

**PROPOSITION 108**  
**OFFICIAL TITLE**  
**AN INITIATIVE MEASURE**

CONSUMER CHOICE AND FAIR COMPETITION TELECOMMUNICATIONS AMENDMENT; PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; ADDING SECTIONS 3.1 AND 3.2 TO ARTICLE XV, CONSTITUTION OF ARIZONA; RELATING TO LOCAL TELEPHONE SERVICE.

**TEXT OF PROPOSED AMENDMENT**

Be it enacted by the People of the State of Arizona:

The Constitution of Arizona is proposed to be amended as follows if approved by a majority of the qualified electors voting thereon and on proclamation of the Governor:

Section 1. Article XV, Constitution of Arizona, is amended by adding section 3.1, to read:

§ 3.1. PROMOTION OF CONSUMER CHOICE AND COMPETITION, AND TRANSITION RULES TO PROTECT CONSUMERS

SECTION 3.1 A. TO PROMOTE CONSUMER CHOICE, COMPETITION AND THE AVAILABILITY OF ADVANCED TELECOMMUNICATIONS SERVICES, THE RATES, CHARGES AND CLASSIFICATIONS OF A PROVIDER FOR ITS TELEPHONE AND OTHER TELECOMMUNICATIONS SERVICES FOR RESIDENTIAL OR BUSINESS CONSUMERS, OR BOTH, SHALL BE ESTABLISHED SOLELY BY COMPETITION IN ANY CITY, COMMUNITY OR OTHER AREA IN WHICH IT IS DETERMINED THAT LOCAL TELEPHONE SERVICE IS GENERALLY AVAILABLE FROM COMPETING PROVIDERS TO SUCH CONSUMERS.

B. TO ENSURE FAIRNESS AND TO PROTECT CONSUMERS WHO DO NOT HAVE A CHOICE OF PROVIDERS, A PROVIDER OF LOCAL TELEPHONE SERVICE SHALL MAKE AVAILABLE TO ANY OF ITS RESIDENTIAL OR BUSINESS CONSUMERS THAT (i) DO NOT HAVE A CHOICE OF PROVIDERS FOR LOCAL TELEPHONE SERVICE, (ii) BUT ARE LOCATED IN AN AREA, AS DETERMINED PURSUANT TO SUBSECTION C OF THIS SECTION, WHERE RATES, CHARGES AND CLASSIFICATIONS FOR RESIDENTIAL OR BUSINESS CONSUMERS, AS APPLICABLE, ARE ESTABLISHED SOLELY BY COMPETITION, THE SAME RATES FOR COMPARABLE LOCAL TELEPHONE AND OTHER TELECOMMUNICATIONS SERVICES OFFERED BY THAT PROVIDER TO OTHER SIMILARLY SITUATED CONSUMERS IN THE SAME AREA.

C. TO IMPLEMENT THIS SECTION, THE COMMISSION SHALL ADOPT RULES, WITHIN 120 DAYS OF THE ENACTMENT OF THIS SECTION, THAT (i) REQUIRE EACH PROVIDER OF LOCAL TELEPHONE SERVICE IN THE STATE TO INFORM THE COMMISSION, WITHIN 30 DAYS OF THE ADOPTION OF SUCH RULES AND ANNUALLY THEREAFTER, OF THE AREAS IN WHICH THAT PROVIDER IS OFFERING LOCAL TELEPHONE SERVICE TO RESIDENTIAL OR BUSINESS CONSUMERS; (ii) ESTABLISH PROCEDURES FOR THE DETERMINATION BY THE COMMISSION, UPON THE FILING OF A PETITION BY A PROVIDER, WHETHER LOCAL TELEPHONE SERVICE IS GENERALLY AVAILABLE FROM COMPETING PROVIDERS TO RESIDENTIAL OR BUSINESS CONSUMERS, OR BOTH, WITHIN THE CITY, COMMUNITY OR OTHER AREA DESIGNATED IN SUCH PETITION; AND (iii) ESTABLISH A SIMPLIFIED AND EXPEDITED PROCESS BY WHICH CONSUMERS MAY ENFORCE THEIR RIGHTS UNDER SUBSECTION B OF THIS SECTION. FOR PURPOSES OF SECTIONS 3.1 AND 3.2 OF THIS ARTICLE, "LOCAL TELEPHONE SERVICE" MEANS TELECOMMUNICATIONS SERVICE, OTHER THAN WIRELESS TELEPHONE SERVICE, THAT INCLUDES THE ABILITY TO PLACE AND RECEIVE LOCAL TELEPHONE CALLS. THE COMMISSION SHALL DETERMINE THAT LOCAL TELE-

PHONE SERVICE IS GENERALLY AVAILABLE FROM COMPETING PROVIDERS TO RESIDENTIAL OR BUSINESS CONSUMERS, OR BOTH, WITHIN THE CITY, COMMUNITY OR OTHER AREA DESIGNATED IN A PROVIDER'S PETITION IF LOCAL TELEPHONE SERVICE IS AVAILABLE FROM TWO OR MORE PROVIDERS TO A MAJORITY OF THE RESIDENTIAL OR BUSINESS CONSUMERS WITHIN THE DESIGNATED AREA. BUSINESS CONSUMERS SHALL INCLUDE ALL NON-RESIDENTIAL CONSUMERS. DETERMINATIONS SHALL BE MADE SEPARATELY FOR RESIDENTIAL AND BUSINESS CONSUMERS. A PETITION MAY CONTAIN A REQUEST FOR MULTIPLE DETERMINATIONS. THE COMMISSION SHALL APPROVE OR DENY THE DETERMINATIONS REQUESTED IN A PETITION WITHIN 60 DAYS OF ITS FILING. IF THE COMMISSION DOES NOT APPROVE OR DENY A DETERMINATION REQUESTED IN A PETITION WITHIN SUCH 60-DAY PERIOD, THAT DETERMINATION SHALL BE DEEMED APPROVED. THE APPROVAL OR DENIAL OF A DETERMINATION SHALL BE REVIEWABLE ON A DE NOVO BASIS BY THE SUPERIOR COURT, WITH RIGHT OF APPEAL TO THE COURT OF APPEALS.

