extract nondiscriminatory access to the existing network solely through regulatory oversight. This path, however, must *overcome* the incumbent's natural incentive to favor its own retail operations. To correct the natural incentive of an unwilling supplier, however, requires that the Commission become expert in complex operational and provisioning issues far beyond what has traditionally been expected of regulators. Moreover, this path will ultimately require even *more* regulation – and correspondingly demand even greater skilled resources -- once Ameritech Michigan's sole inducement, Section 271 authority is granted.¹⁷

26. Alternatively, the Commission can create a structure that *relies* on these same incentives to achieve the goal of nondiscriminatory access. By separating Ameritech Michigan's wholesale and retail operations into distinct entities – coupled with an appropriate capital structure that assures independent decisions and behavior – the Commission can create an environment where SBC's *own* commercial success depends upon its ability to offer efficient access to the existing network.¹⁸

27. The current state of local competition makes clear that regulatory orders alone cannot make an incumbent treat competitors *as though* they were equivalent to the ILEC's retail operation. The ILEC's retail operation inherits most of its customers, relies extensively on automated provisioning systems, and shares exactly the same financial

¹⁶ The preamble (Section 101) to the Michigan Telecommunications Act quite clearly states the legislature's preference for competition with its direction to the Michigan Public Service Commission that it:

- (b) Allow and encourage competition to determine the availability, prices, terms, and other conditions of providing telecommunication services.
- (i) Authorize actions to encourage the development of a competitive telecommunication industry.

¹⁷ The point of this comment is *not* to suggest that Ameritech Michigan is in compliance with the requirements of the Competitive Checklist. Rather, my point is simply to emphasize that the fundamental incentive conflict will *increase* in the wake of 271 approval, because the economic benefit of retail domination will increase as well.

¹⁸ I deliberately refer to SBC here to emphasize that Michigan's regulatory regime *already* embodies a structural approach, albeit one of SBC's choosing. The relevant question is whether the Commission can modify this structure in a way to align SBC's incentives in Michigan to achieve public objectives.

structure as its underlying “wholesale” provider. There is simply no economic motivation for the incumbent to work proactively to establish UNE-delivery systems that are similarly efficient,¹⁹ much less operate as though its UNE-prices were actual costs that it incurred.

A. The Basic Structure

28. The key is to change the incentives so that the incumbent’s wholesale operation actively seeks to offer the most efficient provisioning system, while its retail operations design products and set prices that reflect the rates charged for UNE access. Simply put, the key is to place the ILEC’s retail operations in the shoes of a CLEC – ordering UNEs, establishing customer accounts, and incurring UNE charges just like any other provider. This outcome is achieved by establishing (subject to rules and procedures discussed below) two distinct entities: a network company (Network Company) and a retail entity (Retail Company).

29. To achieve a corporate structure that is as self-enforcing as possible, two basic conditions must be satisfied. First, the Retail Company must use the exact same operational interfaces as other CLECs, standing as a distinct entity – ordering interconnection, UNEs (and UNE combinations), and collocation services -- and constrained by the same systems and policies as any other carrier. In this way, any concern that the incumbent would impose complex, costly and inefficient systems on entrants would be greatly reduced because the incumbent’s *own* retail operations would be subjected to the same inefficiencies.²⁰

30. Second, the retail affiliate must view its UNE-payments to the wholesale entity in the same way as *any* entrant – as actual outlays that affect its profitability. To achieve this later condition, the retail entity cannot simply be a wholly-owned affiliate of the parent. Under a structure where both entities are wholly-owned by the parent, any payment by one affiliate to the other is an economic fiction – because shareholders only judge management by its consolidated performance, it is irrelevant what one affiliate “pays” another.²¹

31. The fact that a “wholly-owned” affiliate is an economic fiction is well understood by SBC. During the review of its proposed merger with Ameritech in Illinois, SBC indicated that it would use a separate affiliate to serve its largest corporate accounts.

