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BRANCHES, as addressed –

Dear Colleague,

RE: "DATELINE" SBS TELEVISION 20TH SEPTEMBER 2006

Please find attached Transcripts of the Dateline programme outlining some history about Phil Burgess, Telstra Telecommunications Director and Sol Trujillo, Telstra CEO.

Please contact Burt Blackburne if you require a videotape copy for your Branch.

Yours fraternally,

Colin Cooper,
DIVISIONAL PRESIDENT.

Enc.

BB:mp

PRINT

Archives - September 20, 2006

Phil Burgess

picblankOne thing you can say for sure, with that sort of US pay-out, Sol certainly didn't take the job at Telstra for the dough. Dateline did seek an interview with Sol Trujillo so that he could respond to some of the strong claims made in Chris's report. He wasn't available, but one of his amigos was. Phil Burgess is in charge of public policy and communication at Telstra. Like his boss, he's no stranger to controversy. Last year, for instance, he said he would not recommend Telstra shares to his mother. And recently, he was moved aside by Telstra from commenting on the forthcoming T3 sale after he'd defied a Federal Government plea to stop criticising industry regulation. His comment, that only "someone from another planet would stop agitating about government regulation," caused a major falling out with the Howard Government. He's speaking here with our reporter Chris Hammer.

CHRIS HAMMER: Phil Burgess, thanks for your time. I think it is probably fair to say that Sol Trujillo has his job at Telstra because of his experience at US West. Now, during the time he was the CEO there, there were complaints about the service quality and, indeed, the Colorado Public Utilities Commission held an inquiry and found that between January 1998 and April 1999, US West had liberally violated telecommunications service quality rules and that it breached its obligation to provide adequate services. Now, how is that allowed to happen on Sol Trujillo's watch?

PHIL BURGESS, TELSTRA COMMUNICATIONS DIRECTOR: Well, do you know a regulatory agency any place in the world that doesn't hold inquiries? Do you know of an inquiry held any place in the world that doesn't find violations of laws and regulations? Let's look at the facts. The facts are on the public record. The facts are between 1996, when Sol took over as CEO of US West Communications, there were 19,000 held orders. In the last six months of his service there - from 1999, end of 2000 - they averaged 400 a month. From 19,000 a month to 400 a month. That is on the public record so check the record.

CHRIS HAMMER: Wasn't that simply in reaction to being caught out by the Public Utilities Commission?

PHIL BURGESS: No - it was a reaction to investments that had taken it from 19,000 to 4,000 to 400. Why is that hard to understand?

CHRIS HAMMER: Because the principal economist at the Public Utilities Commission gave evidence the investment in new plant and equipment had been cut from 1994 through to 1998. And not only had it been cut that this was a deliberate policy on behalf of US West.

PHIL BURGESS: No. I don't know the source of that, you say evidence, you can say evidence, the fact is that during that time there were major investments in infrastructure, there were major investments in reducing held orders and the record speaks for itself.

CHRIS HAMMER: Well, the result was that the Public Utilities Commission of Colorado ordered US West to refund $11 million. And that was only for service difficulties, it wasn't for held orders because US West successfully argued that they were not yet customers.

PHIL BURGESS: Yeah, well, the Public Utilities Commission is not the customer. And in the United States, let's not forget, regulators are people who start their political careers in regulatory agencies. And so, yes, they find ways to make headlines. That is just fine. The fact is the numbers speak for themselves.

CHRIS HAMMER: So what do you say to a gentleman like Dwight Haverkorn - buys a house, is told by US West that he can get his telephone on within three months, then has to wait 11 months.

PHIL BURGESS: Who is Dwight?

CHRIS HAMMER: Dwight Haverkorn is a gentleman who lives near Peyton, Colorado, outside Colorado Springs.

PHIL BURGESS: And how high is the mountain that he lives on?

CHRIS HAMMER: There is no mountain, it is dead flat.

PHIL BURGESS: It is dead flat?