Section 2: Article XV, Constitution of Arizona, is amended by adding section 3.2, to read:

§ 3.2. SUPPLEMENTAL RULES GOVERNING REGULATION OF TELECOMMUNICATIONS SERVICES SUBJECT TO COMMISSION JURISDICTION

SECTION 3.2 A. IN AREAS WHERE THERE IS NOT A DETERMINATION PURSUANT TO SECTION 3.1 OF THIS ARTICLE THAT LOCAL TELEPHONE SERVICE IS GENERALLY AVAILABLE FROM COMPETING PROVIDERS TO RESIDENTIAL CONSUMERS OR BUSINESS CONSUMERS, OR BOTH, THE COMMISSION SHALL RETAIN JURISDICTION WITH RESPECT TO RATES, CHARGES AND CLASSIFICATIONS OF A PROVIDER FOR ITS TELEPHONE AND OTHER TELECOMMUNICATIONS SERVICES TO RESIDENTIAL OR BUSINESS CONSUMERS, AS APPLICABLE. THE COMMISSION SHALL HAVE NO JURISDICTION WITH RESPECT TO RATES, CHARGES AND CLASSIFICATIONS FOR SERVICES IN AREAS WHERE RATES ARE ESTABLISHED SOLELY BY COMPETITION; PROVIDED, HOWEVER, THAT THE COMMISSION SHALL HAVE JURISDICTION TO IMPLEMENT SUBSECTION B OF SECTION 3.1 OF THIS ARTICLE.

B. IN PRESCRIBING RATES, CHARGES AND CLASSIFICATIONS FOR TELEPHONE AND TELECOMMUNICATIONS SERVICES OVER WHICH THE COMMISSION RETAINS JURISDICTION, THE COMMISSION SHALL HAVE THE AUTHORITY TO USE FAIR VALUE, RATE CAPS AND OTHER RATEMAKING METHODOLOGIES. IN EXERCISING THIS AUTHORITY, THE COMMISSION MAY, BUT SHALL NOT BE REQUIRED TO, ASCERTAIN THE FAIR VALUE OF THE PROPERTY USED FOR, AND SHALL CONSIDER ONLY THE COSTS ARISING AND REVENUES DERIVED FROM, THE PROVISION OF THE TELEPHONE AND TELECOMMUNICATION SERVICES OVER WHICH IT RETAINS JURISDICTION PURSUANT TO SUBSECTION A OF THIS SECTION.

**ANALYSIS BY LEGISLATIVE COUNCIL**

The Arizona Constitution gives the Corporation Commission the authority to prescribe all local telephone service rates, charges and classifications. In practice, the Corporation Commission sets the rates and charges for incumbent providers through a formal process, and regulates the rates and charges of new local telephone companies through a less formal process. Proposition 108 would amend the Arizona Constitution to allow all companies that provide local telephone service to set their own rates, charges and classifications for local telephone

**Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.**

service in any city, community or other area in this state if the Corporation Commission determines that local telephone service is available from two or more companies to a majority of the residential or business consumers within that specific area. This proposition does not apply to long distance telephone service or to access and interconnection charges paid by one telecommunications company to another.

If an area is served by two or more companies that provide local telephone service but a consumer has access to only one company, that company would be required to offer the consumer the same rates for comparable local telephone and other telecommunications services offered by that company to other consumers in the area, and the Corporation Commission would be required to establish a "simplified and expedited" process to allow consumers to enforce their rights to those comparable rates.

In areas of the state where only one telephone company is offering local service, the Corporation Commission would continue to set rates, charges and classifications. Proposition 108 would amend the Arizona Constitution to change the methodology used by the Corporation Commission in setting local telephone rates. Currently, the Arizona Constitution requires the Corporation Commission to use the "fair value" method in setting a utility's rate base. (The rate base is the value of the facilities and other assets needed to supply utility service to the consumer. The "fair value" method involves adjusting the original cost of the plant and additions upward to recognize increased costs in constructing utility plant facilities.) A utility's rate base is then used by the Corporation Commission to set end-user rates. This proposition would delete the constitutional requirement that the Corporation Commission use only the "fair value" method for telephone and telecommunications services and would allow the Corporation Commission to use fair value, rate caps and other rate making methodologies in setting those rates, charges and classifications for those services. In setting rates, charges and classifications under this proposition, the Corporation Commission could consider only the costs arising and revenues derived from telephone and telecommunications services provided in areas where rates are regulated, not areas where rates are deregulated.

Under this proposition, each telephone company that provides local service would submit an annual report to the Corporation Commission specifying the areas in this state in which the company is offering local telephone service to residential or business consumers, or both. Companies could then submit petitions to the Corporation Commission requesting that their own rates in areas served by competing companies be deregulated and determined by competition, rather than being set by the Corporation Commission. The Corporation Commission would have to deregulate local telephone rates in an area where it determines that a majority of consumers are being offered service from two or more companies. The Corporation Commission would be authorized to deny any petition if it decides that local telephone service is not generally available from competing companies. If the Corporation Commission did not act on the petition within 60 days of filing, the area would be treated as if competitive services were generally available and rates would be deregulated in that area. The Corporation Commission's determinations on deregulating rates in an area would be made separately for residential and business consumers. All determinations would be subject to review in court.

