



STATEMENT OF AT&T CONNECTICUT

Regarding Raised Senate Bill No. 1140 AN ACT CONCERNING THE DEPARTMENT OF PUBLIC UTILITY CONTROL'S JURISDICTION

Before the Committee on Energy and Technology
March 10, 2011

Proposal:

Raised Senate Bill No. 1140 would expand the instances when a holding company needs DPUC authority to change control and restrict the ability of holding companies to manage their operations.

Comments:

AT&T respectfully opposes Raised Senate Bill No. 1140 because we believe the language is overly broad; would interfere in the operations of the board of directors of companies which are rightly the responsibility of the shareholders of such companies; and would have a chilling-effect on merger and acquisition activity which could be in the interest of consumers and the state.

Traditionally, approval applications with the DPUC or other relevant agencies are filed between the time an agreement is reached between parties and before such an agreement closes. However, the language in the underlying bill appears so broad that it would require approval far earlier in the process. For example, exchanging a term sheet, arranging for possible financing with a banker, or signing a non-disclosure agreement to discuss a possible transaction could fall under the proposed language. This would require that discussions become public far earlier-on in the process when no party would want such discussions to become public. We do not believe making such preliminary activities subject to disclosure is in the interest of the state of Connecticut, consumers, or shareholders of companies impacted by this requirement.

Lines 13-18 of the proposed legislation would place restrictions on the make-up of boards of directors of companies subject to the bill's requirements by restricting the ability of companies to change the membership of boards of directors or the size of such boards. Again, this requirement is overly broad and goes to the governance of a company. AT&T strongly believes that the membership and size of boards of directors is a management decision which should be within the sole purview of the shareholders of the respective companies. These routine management decisions include determining the make-up and size of the company's board of directors. The proposed language could impact corporate governance beyond merger and acquisition activity by making it difficult for shareholders to remove bad directors or bad managers; a result clearly not in the interest of shareholders or – for that matter – these companies' customers, which this legislation is no doubt intended to "protect."

Finally, broadly speaking this legislation would create a chilling effect on merger and acquisition activity involving holding companies doing business in the state of Connecticut; even if such activity might be in the interest of the state and its citizens. For any number of reasons, a holding company subject to this bill's provisions may seek new ownership. For example, a holding company may need new sources of capital it is unable to raise without a new owner or it may need to increase its scale and scope in order to gain efficiencies so it can bring new products and services to market at a cost it otherwise could not manage without a new owner. In fact, new ownership could be in the strong interest of Connecticut and its consumers. The overly broad and restrictive requirements found in this legislation could scare away any potential partners, robbing a company of the suitor it needs and denying consumers the benefits which would accrue as a result of the merger.

Conclusion:

AT&T opposes Raised Senate Bill No. 1140 and urges the committee to reject the measure.