CHRIS HAMMER: Absolutely.

PHIL BURGESS: Peyton, Colorado, is dead flat?

CHRIS HAMMER: Absolutely. It is east of Colorado Springs.

PHIL BURGESS: And how deep was the valley he lives in?

CHRIS HAMMER: There is no valley - it is dead flat.

PHIL BURGESS: And how many people live around him?

CHRIS HAMMER: He is in a large...small subdivision, not that many. But the point is...

PHIL BURGESS: Has anybody ever told you about the DDT factor - distance, density and terrain? And that Colorado Springs is nested up against one of the highest mountains in the United States and there you have desert terrain, less than 19 inches a year of rainfall.

CHRIS HAMMER: How does rainfall affect telecommunications?

PHIL BURGESS: Because it affects the repair and maintenance and the cost of laying new equipment, that is why.

CHRIS HAMMER: So rural and remote customers in Australia are in for a lot of problems because it's a really low rainfall country.

PHIL BURGESS: Sure - that is why the costs in remote Australia are so high, exactly right. You should go tell Graeme Samuel that. He would like to hear that. The trouble is that everybody wants to pretend that services to areas that have long distances, low densities and difficult terrain cost as much as downtown Sydney. Sorry, it doesn't work that way.

CHRIS HAMMER: So that is why a company like Telstra or US West needs to be subsidised or to be able to charge higher rates under a regulated regime, as in Colorado, to be able to meet its legal service obligations to remote service?

PHIL BURGESS: Well, there are all kinds of ways to do it. One way to do it is through - in this country, for example, the universal service is not funded by government, universal service is funded by the industry. The universal service fund is a tax on the industry, not a tax on the people, did you know that?

CHRIS HAMMER: So the same as Colorado?

PHIL BURGESS: Did you know that?

CHRIS HAMMER: So it is the same as Colorado?

PHIL BURGESS: Did you know that, though? And did you know that the universal service fund only covers about about 20% of the total cost of the universal service? Did you know that?

CHRIS HAMMER: OK.

PHIL BURGESS: Did you know it, though? Did you know that 80% of the costs aren't covered? And you know what the policy of this country is and the policy of Colorado was that the rest of it - and it was not US West *policy, it is not Telstra's policy is the policy of the government - that the rest should be paid for by cross-subsidies, by charging more to people in the cities, so you can subsidise people in the countries. That is the Government's policy. That's not our policy. That is not US West policy.*

CHRIS HAMMER: But that was the policy that the government in Colorado insisted on and you were getting the subsidies from the urban areas to provide telephone services to Dwight Haverkorn.

PHIL BURGESS: No, we weren't. At that time, the regulator was embarked on the same kind of policies that the regulator here is embarking on and that was to give cheaper prices to people in the cities, thereby robbing people from the country of the subsidies that would be available to have a build-out of telephone services. So exactly the pathology that hurt the telephone business in the United States is exactly and was later reversed by the Supreme Court of the United States, let me say - is the same policy that is now being followed by the regulator here, against the policy of the Government, against the policy of the Labor Party, against the policy of Liberal Party. But still we have a rogue regulator here that is going down a path that is different from the Government, which says there should be a national uniform price.

CHRIS HAMMER: And what you say to someone who can't get a dial tone, who can't ring 911 in Colorado or 000 here?

PHIL BURGESS: Hey, when those things happen they have to be fixed and we...and our ability to respond to that is improving with each passing day.

CHRIS HAMMER: Will there be a policy here, as there was in Colorado, CNE - customer not educated - that if they ring up and want telephone service, you don't actually tell them whether they can expect to get it or not.

PHIL BURGESS: What we tell customers here is the same we told customers in Colorado and Utah and in Arizona and all the other states we serve - we told them the truth to the best of our knowledge when a service would be attached.

CHRIS HAMMER: But that is not true.

PHIL BURGESS: Well, somebody made a mistake. Are you saying we have a mistake-proof world? Have you never made a mistake as a television reporter?