### **Proposition 108 Fiscal Impact Summary**

Proposition 108 would amend the Arizona Constitution to allow telephone companies that provide local service to set their own rates and charges in areas of the state where competition exists. It is not possible to determine in advance the impact of the Proposition on Arizona's economy and on state government tax revenues. As a general practice, deregulation of an industry leads to more competition and lower prices than in the previously regulated market. Moreover, increased competition is often associated with additional business spending and employment growth, which in turn tend to raise the general level of economic activity and state tax revenues.

In this particular circumstance, however, we cannot accurately predict the extent to which the telephone industry would become deregulated under the Proposition. Once the magnitude of deregulation becomes known, the fiscal impact will become easier to determine.

Finally, subsequent to deregulation, the responsibilities of the Corporation Commission and another state agency, the Residential Utility Consumer Office (RUCCO), relative to rate setting should decline, and their budgets will need to be evaluated at that time.

### **ARGUMENTS "FOR" PROPOSITION 108**

**Proposition 108, the Consumer Choice and Fair Competition Telecommunications Amendment, will:**

- promote **competition and consumer choice** in local phone service;
- encourage **lower phone rates and better service**;
- **protect consumers** and assure fairness.

The existing provisions in Arizona's state constitution controlling phone regulations were written in 1912, when customers used hand-crank phones and phone companies had ironclad monopolies.

Under these old regulations, the Arizona Corporation Commission still sets rates for traditional phone companies, such as U S WEST (now Qwest) and Citizens Utilities, using an antiquated system that involves huge amounts of government red tape.

However, the Commission doesn't set phone rates charged by Cox cable and dozens of other companies that now offer local phone services. They can charge any rates they want to attract customers -- so their prices are generally lower than rates set for traditional phone companies.

**Prop 108 will finally update Arizona's phone regulations.**

1. In communities where competing companies offer local phone service, Prop 108 will allow rates to be determined by competition -- just as they already are for long distance service. This will **allow all companies to compete on a level playing field** and encourage them to provide **better service and lower rates**.

2. In communities where only one company offers service, the amendment will continue state authority to set rates and allow the Commission to use **modern ratemaking options, such as rate caps**.

Prop 108 also protects consumers by maintaining the Commission's authority to regulate the quality and reliability of telephone service.

**Join us in voting YES on Prop 108 -- for more competition, lower rates and better service.**

Our statewide coalition, **YES on 108: Arizonans for Consumer Choice and Fair Competition**, represents thousands of Arizona consumers, businesses and organizations. For more information about Prop 108, please visit our Internet site at [www.azconsumerchoice.com](http://www.azconsumerchoice.com)

**John M. Duffy, Chairman, YES on 108: Arizonans for Consumer Choice and Fair Competition, Phoenix**

Paid for by Arizonans for Consumer Choice and Fair Competition

**Arizona Firefighters, Police Officers and Other Public Safety Officials Support YES on Prop 108**

Modern telecommunications systems play an increasingly vital role in efforts to protect public safety. But Arizona's existing, outdated tele-

phone regulations tend to hinder the introduction of new telecommunications services in our state.

To assure that Arizona’s telecommunications systems stay up to date, we need to bring our state’s telecommunications regulations up to date by passing Proposition 108.

That’s why Prop 108 is supported by Arizona public safety organizations, such as the Phoenix Law Enforcement Association, and by many individual firefighters, police officers, emergency medical technicians and other public safety officials throughout the state.

**Better telecommunications means better public safety. Please join us in voting YES on Prop 108.**

David P. Gonzales, Commander, Arizona Department of Public Safety, Phoenix	Billy Shields, President, United Phoenix Firefighters Association, Phoenix
Mike Petchel, Legislative Liaison/Representative, Phoenix Law Enforcement Association, Phoenix	
Paid for by Arizonans for Consumer Choice and Fair Competition	

**Leading Law Professor Advocates YES on Proposition 108**

As a professor who has extensive experience in law, regulation and regulatory reform, I have concluded that this measure is a well-written proposition that will provide a number of important benefits to our state.

By allowing true competition and consumer choice in local telephone markets, this measure will:

- help assure that consumers, businesses and schools throughout the state have affordable access to the latest telecommunications technologies – to prevent a “digital divide” that discriminates against rural areas and low income residents;
- preserve federal and state requirements regarding universal service and life line rates for low and fixed income elderly;
- lead to more market driven competitive rates for local telecommunications services – saving Arizonans millions of dollars in the years ahead;
- encourage telecommunications companies to provide better service and make the investments needed to bring new telecom services to Arizona; and
- help make our state more attractive to employers and create new jobs by reducing telephone costs for small businesses and large employers.

Along with many other members of Arizona’s academic community, I urge Arizonans to vote YES on Prop 108.

**Dr. Jonathan Rose, Professor of Law, Tempe**

Paid for by Arizonans for Consumer Choice and Fair Competition

**Why Claims Made by Opponents Of Prop 108 Are Wrong or Misleading**

Telephone providers that currently have an unfair advantage under Arizona’s existing, outdated telephone regulations are funding a scare campaign against Prop 108.

For example, representatives of Cox cable have publicly stated that if Prop 108 passes U S WEST (now Qwest) will reduce its rates to compete with Cox and other companies that now provide local telephone services. However, they claim that some Arizonans would pay higher rates to make up for, or “subsidize,” those lower rates.

**FACT:** Prop 108 specifically prohibits any such rate subsidies. (Section 3.2.B)

Opponents claim that if rates are deregulated in an area, there’s no way to return to regulated rates if competition disappears.

