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HEADLINE: COMPETITIVE RING TO THIS PLAN; PHONE SERVICE IN MADISON, WIS., LOOKS A LOT LIKE A 1996 LAW ENVISIONED IT WOULD, AND TDS METROCOM IS LEADING THE WAY.

BYLINE: By Jon Van, Tribune Staff Writer.

DATELINE: MADISON, Wis.

## BODY

From a Chicago perspective, the phone business in Wisconsin's capital city seems topsy-turvy.

Several phone companies here are competing with Ameritech Corp., the one-time Bell monopoly, and even residential customers in Madison can change their local service provider and get hefty rate reductions if they wish.

This all started after the 1996 federal telecommunications law went into effect, but it came to pass without any big Bells buying one another. Indeed, the situation looks a lot like what members of Congress promised when they passed the law.

Contrast Madison with Chicago, where SBC Communications Inc., the San Antonio-based Bell, had planned to offer local and long-distance wireline phone service to the wireless customers of Cellular One, which it owns. Ameritech had planned to vie for SBC residential customers in St. Louis.

Instead, SBC made a deal to buy Ameritech.

Most prominent among Madison's competing phone companies is one that ran the local phone monopoly in nearby Waunakee and decided to move into its larger neighbor's territory, as the new law encouraged. That company--TDS Metrocom--is a subsidiary of Telephone & Data Systems Inc., the Chicago-based telecommunications company that owns several phone companies serving rural Wisconsin.

Emboldened by its successful foray into Madison, TDS has expanded into other Wisconsin cities, including some Milwaukee suburbs, and plans to go into other states as well. This is an interesting twist for TDS, which for three decades has grown its business primarily by acquiring small, independent phone companies.

After 30 years of acquisitions, TDS operates about half a million phone lines in 28 states, serving mostly rural customers. In less than two years, its competitive ventures in Wisconsin have snagged about 30,000 lines, most of them urban customers.

"We're adding customers faster than what we had planned," said TDS Chief Executive LeRoy T. Carlson Jr. "Moving into markets competitively has proven a tremendous opportunity."

TDS' approach, which has also been pursued by some other independent phone companies, contrasts sharply with the path taken by the giant Bell local phone firms that have mostly argued they need to bulk up by merging with each other before they compete in new markets.

SBC, which swallowed Ameritech, for instance, promises to enter 30  $_{\mbox{\footnotesize new}}$  big-city markets once the deal is done.

James Butman, president and general manager of TDS Metrocom, said winning 20 percent of a market is his firm's goal, and TDS already has 17 percent of Madison's commercial market.

"Our challenge is that providing local phone service is complex and difficult, much more so than providing long-distance, and we have the experience to know how to do it right," Butman said. "We went into this with our eyes wide open, knowing how difficult it would be."

The fact that TDS was the incumbent provider in a nearby community and that another TDS company, US Cellular, offers cellular service in southern Wisconsin gives Butman's people an advantage with some customers.

Jim Dovgin, telephone services coordinator for a firm that runs the Steve Brown Apartments, private dormitories that house University of Wisconsin students, said TDS' known track record played a big role in his decision to select it as the complex's local phone service vendor.

"There are other vendors in town just starting up, but TDS is light years ahead of them," Dovgin said. "The fact that TDS has run phone companies across Wisconsin and other states for a long period was important.

"We spend \$4,000 to \$5,000 a month on local phone service, and we've been very pleased with TDS."

Residential customers who switch from Ameritech can save as much as 30 percent on local phone service by switching to TDS, but the service isn't for everyone, Butman said. Because TDS must pay Ameritech about \$9 a month to lease the copper lines running to customer premises, the firm is targeting only those customers who use their phones a lot and spend a fair amount.

TDS does this by offering such features as call waiting and call forwarding, 200 local calls and a free hour of long-distance for a flat rate of \$21 a month. Comparable service from Ameritech would cost more than \$36.

TDS' success is typical of what other smaller independent phone companies have done since the new telecom law was passed, said Blaik Kirby, a principal based in Boston for the Renaissance Worldwide consultancy.

"When you have a strong brand name and pretty good service in one community, you can leverage that into a nearby community," Kirby said. "The little guys have been moving more quickly on this than the big guys have. The larger players are sort of like a deer staring into headlights. They see competition coming,

the Internet, long-distance, and try to do it all at once and just freeze."

Companies like TDS can compete in new markets, but they don't have much to fear in their own rural markets because they aren't populated enough to attract competitors, Kirby said.

Another advantage TDS has found in its competitive foray is that it provides employees of the company's traditional business a chance to move into a more fast-paced competitive branch of the business.

That has appeal for people like Aaron Anderson, a TDS network supervisor based in Madison.

"The biggest difference I noticed when I moved to Metrocom was that at the end of every meeting, a decision gets made," he said. "You don't put things off or talk them to death. If you decide to do something and it doesn't work, you change it. If it still doesn't work, you change it again.

The Metrocom subsidiary of TDS has been adding new customers faster than the firm's traditional acquisition strategy, and the urban customers it attracts tend to spend more and take more sophisticated services than the traditional TDS  $\frac{1}{2}$ customer, said Butman, the general manager of TDS Metrocom.

"TDS has about 500,000 lines, and we've added 30,000 lines to that in just over 18 months," Butman said. "I could see the day when TDS had as many lines from the competitive business as from the traditional business. Building a mix like that would strengthen the company overall."

The managers at TDS are comfortable comparing their firm with other  $\ensuremath{\mathsf{T}}$ competitive local phone companies, saying their long experience as an incumbent local exchange carrier is a definite advantage. But they are somewhat reluctant to compare their strategy with the giant Bells that have failed so far to launch a competitive push into new local phone markets.