CHRIS HAMMER: I don't have a written policy that says I don't tell customers the truth when they ring up and ask for a telephone.

PHIL BURGESS: We don't have a written policy either. Our written policy is, tell customers the truth.

CHRIS HAMMER: Let me take you to another example in the story, and I think it is fair that we address this. I went to Oregon to a town called Roseberg. The underinvestment in the telecommunications system, the switching system was such that the system there almost collapsed. Doctors in the emergency room in the hospital were not able to get phone calls through to the major teaching hospital in Portland. The Public Utilities Commissioner in Oregon described it as "a life-threatening situation." 911 calls couldn't get through to the nearby police department. How could US West allow a situation like that to occur?

PHIL BURGESS: Well, it takes two to tango, doesn't it? If there are problems in a place like Oregon that had a very aggressive and anti-US West regulatory environment, that was asking us to make investments where we couldn't recover our costs for our shareholders, we ended up in an imbroglio with that regulator. And so until the regulator came to its senses, we simply didn't make the investments that would require us to make those investments out of the back pocket of our shareholders. We just didn't do it.

CHRIS HAMMER: So you said, "This telephone exchange can collapse. "These these phones can..."

PHIL BURGESS: No, we didn't say that. No, no, we didn't say that. The regulator said that. The regulator said that. Let's not mix up who makes the decisions. Our job is to provide telephone service. That is what we're in business to do, and when a regulator says you can only provide telephone service if your shareholder pays for it, then we say we won't do it.

CHRIS HAMMER: OK, well, I'll tell you what the regulator did say. They say that US West identified this problem three years in advance, sought funding for it by means of accelerated depreciation of the old analogue switch, that was granted. US West put it in its work schedule for the following year, 1997, received the money for the accelerated depreciation, and then didn't replace the switch. Two years later..

PHIL BURGESS: That is 10 years ago. Can you get a more recent example?

CHRIS HAMMER: And so the same thing would happen in Australia if the regulator took that same approach?

PHIL BURGESS: Sure, we have already done that on FTTN. The regulator said they wanted us to provide FTTN, they were willing to have us provide FTTN, but they wanted us to sell it at a discount and we said no.

CHRIS HAMMER: How long do you think Sol Trujillo will stick around at Telstra?

PHIL BURGESS: I think he will stick around till the job is done.

CHRIS HAMMER: Which is?

PHIL BURGESS: When the job is done.

CHRIS HAMMER: OK, we will leave it there. Thank you very much for appearing.

PHIL BURGESS: Thank you.

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CHRIS HAMMER

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WARWICK FORD

Editor
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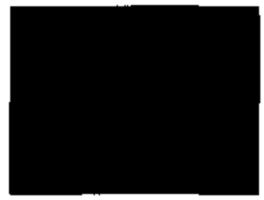
PRINT

Archives - September 20, 2006

Sol Trujillo on the Line



Now to something simultaneously local and international. If, as they say, the share price is the ultimate measure of corporate performance, then Telstra boss American Sol Trujillo should be in big trouble. Since he took over the reins at Telstra last year, the giant Australian telco's share price has fallen by about 30%. As well, in an action-packed 12 months, the Telstra chief and his top 'amigos', as they're known, have conducted an aggressive campaign against the country's corporate regulator, the ACCC, put plenty of noses out of joint in Canberra and left shareholders shaking their heads in confusion and dismay. Tonight, Dateline asks the question who is the controversial Mr Trujillo and what is his business record? Before he arrived on our shores, he'd spent many years heading up a major US telephone company. Here's Chris Hammer with more.

REPORTER: Chris Hammer

In San Diego, California, they remember Sol Trujillo. I've come here because it's the last place in the United States Mr Trujillo held a full-time position. Between late 2000 and early 2003, he was the CEO and Chairman of a technology company called Graviton. The company was housed here in this building at La Jolla - San Diego's Silicon Valley. Investors believed its cutting-edge technology promising enough to pour US$60 million into the company. Graviton hired Sol Trujillo to take the company to the next level.