**FACT:** Prop 108 provides that the Commission will continue to have rate-setting authority in areas where only one company provides local telephone service. (Section 3.2.A)

Opponents claim Prop 108 would allow U S WEST to drive out competition by charging other telecom companies higher “wholesale rates” for access to its system.

**FACT:** Prop 108 only addresses retail phone rates, not the wholesale access rates that one telecommunications company charges another company for access to its system. Wholesale access rates are controlled by federal law – not state law. (1996 Federal Telecom Act)

Opponents claim Prop 108 would eliminate the “fair value” method of setting telephone rates.

**FACT:** Prop 108 specifically states that the Commission can use the “fair value” method when setting rates, or other more modern rate-setting methods, such as rate caps. (Section 3.2.B)

**For more information proving that the arguments against Prop 108 are either wrong or misleading, please see the Internet site [www.azconsumerchoice.com](http://www.azconsumerchoice.com) or call 800-593-1280.**

David Deans, Board Member, Arizona Telecommunications & Information Council, Phoenix	Bill Meek, President, Arizona Utility Investors Association, Phoenix
Paid for by Arizonans for Consumer Choice and Fair Competition	

**Arizona Family Farmers and Ranchers Support YES on Proposition 108**

Arizona is the only state in the nation where telephone rates and regulations are based on constitutional provisions that are nearly a century old.

**By passing Prop 108, we can finally update Arizona’s phone regulations and give the telecommunications companies clear reasons to provide better service and lower rates.**

In today’s world, having modern telecommunications services at affordable prices is important for all consumers and all businesses -- including modern farms and ranches.

That’s why we urge you to join us in voting YES on Prop 108, for more competition, lower rates and better service.

Claude Gipson, Farmer, Casa Grande	Merlin R. Hamilton, Gila River Farms, Chandler	Anthony L. Serrano, Rancher, Casa Grande
Paid for by Arizonans for Consumer Choice and Fair Competition		

**Major Arizona Employers and Business Organizations Support Yes On Prop 108**

Arizona's antiquated phone regulations are a barrier to competition in local phone services - and businesses and consumers are paying the price. That's why we strongly support passage of Proposition 108.

By updating our state's century-old telephone regulations, Prop 108 will create a more competitive telephone market that will:

- help reduce rates;
- speed up the introduction of new telecommunications services; and
- improve service quality and reliability.

By reducing telephone costs for small and large businesses, as well as for consumers, Prop 108 will also help boost our economy, make our state more attractive to employers and create new jobs.

On November 7, join with us in moving Arizona forward by voting YES on Prop 108.

Don Keuth, President, Phoenix Community Alliance, Phoenix  
 Allen Maag, Chief Communications Officer, Avnet, Inc., Phoenix

Neil Irwin, Chairman, Downtown Phoenix Partnership, Phoenix  
 Dave Radcliffe, President & CEO, Greater Phoenix Convention & Visitors Bureau, Phoenix

Charles A. Walek, Director of Construction, Odyssey Builders, Chandler  
 Paid for by Arizonans for Consumer Choice and Fair Competition

**A Yes Vote on Prop 108 Is Good for Arizona Schools and Students**

Affordable access to modern telecommunications services is increasingly important to schools and students. That's why many K-12 teachers and administrators support Proposition 108.

The existing provisions in Arizona's constitution that control rates and regulations for telephone services are almost a century old. These outdated regulations prevent some telecommunications companies from competing on a level playing field, reducing their incentive to introduce new telecommunications services in Arizona.

Proposition 108 will update our state constitution to allow competition and consumer choice and encourage the introduction of modern telecommunications services in our state.

**There is no reason why the telecommunications options available to Arizona schools, students, consumers and businesses should lag behind those in other states.**

As educators and consumers, we urge you to join us in voting YES on Prop 108.

Bertha Alvarez-Sobrin, 1996 Berlitz Teacher of the Year, Scottsdale  
 Harry Courtwright, Director, Maricopa County Library District, Phoenix  
 Carol Marsland, 1st Grade Teacher, Phoenix

David J. Bolger, Educational Consultant, Phoenix  
 Margret Gibson, Retired 7th Grade Teacher, Tempe  
 Carolyn Warner, Former State Superintendent of Public Instruction, Phoenix

Paid for by Arizonans for Consumer Choice and Fair Competition

**Arizona City and County Officials Support YES on Proposition 108**

For citizens, schools and businesses in both rural and urban communities, affordable access to modern telecommunications services is increasingly important.

Prop 108 will:

- update Arizona's regulations to help assure that all phone customers and phone service providers in all parts of the state receive **fair and equal treatment by state regulators**;
- help encourage telecommunications companies to make the investments needed to provide **affordable access to modern telecommunications services** in both rural and urban communities; and
- help promote **more competition, better service and lower rates**.

That's why many city and county officials throughout Arizona support a YES vote on Proposition 108, the Consumer Choice and Fair Competition Telecommunications Amendment.

Joe Arpaio, Maricopa County Sheriff, Neil Giuliano, Mayor of Tempe, Tempe  
 Phoenix

John C. Keegan, Mayor of Peoria, Peoria

Doug Linger, Vice Mayor, City of Phoenix, Kirk P. McCarville, City Councilman, Casa Grande  
 Phoenix

Robert D. Mitchell, Mayor, City of Casa Grande, Casa Grande

Paid for by Arizonans for Consumer Choice and Fair Competition

**A Yes Vote on Prop 108 Is Good for Arizona Seniors and Other Consumers on Fixed and Low Incomes**

Under Prop 108, seniors living on fixed incomes and low-income families will benefit from lower phone costs and continued consumer protections.