¹⁹ Relying on regulation alone to force the design, adoption and implementation of systems to achieve nondiscrimination requires regulators to develop expertise far beyond what can reasonably be expected from a public agency.

²⁰ This condition alone should be sufficient to change Ameritech Michigan’s absurd suggestions as to how entrants should obtain access to “new” combinations.

²¹ More colloquially, when you own the pants, it matters little in which pocket you place the money.

Most telling, however, was its admission that it would operate with an eye towards maximizing its consolidated return, not manage each affiliate as a distinct business:

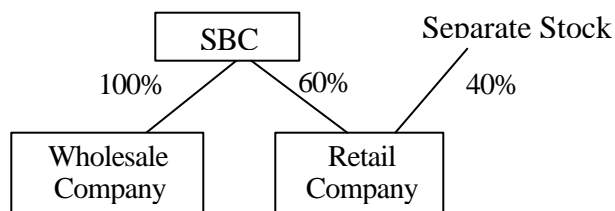
... a primary purpose of the proposed merger is to allow ...[SBC] to compete effectively for these high volume, high revenue customers. Unlike their competitors, however, Joint Applicants (who will ultimately view the economic return on serving these customers on a consolidated basis) do not have the same incentive to move such customers off the incumbent network ...²²

32. In this same merger review-proceeding, other documents came to light that further demonstrated that “accounting-separation” alone is insufficient to assure independent action. Specifically, Ameritech-Illinois produced documents discussing its (by then abandoned) entry into the Missouri local market. That plan involved two affiliates: a certificated local provider and Ameritech’s wireless affiliate. Ameritech’s documents (see page 2 of the attachment JG-1) made clear that it intended to maintain two sets of books -- one set to comply with “external regulatory” requirements, with a separate accounting system used for internal management:

- “For external regulatory accounting, ACI will show revenues less agent expenses”
- “Internally, cellular receives all the local revenues”

33. To *assure* independent action requires sufficient independent ownership of the retail affiliate that its economic interest is distinct from that of SBC. To do so, the Commission should adopt a capital structure for the Retail affiliate that provides for a separate publicly traded stock, although it would be acceptable for SBC to own a majority interest.²³ This approach is illustrated below:

Figure 1: An Incentive Based Capital Structure



²² Testimony of James Kahan, SBC Senior Vice President, ICC Docket 98-0555 (emphasis added). Of course, if its national-account affiliate viewed the price it paid to lease network elements as a true cost (as would a competitor), it would seek efficient alternatives, as well as establish its retail prices to fully recover payments to the Network Company.

²³ In a perfect scenario, there would be no common ownership between the wholesale and retail entities. The perfect, however, should not become the enemy of the good.

34. It is useful to understand that the above requirement does *not* mean that SBC (or, more precisely, its shareholders) must dispose of their equity interest in the Retail Company. Indeed, I would expect that the initial stock in the Retail Company would be issued to existing SBC shareholders. The key requirement is simply that these stockholders be able to separately trade their shares of the Retail Company so that the market establishes its valuation -- and so that its management recognizes a fiduciary obligation to more than SBC.

35. To further emphasize the independent nature of the Retail Company, it should also have a distinct corporate name (SBC Michigan comes to mind), and acquire nothing from the wholesale company that is not offered generally to all CLECs at cost-based rates.²⁴ Moreover, all management bonuses should be linked exclusively to the performance of the Retail Company's stock.

36. Forming an affiliate with substantial public ownership and a separately traded stock is not unusual. ILECs (and others) have formed a number of ventures with a similar capital structure when it served their corporate purposes. What is unique here is not so much the idea as the application – that is, here the capital structure is being recommended for its incentive properties, rather than its commercial convenience.

37. Examples where ILECs have voluntarily proposed affiliates with less than complete ownership include Verizon's proposed acquisition of Northpoint, and SBC's partial ownership of Cingular Wireless and Prodigy. Although Verizon ultimately abandoned the Northpoint merger when it became clear that CLEC DSL providers were experiencing "difficulties,"²⁵ it had intended to offer *all* of its advanced services through a "new Northpoint" affiliate of which it owned 55%. Similarly, SBC offers wireless services through Cingular, a company in which it owns 60%, and offers Internet services through Prodigy (in which it holds an indirect stake of 43%).