REPORTER: And how did he perform?

RUDY FISCHER, FORMER HEAD OF HUMAN RESOURCES, GRAVITON: I'd say he performed dismally. It was kind of a shame because we had a lot of very bright research engineers working very hard and developing new technology and I think were making some progress.

DAVID FERN, FORMER SENIOR PRODUCT DEVELOPMENT MANAGER, GRAVITON: Graviton in terms of management and product development strategy was the most dysfunctional start-up company I have ever worked with.

Concerns quickly emerged among some employees that Mr Trujillo didn't fully understand Graviton's technology.

RUDY FISCHER: I remember his famous comments to the RF engineers - "Radio is radio, there is nothing new in radio." I looked over at them and they were shocked. They were developing new things in radio and he was telling them, "Why are you doing that? It's the same old stuff, it shouldn't be any problem."

REPORTER: Wasn't that a core part of Graviton's strategy, to develop radio?

RUDY FISCHER: Absolutely, absolutely.

Graviton was still developing its technology and had no sales, but Sol Trujillo rapidly increased the size of management.

REPORTER: Do you think for a start-up company it was top heavy?

DAVID FERN: Extremely top heavy. It was extremely top heavy. There weren't enough groups, there weren't enough departments within the company to support 11 vice-presidents and directors. It was absolutely very top heavy.

Just over two years after Sol Trujillo took over at Graviton, the company had burnt through nearly all

its money and was heading for collapse. Instead, it was bought out by another company. At the National Press Club earlier this year Sol Trujillo blamed the demise of Graviton on the dotcom crash at the start of this decade.

SOL TRUJILLO, TELSTRA CEO: You can look at Sun, you can look at Cisco, you can look at Microsoft - during that period of time, they lost value. In the case of Graviton, we built a great product, ready to go to market, the problem is that in that period of time - post Y2K - nobody was buying.

But Rudy Fischer disagrees that Graviton was simply a victim of its times.

RUDY FISCHER: Absolutely not. I think it would have succeeded. I think that with the money that we burned through, if we had managed it better in developing the technology, we would have made a lot of traction in the marketplace.

REPORTER: So the difference between Graviton succeeding and failing really came down to Sol Trujillo?

RUDY FISCHER: Not totally, but to a great extent I think it did, yes.

Well, clearly Sol Trujillo didn't get his job at Telstra because of his performance here in San Diego with Graviton. Far more relevant was the 25 years he spent with US West - one of America's largest telephone companies, at least it used to be. It was based in Denver, Colorado, so that's where I'm off to next.
They also remember Sol Trujillo in Colorado. Between 1995 and 2000 he headed US West - the state's largest private employer. Walk through downtown Denver and you can still see its old headquarters dominating the skyline. It now bears the name of the company that took it over.
US West was the dominant telephone carrier across 14 US states, operating as a regulated monopoly across significant areas. In the 1990s, it attracted the nickname 'US Worst'. Dian Callaghan was the administrative director at the Office of Consumer Counsel - a government body representing the interests of utilities customers.

DIAN CALLAGHAN, FORMER ADMIN DIRECTOR, OFFICE OF CONSUMER COUNCIL: What they did to their customers was really pretty appalling. There were people who went out of business, who had small businesses in urban areas - not just rural areas, both - and they couldn't get customers because their customers couldn't reach them - they didn't have phone service at all.

In October 1999, Dian Callaghan gave evidence before the Public Utilities Commission of Colorado, stating, "I conclude that US West has failed to inform consumers when it can provide service and when it cannot, does not provide service to many of its customers in a timely manner ..appears to be ignoring obligations to provide service as a provider of last resort, does not maintain its network at a level acceptable to consumers..and, fails to respond to its customers' requests for accurate, complete information."

DIAN CALLAGHAN: There were people who had trained their children to call 911 in emergencies and there was no way to access 911.