Paying less for phone service is important to all Arizonans, particularly those living on low or fixed incomes. Money saved on monthly phone bills can help stretch already tight budgets.

We've already seen how competition has lowered the costs of long distance telephone service. With many companies competing for consumers, long distance service quality is high and affordable plans are available for people who make few or no long distance calls.

It's time for Arizona consumers to get the same benefits from competition in local phone services. A YES vote on Prop 108 will help lower local phone bills and allow people to choose the company that offers them the price and services that are right for them.

And, Prop 108 will maintain existing consumer protections, including:

- state's authority to regulate the quality and reliability of telephone service throughout Arizona;
- state and federal regulations requiring universal service and lifeline rates for seniors on low and fixed incomes.

A **YES** vote on Prop 108 for lower rates, better service and consumer protections will cost you nothing – but it could save you a lot.

Robert Crusa, Retired Union Official, Tucson

Marshall Day, Retired Consulting Engineer, Tucson

Thomas Judge, Veterans of Foreign Wars, Apache Junction

Paid for by Arizonans for Consumer Choice and Fair Competition

**Minority Employers Support YES on Proposition 108**

**Proposition 108 is a win-win for minority businesses and consumers.**

Prop 108 is a simple, straight-forward measure that will allow minority employers and consumers to have affordable access to the latest telecommunications technologies. It is vitally important to all of us in the minority community that our future success in the information age is not blocked by a “digital divide.”

Passage of Prop 108 will help create more competition and consumer choice in local phone services. That means lower telephone costs and more choices of telecommunications services and providers.

More competition and more choice gives us – as business owners and consumers – the ability to select the company and the services we need to keep costs down and service quality high. That’s a win-win proposition.

**Better telecommunications services today mean a brighter tomorrow.**

Join with us – and many other minority businesses, organizations and individuals – in voting **YES** on Prop 108.

Lupe-Marie Jasso, Recipient, Arizona Hispanic Chamber of Commerce, Outstanding Small Business, Phoenix

Madeline Ong-Sakata, Executive Director, Asian American Chamber, Publisher, Asian SuNews, Phoenix

Paid for by Arizonans for Consumer Choice and Fair Competition

**Community Service Leaders and Organizations Support YES on Proposition 108**

An important role for community service organizations is helping people of all ages gain access to opportunities that enhance the quality of their lives. In today’s world, affordable access to leading edge telecommunications services is essential. In schools and in the work place, computers and the Internet aid education and improve business performance.

Most states have updated their phone regulations to allow companies to compete for local phone service customers. However, Arizona’s provisions haven’t kept pace. We’re still operating under regulations written 88 years ago. As a result, our state lags behind.

On November 7, voters can help bring Arizona’s antiquated phone regulations into the 21st century by voting YES on Prop 108.

Prop 108 will allow competition in local phone service, giving competing companies the incentive they need to invest in leading edge telecommunications products and quality services at competitive prices.

Affordable access to new telecommunications technologies will make a positive difference in communities throughout Arizona. We can make this happen by joining together in voting **YES** on Prop 108.

**YES on Prop 108 is good for Arizona’s children, working families and retirees.**

Ramon Elias, President & CEO,  
Boys & Girls Club East Valley, Chandler

Greg O’Brien, President & CEO,  
Valley of the Sun YMCA, Phoenix

Luis Ibarra, President & CEO,  
Friendly House, Phoenix

Courtney Kutta, Vice President,  
Volunteer Services, Community C.A.R.E. Connections, Phoenix

Jesse Lugo, Past President,  
Service Station Dealers Association, Tucson

Carol E. Zimmerman, Past Chairperson,  
Arizona Women’s Political Caucus, Tucson

Paid for by Arizonans for Consumer Choice and Fair Competition

**Arizona Small Business Owners Support YES on Prop 108**

For small businesses, the cost and reliability of telephone service is important. That’s why many small business owners throughout Arizona support a **YES** vote on Proposition 108.

This measure will finally bring our state’s obsolete phone regulations up to date and allow Arizona consumers and businesses to get the benefits of real competition and choice for local phone services.

**By allowing real competition in local telephone services, Prop 108 will give phone companies strong incentives to provide better service and lower rates.**

And, by reducing telephone costs for small businesses and large employers, Prop 108 will also help boost our economy, make our state more attractive to employers and create new jobs.

We urge you to join Arizona small business owners in voting **YES**.

L. Lavelle McCoy, Chairman, Governor’s Small Business Advisory Council, Past Chairman, Greater Flagstaff Economic Council, Flagstaff

Lupe-Marie Jasso, Recipient, Arizona Hispanic Chamber of Commerce, Outstanding Small Business, Phoenix

Michieal L. Bingham, Owner, M&M Accounting, Tucson

Ralph Hughes, Owner, Hughes Mortgage, Inc., Tempe

Maureen Koopman, President, MPA International, Chandler

Peter Zimmerman, Owner, Zimmerman & Associates, Tucson

Richard L. Rudkey II, Immediate Past President, Arizona Pest Control Association; Vice President, University Termite & Pest Control, Inc., Tucson

Fred A. Willey, III, President & Owner, Invader Pest Management; Secretary, Arizona Pest Control Association, Phoenix

Cal Uhl, Owner, Pacific Coast Manufacturing, Mesa

Paid for by Arizonans for Consumer Choice and Fair Competition

**A Yes Vote on Proposition 108 Is Good for Arizona Consumers and Taxpayers**

We all want better telephone service and lower phone rates in Arizona. But that’s not what we’re getting under our state’s century-old telephone regulations.

