



For Immediate Release

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MADIGAN, CHICAGO, COOK COUNTY AND AARP REJECT AT&T PHONE DEREGULATION, SAYS PLAN WILL COST CONSUMERS MILLIONS

Chicago – Calling the proposed settlement a step backward for consumers, Attorney General Lisa Madigan, the City of Chicago, Cook County State’s Attorney Richard Devine and AARP today criticized a plan to end regulation of local telephone rates submitted earlier this month by AT&T Illinois and the Citizens Utility Board (CUB), charging that the proposal would not only end years of annual rate decreases for local phone customers but would also generate windfall profits of more than \$275 million for the local phone company at the expense of local consumers.

In a report filed yesterday with the Illinois Commerce Commission (ICC) by Madigan’s office together with the City, Devine and AARP, telecommunications expert Dr. Lee Selwyn said that AT&T’s plan offers “no meaningful price protection,” and predicted that the proposal ultimately would cost consumers millions of dollars in rate increases while generating only \$235,000 in actual savings.

The AT&T plan was submitted to settle the ICC’s investigation of AT&T’s proposal to deregulate local phone rates in the Chicago metropolitan area. Although AT&T has claimed that many more consumers may benefit if they contact AT&T to change their local phone service to the plan’s newly-priced service packages, witnesses for the Attorney General, the City, Cook County and AARP noted that the settlement money to be spent on consumer education is inadequate and that consumer calls to AT&T often result in the consumer paying more, not less, for telephone service due to AT&T’s aggressive sales tactics.

AT&T’s settlement proposal would deregulate all local phone rates in the Chicagoland area. It would permit AT&T to increase rates for the next three years for residential customers, including rates on the company’s popular local service packages, but would freeze rates for certain packages for four years. Selwyn estimated that the cumulative effect of these increases over the length of the deal would be worth more than \$275 million to AT&T and that the benefits of the new packages would be applicable to less than one percent of the company’s current local service customers.

“Consumers have been well served by telephone regulation that has kept local telephone prices low. AT&T Illinois has also done quite well, earning a healthy

21 percent profit in Illinois,” Madigan said. “The current system is fair to consumers and fair to AT&T and should not be scrapped.”

“The City of Chicago welcomes vigorous competition in the local telecommunications market, but it is clear that competition has not developed to constrain price increases if AT&T’s plan is approved,” said City of Chicago Corporation Counsel Mara Georges.

“We are concerned that the AT&T proposal results in largely unregulated rates and may lead to price increases for many residential consumers,” Devine said.

“AARP commends the Attorney General on her efforts to keep residential telephone service affordable. Affordable telephone service is vital to the life, safety, and well-being of Illinois’ frailest and oldest residents. Without access to telephone service, they would not be able to access lifeline services when a life-threatening emergency occurs. AARP believes that until true competition exists, the Illinois Commerce Commission must play a strong role in regulating telephone rates,” said Donna Ginther, State Affairs Manager, AARP.

The AT&T proposal would allow AT&T to increase the price of basic local service by up to 118 percent over the four years of the proposal. Neither the Commission’s investigation nor the proposal applies to toll or long-distance phone rates, which have been deregulated for many years.

The ICC’s investigation is a review of a November filing in which AT&T Illinois removed local residential services in northeastern Illinois from price regulation. A decision to formally approve that filing is expected at the end of August.

-30-

[Return to May 2006 Press Releases](#)