REPORTER: You kidding, even 911 didn't work?

DIAN CALLAGHAN: No, not 911. Not anything.

I decide it's time to head out into the backblocks where US West had an obligation to supply basic telephone services. Near a fly speck on the map called Peyton, I find Dwight Haverkorn. Dwight gives me a tour of the area and recounts how it took 11 months to get a phone connected after he bought here in October 1998.

DWIGHT HAVERKORN, TELEPHONE CONSUMER: If we had a need of an ambulance or a fire truck or the county sheriff's office for some reason, we had no means in which to get hold of them. We found a lot of the neighbours were having the same problems.

As Dwight later recounted to a public inquiry, US West constantly reassured him his connection was imminent. It did give him a mobile phone, but he says he had to drive up to 20 kilometres to get a signal.

DWIGHT HAVERKORN: Two or three months later, I'm not sure when it was, I ran into a repair man for US West who was out here in the area working on some of the equipment that was buried in the ground. And he was an older gentleman and we had a nice long talk. He just told me flat out that the reason I didn't have phone service was because there wasn't any to be had. Because it was going to require laying another cable, the services were full. And that's not what US West had been telling us - they just said there were little technical problems and that things would be done in a later fashion.

This document confirms that at the time of Dwight's problems, US West had an official policy of not informing residential customers if delays in installing a new line were likely.

DIAN CALLAGHAN: Customer Not Educated - CNE - was actually a policy US West had. We had a copy of the policy, which essentially said, "Don't tell the customer whether we have the facilities available or not when they ring up and ask for phone service".

STAFF MEMBER IN OFFICE I've taken that information from you and surely we're going to be asking the company just those questions.

I've come to the offices of the Colorado Public Utilities Commission. The job of its staff, in part, is to receive complaints from the public and ensure utility companies are meeting their service obligations.

STAFF MEMBER: We'll try and figure out if they have an issue that we regulate and if they do, we take that information, we inquire of the company, the company has a couple of weeks by rule to respond to us, and we share that information with the customer, and if we can fix the problem, we try and do that as well.

The commission itself also has the power to sit as a tribunal - conducting inquiries and enforcing service standards. US West was a private company, but as Colorado's dominant phone company, it was required to meet certain obligations, including providing remote area customers with basic telephone service. In return, it was allowed to charge set rates in urban areas to cover the costs.
In mid-1999 the commission initiated proceedings investigating whether the company was in breach of its service obligations. The period of investigation covered 16 months, from January 1998 through April 1999 - a period when Sol Trujillo was CEO and chairman of US West.
The commission's own staff testified that at a time when demand for phone services was booming, US West investment in plant and equipment was declining.

NEIL E LANGLAND, PUC STAFF, OCT 22 1999, PRINCIPAL ECONOMIST: "Staff believes the current situation is a result of a purposeful policy decision by the company. That decision resulted in underfunding of network plant and equipment and of repair. Consequently, service availability and quality has suffered. For USWC, it is currently cheaper and more profitable to provide poor quality service than to expend the resources necessary to meet established standards and to provide service in a timely manner.

Three days after Dr Langland's testimony, Sol Trujillo announced what he described as "The most sweeping service initiative in the company's history," saying, "A portion of our customers aren't getting the level of service they expect to receive, and that I expect to provide." Company management testified that, "US West met customer service levels in the vast majority of cases. Substantial growth in Colorado and increased order volume mean some customers do not receive the experience we strive to attain."
In early 2000, the Commission delivered its verdict. It found US West had, "liberally violated the telecommunications service quality rules. We find that USWC breached its obligation to provide adequate service during the show-cause period. Consequently, we conclude that USWC's rates were excessive during that period." The Commission ordered US West to refund more than $11 million to customers. But there was nothing for people like Dwight Haverkorn who had waited more than six months for a phone.

DIAN CALLAGHAN: The commission ended up doing nothing at all for those held service order customers. We recommended that they take the company to court and impose civil penalties. The Commission has never done that and they didn't do that in this case.