**Spelling, grammar, and punctuation were reproduced as submitted in the “for” and “against” arguments.**

Under these old regulations, the Arizona Corporation Commission still sets rates for some phone companies, such as U S WEST (now Qwest) and Citizens Utilities, through a process that involves unnecessary and costly government red tape. However, the Commission does not set the rates charged by Cox cable and many other companies that now offer local phone services in Arizona and their prices are generally lower than the rates set for the traditional phone companies.

**Prop 108 will finally update Arizona’s phone regulations to reduce government red tape and allow all telecommunications companies to compete on a level playing field – so all companies have real incentives to improve service and reduce rates.**

- In communities where competing companies offer local telephone service, Prop 108 will allow rates to be determined by competition among companies – just as they already are for long distance service.
- If some consumers in those communities live on streets served by only one phone company, Prop 108 requires the company to give them the same competitive rates offered to other customers who do have a choice of providers.
- The amendment also protects consumers by keeping in place the Commission’s authority to regulate the quality and reliability of telephone service throughout Arizona.

**Please join us in supporting this effort to promote more competition, better service and lower rates by voting YES on Prop 108.**

Barry Aarons, Senior Fellow, Americans for Tax Reform, Executive Director, David A. Fitzgibbons III, Attorney, Rural Health Care Advocate, Casa Grande  
Arizona Tourism Alliance, Phoenix  
Paid for by Arizonans for Consumer Choice and Fair Competition

**ARGUMENTS "AGAINST" PROPOSITION 108**

The amendment to the Arizona constitution being proposed by US West is completely wrong for our state and needs to be defeated by voters. US West has already spent more than a million dollars to get on the ballot, and that is before the company has bought a single second of television advertising time.

The ballot title says this is about Protection of Consumer Choice. It's not. This initiative will stamp out competition and secure the highly profitable stranglehold US West has on Arizona customers.

If US West is able to trick voters into passage of this misnamed initiative, they will be able to perpetuate the horrible service that has flooded the Corporation Commission consumer service lines with complaints without fear of losing customers to competitors.

This initiative is so rigged in US West's favor that the monopoly company will be able to raise rates for one set of customers who have no choice of telephone service, then use the money elsewhere to undercut the competition. If competitors are driven away, there is no provision to restore oversight and consumer protection by the Corporation Commission.

Consumers aren't even guaranteed they'll be offered a choice to begin with. This initiative allows for deregulation simply because a competitor may offer services in the future.

For consumers, this is the worst kind of deregulation. It's vague and purposely confusing. And the end result is one-sided in favor of US West, without any real benefit for the consumer.

This is the third time US West has tried to dupe Arizona voters into ending the consumer protection the Corporation Commission provides. Once again, the Arizona Consumer Council believes the best consumer protection is a NO vote on this issue.

Phyllis Rowe, President, Arizona Consumer Council, Phoenix  
Paid for by Arizona Consumer Council

Marcia Weeks, Treasurer, Arizona Consumer Council, Surprise

I urge a NO vote on Proposition 108.

Arizonans deserve quality telephone service at a reasonable price. Since 1912 the Corporation Commission's efforts have sometimes fallen short. But the way to improve telecommunications in Arizona is not to remove only source of financial oversight over Qwest/U.S. West.

I believe the Corporation Commission is on the right track in imposing conditions upon the Qwest/U.S. West merger to upgrade and improve local telephone service. The expanded capital base of the merged entity offers Arizona the opportunity to make our local telephone provider a stronger, more accountable service provider.

At this eleventh hour, do not allow that company to remove the oversight necessary to protect consumers. Do not divest from the Corporation Commission its Constitutional authority. Instead, allow the Commissioners you elect in November to solve the problems in local service, protect consumers and make the provider in the long run a better, stronger telephone company. Vote NO on Proposition 108.

Marc Spitzer, State Senator, District 18, Candidate, Arizona Corporation Commission, Phoenix

Paid for by Marc Spitzer for Corporation Commissioner

US West's proposed initiative for the November ballot is flawed for a number of reasons:

- The initiative, if passed, would clear the way for US West to arbitrarily shift the costs of a common network onto its captive customers through higher rates.
- US West's scheme would stifle competition, not promote it.
- Would-be US West competitors may well forego investing billions of dollars in new and potentially better high tech products and services in a marketplace that is so uncertain and so rigged in favor of the incumbent, US West.
- Without real and fair competition, consumers will be trapped well into the future with the bottom rung customer service quality level that US West now provides.
- Rural customers would be at particular risk of being trapped by an indifferent provider.

US West's initiative is intended to eventually cut US West loose from any regulatory oversight, forever. If US West were able to monopolize an area after it was determined to be "competitive," there would be no regulatory jurisdiction left. The Corporation Commission could not step back in to protect a competitive market. US West could raise its prices without restraint.

The process for making Arizona's telecommunication market fully competitive and fair to all competitors is underway. It should not be sabotaged by the incumbent monopolist through a self-serving change in our constitution.

Voters have repeatedly defeated past US West attempts to rig the market in its favor. Voters should do so again. Vote NO on the US West initiative to change the Arizona Constitution.

Renz D. Jennings, Chairman, Fairness And Choice in Telephone Service, Phoenix  
Paid for by Renz Jennings

Albert Sterman, Treasurer, Fairness And Choice in Telephone Service, Tucson

The Arizona AARP State Legislative Committee (SLC) opposes the U S West initiative to alter the consumer protections for telephone customers written into the Arizona Constitution. These changes claim to be about choice and competition. AARP believes that quite the opposite is true, that this initiative is about preserving the U S West telephone monopoly. If approved by the voters, AARP believes this initiative would create an unfair competitive advantage for U S West, and allow the company to raise rates to the detriment of residential customers.