"The regional Bells work on a different scale," Butman said.

But the TDS managers express some doubt that even after swallowing Ameritech, SBC will be able to enter a new market every month for 30 months, as it has promised.

"Madison was our first market, so we took a long time laying fiber and installing our own switch," said Matthew Loch, TDS Metrocom sales director. "And I know that it doesn't have to take one full year to enter a new market the way we did it. But 30 cities in 30 months blows my brain."

Of course, the Bells do things differently, Loch acknowledged.

"Maybe they'll buy competitive companies instead of building their own," he said.

GRAPHIC: PHOTOS 2 GRAPHICGRAPHIC: COMPANY PROFILE; TDS Inc.; Sources: TDS, Bridge, Hoover's; Chicago Tribune; - See microfilm for complete graphic; PHOTO: TDS Metrocom President Jim Butman (front left) and a team of executives--Aaron Anderson (back left), Nick Jackson (center), Matthew Loch (back right) and Cliff Lawson--at the company's Madison switching location. Photo for the Tribune by

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HEADLINE: LOCAL PHONE SERVICE RINGING UP CHOICES;
THERE'S A LONG WAY TO GO, BUT THE FIVE-YEAR-OLD TELECOM ACT IS BRINGING COMPETITION TO LOCAL PHONE SERVICE IN WISCONSIN.

## BODY

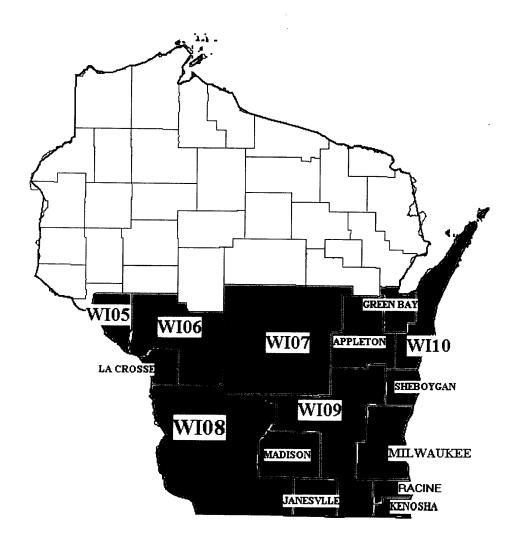
In a nondescript building in Downtown Madison, a visitor can find tangible evidence that freedom of choice is spreading throughout Wisconsin's local telephone markets. Inside this secure building, miles of copper wire and optical fiber transport signals through switches controlled not only by Ameritech — the owner of the building — but six other providers of local phone service. Some of these companies lease "physical co-location suites" (essentially, wire cages packed with equipment) that are beyond the reach of Ameritech technicians, even in an emergency. Only the fire department has the keys to get inside.

Although it's one of the largest such centers in Wisconsin, it's far from the only one. In fact, competitors have installed equipment in 79 of 99 Ameritech sites. If you can imagine owning a retail store in which you're required to lease display shelves, cash registers, a loading dock and warehouse space to your competitors, you get the picture.

Five years after the passage of the Telecommunications Act of 1996, competition is becoming a way of life in local telephone service. Although Ameritech still serves about two-thirds of Wisconsin's local telephone customers, the days of monopoly appear to be over. Consider:

- $^{\star}$  Nearly one in three (29 percent) business lines in Ameritech Wisconsin's service area is now served by competitors, with the highest percentages in Madison, Green Bay and Appleton.
- $\mbox{\scriptsize \star}$  There are more than 70 companies certified to offer local phone service in Wisconsin.
- $^\star$  One in seven telephone lines in Ameritech Wisconsin's service area is now served by competitors. That's a total of 346,000 lines, up 100,000 in a year.
- \* Ninety percent of Ameritech's residential and business lines can be served, with modifications, by competitors with switches they have installed in Ameritech's offices. Not happy with your local phone service or bill? The chances are improving that you have a choice.
- It has taken a while, but local phone competition is growing in Wisconsin. For consumers, that's a good thing. Just as long-distance competition reduced rates and gave consumers more choices, local telephone competition is beginning to work in Wisconsin.

## U.S. Cellular Operating Positions in Wisconsin



U.S. Cellular

MSA / RSA Boundaries

Market	County	2000 Census	Market Total
MILWAUKEE	Milwaukee	940164	
MILWAUKEE	Ozaukee	82317	
MILWAUKEE	Washington	117493	
MILWAUKEE	Waukesha	360767	
			1,500,741
MADISON	Dane	426526	
			426,526
APPLETON	Calumet	40631	
APPLETON	Outagamie	160971	
APPLETON	Winnebago	156763	
			358,365
GREEN BAY	Brown	226778	
			226,778
RACINE	Racine	188831	
			188,831
JANESVLLE	Rock	152307	
	TOOK	102007	152,307
KENOSHA	Kenosha	149577	
KENTOON IV	Konosna	143377	149,577
SHEBOYGAN	Sheboygan	112646	
0.1250.07.11	onoboygun	112040	112,646
LA CROSSE	La Crosse	407400	
LA CROSSE	La Ciosse	107120	107,120
			,,,,,
WI05	Buffalo	13804	13,804
			13,004
WI06	Jackson	19100	
WI06	Monroe	40899	
WI06	Trempealeau	27010	27.000
			87,009
WI07	Adams	18643	
WI07	Green Lake	19105	
WI07	Juneau	24316	
WI07	Marquette	15832	
WI07	Portage	67182	
WI07	Waupaca	51731	
WI07	Waushara	23154	

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