Dian Callaghan recalls Sol Trujillo's attitude towards the regulators.

DIAN CALLAGHAN: In one meeting the commission had with him and his attorney, and the commission was bearing down on him - probably on the service quality issue, I can't remember all the details - and Sol Trujillo didn't appreciate that very much, so he and his attorney stood up, put their coats on, and marched out of the hearing room. It was extraordinary, very dramatic.

REPORTER: So they just stormed out?

DIAN CALLAGHAN: They just stormed out - kind of, "We don't have to listen to this," and off they went.

REPORTER: They didn't have to listen to the state regulatory authority that's been empowered to oversee telecommunications?

DIAN CALLAGHAN: Nope.

REPORTER: What did the commission think of that?

DIAN CALLAGHAN: The commission was in shock. You could see they were shocked that this had occurred.

Michael Feely was the Leader of the Democratic Party in the State Senate during the late 1990s, he said Sol Trujillo and US West had little to fear from the Commission.

MICHAEL FEELY, FORMER STATE SENATE LEADER, DEMOCRAT: In my estimation there was a very cosy relationship between the regulators and the regulated company. And I mean cosy to the point where people would literally go back and forth between one and the other. And for a 100 years they were the only game in town when it came to telephone services. And US West did not have the best service record. And at worst they got slaps on the wrist from the Public Utilities Commission. I think the Public Utilities Commission had far more discretion to take notice, to do things to correct services problems but they chose not to, largely, I think, because of that cosy relationship.

Michael Feely says that as head of the largest private employer in the State, Sol Trujillo held tremendous political sway.

MICHAEL FEELY: I think the culture in US West that Sol grew up in was one of getting your way. He doesn't broach disagreement at all, and he was very used to having a cooperative regulatory authority with which he worked, so Sol got his way pretty much most of the time.

And it wasn't just the regulator US West had a cosy relationship with. The company held significant influence with law-makers. Indeed, some of its staff, were also members of the state legislature. At a Mexican restaurant in Denver's suburbs I meet Rob Hernandez. At the time Sol Trujillo was head of US West, Rob was both a state senator and a US West employee.

ROB HERNANDEZ, STATE SENATOR AND U.S. WEST EMPLOYEE: US West was very supportive of their employees who were involved in the political process. So their policy was such that if you took time off work, so that the balance between what you're paid as a state senator and what your regular salary was should come out to the same at the end of the year. So they consolidated all that at the end of the year.

REPORTER: OK, so you didn't lose money.

ROB HERNANDEZ: But I didn't make any money, but I didn't lose money. The idea was to keep me financially whole.

Rob says it wasn't always easy being both a law-maker and a US West employee, especially when it came to voting on issues affecting the phone company.

ROB HERNANDEZ: Now, some people thought that might be a conflict. Because how can you be up there handling votes when you're working for the phone company? And are you doing something for your pals? Well, I came under criticism for that a lot. AT&T got very angry with me one time and was screaming for my head and wanted me to resign and said it was a conflict of interest and, you know. So they chose to be highly critical of me, but that was OK.

With the situation in Colorado looking more complex by the minute, I decide to head to one of the states where regulators did take stronger measures against US West. They remember Sol Trujillo in Oregon as well. In particular, I'm interested in what they remember in rural areas. I reach Oakridge, where Sue Bond is the Mayor.

SUE BOND, MAYOR OF OAKRIDGE: We had very poor service. Our service was out 20% percent of the time at least, more in the winter. The lines were poor, the connections were poor. Lot of static on the lines.

REPORTER: So when you say out, you mean they just didn't work?

SUE BOND: They just didn't work. I would say 10%-20% of the time.