AARP's SLC is especially troubled by the possibility that U S West could use excessively high rates in areas with no competition to unfairly underwrite rate reductions for a few competitive markets. Utility costs should be distributed among customer classes fairly. The U S West proposal flies in the face of basic fairness and the U S West initiative should be rejected for this reason alone.

The initiative should also be rejected because it greatly erodes the regulatory authority of the Corporation Commission. Consumers rely on this agency to make certain that utilities offer reliable, high-quality service at reasonable rates. AARP believes the proposed change in the constitution by U S West is designed to benefit the company, not its customers. U S West is currently asking to raise Arizona rates by millions of dollars.

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

It is also a long held basic principle of AARP that deregulation should not take place until there is true and effective competition. This initiative fails that test.

For all these reasons, the Arizona AARP recommends a NO Vote on the US West ballot initiative.

Respectfully submitted by the authorized agents of Arizona AARP,

David M. Mitchell, State Director, AARP, Phoenix

Curtis D. Cook, Associate State Director, AARP, Phoenix

Michael Donnelly, Advocacy Representative, AARP, Phoenix

Paid for by American Association of Retired Persons

Common Cause urges "No" on Proposition 108, the so called Consumer Choice and Fair Competition initiative.

It is the understandable that U.S. West, now Qwest, sponsors of this constitutional change, would want to escape regulation where possible. But Arizonans have long held that regulations are sometimes necessary to provide universal and affordable availability of some kinds of vital services. Telephone service is certainly among those vital services, without which people have no access to police, fire, emergency medical services, or the normal personal communications that we consider an essential part of modern living.

This initiative would allow the phone company to charge whatever it wants to charge, and to implement any installation charge or to refuse service to any neighborhood, if "local telephone service is generally available from competing providers to residential or business consumers" within an area. That wording would soon allow the phone company to escape regulation in any area where a cable television system operates, which includes most of Arizona. There would be no assurance that service within those areas would be affordable, reliable, universally available to all neighborhoods, or priced the same to all users. An important reason for the existing regulation is to assure affordable service to those areas and people where service is not, in fact, attractive to normal market forces.

Arizona Common Cause is a nonpartisan group of over 3,000 Arizona families with a long history of working for open, clean, and sensible self-government.

Miriam Neiman, Treasurer, Arizona Common Cause, Sun City

Dennis Burke, Executive Officer, Arizona Common Cause, Phoenix

Paid for by Arizona Common Cause

Fellow Arizonan:

Most of us are aware that the consumer telecommunications industry is changing, and people will have more choices in the future. However, Qwest/US West is attempting to slam the door on competition by keeping such choices out of Arizona. How? By submitting Proposition 108, Qwest/US West wants to remove future regulatory oversight which will allow the monopoly to charge anything it wants to competing phone companies and ultimately to consumers.

When reading the Qwest/US West Initiative, ask yourself the following questions:

- \* Why is the largest telephone monopoly in Arizona trying to create competition for itself?
- \* Who will monitor Qwest/US West service problems once there is no regulatory oversight?
- \* What happens to consumers in areas where there is no competition?
- \* What happens if the State fails to deem an area "competitive" within 60 days, and all regulatory oversight is removed?
- \* How are phone rates set if there is no regulation of the local phone monopoly and no real competitor?
- \* Will Qwest/US West get to dictate phone rates to Arizona consumers?

The closer you read Proposition 108, the more you realize that it is only going to benefit one company in Arizona: Qwest/US West. I urge you to vote NO on Proposition 108.

Alfredo Gutierrez, Phoenix

As a former member of the Residential Utility Consumer's Office Advisory Board, I cannot urge you strongly enough to VOTE NO ON THIS INITIATIVE in the best interest of all consumers in Arizona.

US West's initiative is anti-consumer and anti-competitive. It eliminates essential and historical consumer protections assured by the Arizona Constitution through the Arizona Corporation Commission. It reinforces and perpetuates US West's competitive advantage rather than create real competition.

If the US West initiative passes, Arizonans will relinquish the authority constitutionally vested in the Arizona Corporation Commission to regulate rates and assure quality customer service standards. The constitution has protected Arizona consumers for almost 100 years. This is not the type of deregulation needed at this time. Consumer protections embedded in the constitution are more essential now than ever in our history as the communication industry changes daily.

If the US West initiative passes, US West will be able to charge whatever they want to tens of thousands of customers. These citizens who suffer from bad service now and in the future from US West will have no where to take their complaints.

Carefully review this initiative and then vote NO in your interest, and in the interest of all telephone consumers in Arizona.

Timothy J. Schmaltz, Phoenix

Dear Fellow Voter,

For the fourth time you are again presented with an initiative to eliminate consumer regulatory oversight of the local telephone company. Sponsored by US West/Qwest and called the "Consumer Choice and Fair Telecommunications Amendment," this measure would irreversibly change the State Constitution and deregulate US West/Qwest without guaranteeing realistic local phone service choices for you and me.

The low standard of review and the absence of any measure of effective competition are particular causes of concern. US West claims its ballot initiative is pro-competition. With the Arizona Competitive Telecommunications Coalition and many consumer groups **against** this proposed amendment, it raises the question of who would really benefit from this proposal. Rated last among the "Baby Bells" in service quality, US West's current track record in providing excellent service to Arizonans speaks for itself.

This is the *fourth time* that such a measure will be presented to Arizona voters. Voters have consistently turned these proposals down.

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

AT&T believes that this latest initiative is not in the best interest of consumers and businesses in Arizona and feels that a No vote on Proposition 108 is the right choice for Arizonans.