B. Implementation

38. For the reasons I have outlined above, the Commission should advise Ameritech Michigan that in order to achieve a positive recommendation on a 271 application before the FCC, it must implement a plan for structural separation similar to what I have described. Ameritech Michigan should submit its proposed plan as to the details of implementation for review and approval, but the basic principles governing that

²⁴ I would expect that the Retail Company would offer service using UNEs (alone and in combination) acquired under a generally available statement or tariff.

²⁵ A fuller explanation of this "understatement" would offer additional evidence as the importance of establishing a structural regime now, so that future technologies not meet the same fate as the competitive providers of advanced services.

implementation should be outlined by the Commission in advance in order to minimize delay. Principles governing implementation should include the following.

39. First, I would recommend a process whereby the Retail Company would initially be established like any other CLEC – that is, without any customers. Second, I recommend that Ameritech Michigan “freeze” in place its retail operations – it could not initiate service to any new account, transfer service to a different location, or introduce any new service.²⁶ These joint recommendations would create a process whereby all new customers and services would be served by competitive providers, including (for those customers that made it their choice), SBC’s Retail Company, while Ameritech Michigan would become the “Network Company” offering nondiscriminatory access to the existing network.

40. The effect of this recommendation would be two-fold. First, it assures that the Retail Company would be established at a scale comparable to other entrants. This would make it simpler for the Retail Company to do what all other CLECs must do – establish their own infrastructure for customer care, ordering and provisioning to interface with the Network Company’s OSS. Second, again like any other CLEC, the Retail Company would be forced to *earn* – not inherit through a transfer -- its customers, striving to win customers as they move into the area and to attract “embedded” customers from the incumbent. As such, the Retail Company would be able to grow as fast as its management chooses (and its skills permit), with the ability to gradually adjust to a growing customer base and the complexity that would follow.

41. Of course the above approach would mean that (at least for some time), the Network Company (i.e., Ameritech Michigan) would continue to serve the embedded base. However, with natural churn, and as customers migrate to new services, this embedded base would grow smaller. Ultimately, the Commission may well decide to use balloting or some other “close-out” procedure to complete a full separation -- but, at least initially, it is likely that a natural market evolution should produce substantial benefits and acceptable results. During the interim, however, Ameritech Michigan must not jointly market or otherwise offer services in partnership with the Retail Company, which must remain at arms length like all other CLECs.

42. Moreover, because the Retail Company would be established without any of the inherited advantages of Ameritech Michigan – and because of its substantial public ownership that assures independent action – it would be reasonable to treat the Retail Company as any other CLEC as well. As I noted at the outset, a structural approach is not only more efficient and effective, it is also more deregulatory and would thus “... encourage competition to determine the availability, prices, terms, and other conditions of providing telecommunication services” to the maximum extent possible.

²⁶ In effect, this requirement would essentially “freeze” Ameritech-Michigan’s retail tariff in place. New customers would be served by the retail affiliate (or its competitors) and all new services would be introduced by the affiliate.

43. On this later point, it is important to understand the interrelationship between the degree of separation between the Network and Retail affiliates, and corresponding need for additional rules governing their behavior. Because the proposal outlined above includes substantial independent ownership – and therefore relies on fiduciary obligations as well as self-interest as motivation – there is little need for additional rules concerning inter-affiliate behavior. This does not mean that *no* additional guidelines will be necessary -- for instance, rules may be necessary to address customer proprietary information or the transfer of assets between the affiliates – but the extent of such a “Code of Conduct” is significantly reduced because of the degree of separation recommended here. So long as the Commission holds firm to the basic principles listed above, then the inevitable refinements that will arise during its review of Ameritech Michigan’s actual separation plan should be relatively easy to accommodate.

44. This concludes my affidavit.