In Oakridge, there weren't enough lines. Further south in Roseberg, the problem was an antiquated analogue switch that couldn't cope with growing traffic. The crisis came to a head in 1999 as customers weren't able to get calls through. In an affidavit to the Oregon Public Utilities Commission, the area's principle hospital stated that doctors in the emergency room weren't able to get calls through to consult physicians at the state's major teaching hospital in Portland. The head of Oregon's Public Utilities Commission described the situation as "life threatening". Local reporter John Sewell says it wasn't just the hospital that was affected - in nearby Sutherlin, emergency calls weren't getting through to police.

JOHN SEWELL, REPORTER 'THE NEWS REVIEW": Yeah, it was more than just an inconvenience for residents that wanted to talk to someone else. Really in some cases you were talking about life and death situations that needed to be dealt with and yet people weren't able to get through on their phones.

John Sewell says US West simply didn't predict the leap in demand caused by dial-up internet connections. But that assertion, that US West didn't predict increased demand, doesn't wash with Oregon's state regulators.

WOODY BIRKOW, OREGON STATE REGULATOR: No. These guys are professionals. They have been forecasting demand and meeting it for a hundred years. Now to all of a sudden to have it fall apart, no. They had the expertise, and they didn't use it.

REPORTER: So this was deliberate?

WOODY BIRKOW: I would say.

It's a big claim, but Woody Birko says his opinion is based on facts. He says three years before the Roseberg exchange started collapsing under the weight of demand, US West technicians identified it as in need of replacement, and even got as far as putting it in the next year's construction schedule.

REPORTER: 1996, US West comes to you and says, what?

WOODY BIRKOW: We need increased depreciation rates to right down 13 large analogue switches so we can replace them by the year 2000.

REPORTER: So they're saying, we need digital switches, we need some sort of compensation for changing to digital?

WOODY BIRKOW:Yes.

REPORTER: And what was the response?

WOODY BIRKOW: Well, we granted them the increased depreciation rates of $14 million a year.

REPORTER: And did they replace them?

WOODY BIRKOW: Of the 13 switches, they replaced two of them in our large, major metropolitan area, Portland. But in the more rural areas they did not replace them. And Roseberg being one of them.

REPORTER: You gave them the money for that, and then they just didn't do it?

WOODY BIRKOW: Correct.

Testimony to the Colorado PUC indicates US West employed the exactly same strategy in that state. It was allowed to fully depreciate analogue switches by the end of 1996 on the understanding they would be replaced, but as of October 1999, 13 of the switches were still in place. Joan Smith was Woody Birko's boss, a commissioner on Oregon Public Utilities Commission. She too remembers Sol Trujillo.

JOAN SMITH, COMMISSIONER OREGON PUBLIC UTILITIES COMMISSION: He could be very charming, very attentive, very nice. And then just slash you to ribbons when you turned your back. And the evidence comes from his promises to invest in infrastructure from 1995 to 1999 and make service better and instead it continued to deteriorate.

Joan Smith says service difficulties began to emerge in the early '90s, back before Sol Trujillo was in charge, when regulation was relaxed.

JOAN SMITH: We had a special kind of regulation that allowed them flexibility and the ability to earn more money but the service was so bad that we put a stop to that sort of regulation and initiated a case to see what the rates really ought to be. And in the process of assessing what rates ought to be we discovered they were overcharging $240 million. Of course, that rate case went to court, but eventually by 1999 customers were refunded $240 million and that's partly because they didn't deliver and partly because they overcharged.

Back in Colorado the same thing was happening, yet it wasn't just remote rural areas that were suffering. The state was booming, and the valleys leading from Denver up into the Rockies were experiencing growing population.

RON BINZ, FORMER DIRECTOR, OFFICE OF CONSUMER COUNCIL: The problem was that they underinvested in the distribution facilities necessary to hook up new customers. And so you would have this unbelievable situation of a new home-owner buying a new home in subdivision only to find out that it was going to be months before that person was going to get phone service.

A new phone service was meant to be connected within 150 working days - just over six calendar months. The Public Utilities Commission inquiry concluded that between January 1998 through April 1999, US West violated this rule on more than 30,000 occasions involving hundreds of customers. The commission heard that different areas had been divided into gold, silver and bronze categories, with investment weighted towards the more lucrative areas.