Respectfully Submitted, M.P. Upchurch, Customer Sales and Service, Vice President, Integrated Services, AT&T, Mesa

Dear Fellow Arizonan:

Although the word "competition" is frequently used in Proposition 108, the underlying strategy is aimed at subverting competition, preventing companies from entering the market and continuing to provide inadequate service particularly to rural and high growth areas.

US West holds a monopoly in the local telephone market with approximately 95% market share in the Phoenix metro area alone. The company has been allowed to restrict competition in Arizona by charging high fees and refusing to comply with timely installation orders for competitors. Proposition 108 would continue business as usual without being under the watchful eye of the Corporation Commission, thereby halting the public's outlet for complaints and protection of consumer choice.

Competition in the market place is very important to keep prices low for consumers. Our economy works well because companies have to compete with one another on relatively level playing fields. However, a level playing field does not exist when the supplier of the service controls the market and acts like a monopoly. Simple availability of service is not competition.

Arizonans know that US West has been a terrible provider of local telephone service. We should not allow them to further erode our quality of life by passing Proposition 108.

Roberta L. Voss (R), State Representative, District 19, Phoenix

Ken Chevront (D), State Representative, District 25, Phoenix

US West (now Qwest), the Baby Bell that has paid the most fines, has the most expensive rates, the longest delays in obtaining new service and the most consumer complaints, believes they are at an unfair competitive advantage and would like to unshackle themselves from the regulation of the Arizona Corporation Commission. They say no regulation is needed because, in most communities, competition already exists. Here is what they haven't told you: Their proposed constitutional amendment allows US West to go into areas only they serve, create a competitive subsidiary of their own company and declare that since competition now exists, no regulation is needed. Even worse, once that regulation stops, there is no mechanism to ever turn it on again. So US West can create artificial competitors, close them down and become an unregulated monopoly in those communities they now serve without competition. This isn't just the fox guarding the henhouse, it's the fox owning the property, building the henhouse and choosing the chickens that live there.

We may need to reevaluate telecommunications regulations of all sorts in Arizona. But the plan proposed by US West will only take everything you already dislike about your local telephone service and make it even worse. I urge Arizonans to vote NO.

Stephen Tuttle, Phoenix

As General Manager for one of the nation's leaders in broadband communications, I am deeply concerned about this poorly defined US West/Qwest ballot initiative. If passed, US West/Qwest's ratepayers throughout the state could be discriminated against depending on where they reside. The initiative also dissolves the state's ability and authority to hear and resolve telephone ratepayers' complaints. Clearly this does not provide the appropriate level of checks and balances for consumers.

The few choices consumers currently have could all be erased if the newly combined US West/Qwest is successful in preserving its market dominance, eliminating consumer protection and stifling competitive choices for consumers in Arizona.

Gregg Holmes, General Manager, Cox Communications, Inc., Phoenix

Paid for by Gregg Holmes

Fellow Voter:

As chair of *Arizonan's Against Higher Phone Rates and Poor Service*, I have joined with several consumer advocacy groups to oppose the Qwest /US West Initiative, Proposition 108.

Proposition 108 is an amendment to the Arizona Constitution which, on its face, seems to favor competition and lower phone rates. In fact, it is deceiving and should be defeated.

Qwest/US West currently serves approximately 95% of all residential phone users in the state of Arizona. As the largest telephone monopoly in the state, Qwest/US West would like us to believe that it wants more competition. However, the change in the Constitution won't provide more competition or more choice, it will only reduce the amount of consumer protection currently provided by law. The biggest change from Proposition 108 will be the virtual elimination of any regulatory oversight once an area is deemed "competitive." Consumers cannot afford this type of change.

As a fiscally conservative Republican, I believe in the elimination of needless government regulation. Proposition 108 does not do that.

I am wary of any change in our Constitution which will favor just one company. This Qwest/US West Initiative will do just that.

Please, read the Qwest/US West Initiative closely, and then vote NO on Proposition 108.

Tom Simplot, Chair, Arizonan's Against Higher Phone Rates and Poor Service, Phoenix

**BALLOT FORMAT**

**PROPOSITION 108**

**PROPOSED AMENDMENT TO THE CONSTITUTION  
BY THE INITIATIVE**

<p><b>OFFICIAL TITLE</b>                  CONSUMER CHOICE AND FAIR COMPETITION TELECOMMUNICATIONS AMENDMENT; PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; ADDING SECTIONS 3.1 AND 3.2 TO ARTICLE XV, CONSTITUTION OF ARIZONA; RELATING TO LOCAL TELEPHONE SERVICE.</p>
<p><b>DESCRIPTIVE TITLE</b>                  AMENDING ARIZONA CONSTITUTION TO END RATE MAKING BY THE CORPORATION COMMISSION OF LOCAL TELEPHONE RATES WHERE SERVICE IS AVAILABLE FROM TWO OR MORE COMPETING PROVIDERS; ALLOWING RATES TO BE SET BY COMPETING PROVIDERS; AND PROVIDING ALTERNATIVE METHODS FOR COMMISSION RATE MAKING WHERE SERVICE IS NOT AVAILABLE FROM COMPETING PROVIDERS.</p>

**PROPOSITION 108**

<p>A “yes” vote shall have the effect of amending the Arizona Constitution by ending rate making by the Corporation Commission of local telephone rates for consumers in areas where service is available from two or more competing providers; allowing rates to be set by competing telephone providers; and allowing the Commission to set rates, in areas where service is not available from two or more providers, using fair value, rate caps or other methods.</p>	<p><b>YES</b> <input type="checkbox"/></p>
<p>A “no” vote shall have the effect of retaining local telephone service rate making by the Corporation Commission using the fair value method in setting local telephone rates.</p>	<p><b>NO</b> <input type="checkbox"/></p>