REPORTER: Now, it's clear that Sol Trujillo didn't endear himself to everyone here in Colorado. But then again, that wasn't his job. He wasn't being paid to make friends after all, he was being paid to make money for shareholders of US West. And in that regard at least, he was highly successful.

STUART STEERS, JOURNALIST, ROCKY MOUNTAIN NEWS: Well I would say he was very good at improving the share price. During the term there the price increased dramatically. I'd say that was his whole purpose, actually there, was to increase the share price. He very much wanted the company to be bought out, which it eventually was, so he positioned the company as a high-tech kind of provider of telecommunications, and in doing so he dramatically increased the share price.

REPORTER: So that was his strategy from the start was it, to build it up to a position where it would be bought out?

STUART STEERS: Yes, I believe so, and certainly that was what ended up happening.

Stuart Steers says that even while some traditional customers were experiencing difficulties, Sol Trujillo was adept at marketing US West as a go-ahead company.

STUART STEERS: I think what he did was to dramatically cut back on the amount of money spent serving customers and shifted a significant amount of money into some of the hi-tech ventures that he was using to kind of portray the company as this cutting-edge telecom company that was involved in this new era of *telecommunications.*

The strategy was highly successful, with shareholders enjoying strong dividends and a booming share price. By early 2000, a company called Qwest initiated a merger deal that effectively amounted to a takeover. But if Sol Trujillo had squeezed customers to get the best result for shareholders, in the end, the shareholders missed out, and Sol Trujillo didn't.
When he's not riding his Harley, Curtis Kennedy is a campaigning lawyer. Over the years he's taken US West, its predecessors and its successor, Qwest, to court some 70 times without losing a case, mostly on behalf of US West retirees whose pensions are tied to the Qwest dividends. One of those cases revolved around the final days of US West as it closed the merger deal with Qwest. US West announced its regular dividend, then effectively cancelled it.

CURTIS KENNEDY, LAWYER: June 4, the board of directors announce they're going to pay the routine dividend to shareholders of record on June 30. Within the next day or a day and half later, the chief executive at Qwest, Joe Nacchio, writes a testy letter to Sol Trujillo and says, "Don't do that, don't pay that dividend. If you pay that dividend, we're going to consider this a breech of the merger agreement."

In response, the US West board, under the chairmanship of Sol Trujillo, moved the dividend date of record back by a week and a half to July 10. This meant the dividend, totalling $270 million, was never paid because by that time, US West no longer existed.

CURTIS KENNEDY: Meantime, the merger was consummated and closed on June 30. But one day before the closure of the merger, the details were worked out for this exorbitant severance agreement for one man and none of that was disclosed, to anyone. No-one had a chance to object and say it's out of line. And I think it's really telling that you would take care of yourself and not worry about the consequences of the decision that would've affected and benefited the lives of tens of thousands of people.

It was only earlier this year that Curtis Kennedy found out just how much Sol Trujillo was paid out when he discovered this document in court records. It reveals that Sol Trujillo received more than $48 million as cash payment, another $13 million as a pension payment, and another $10 million dollars in benefits, including $5.5 million dollars for corporate aircraft and almost $2 million for office space. The total amount totalled over US$72 million dollars, or A$90 million. And that doesn't include in excess of 2 million stock options vested in Mr Trujillo at the time of the merger, covering stock at that time worth more than US$100 million.

CURTIS KENNEDY: In that situation the shareholders didn't get their 53 cents per share but Sol Trujillo walked out with $70 million. Coincidentally, the law suit that affected the rights of ten thousands of people was settled for $50 million. So they've got to divvy up $50 million, whereas one man walks away with over $70 million. That's not right.

Nowadays, regulators say the phone service in Colorado, Oregon and other former US West states is up to scratch. Still, they remember Sol Trujillo in the United States. Some even say that one day, Australians will remember him as well.

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