

March 31, 2006

**BY HAND**

Federal Communications Commission  
International Bureau - Policy  
c/o Mellon Bank Client Service Center  
500 Ross Street, Room 670  
Pittsburgh, PA 15262-0001  
Attn: FCC Module Supervisor  
Lockbox Number 358115

Re: Application of BellSouth Corporation and AT&T Inc. To Transfer Control of  
Cable Landing Licenses Under Cable Landing License Act and Section 1.767 of  
the Commission's Rules

Dear Sir or Madam:

Enclosed for filing please find an original and four copies of the Application of BellSouth and AT&T Inc. To Transfer Control of Cable Landing Licenses Under Cable Landing License Act and Section 1.767 of the Commission's Rules. Also enclosed is a check payable to the Federal Communications Commission in the amount of \$895 for the prescribed filing fee.

As indicated in the application, please direct questions or correspondence concerning AT&T Inc.'s portion of this application to:

Wayne Watts  
Senior Vice President and Associate General Counsel  
AT&T Inc.  
175 East Houston  
San Antonio, Texas  
Tel: (210) 351-3476  
Fax: (210) 351-3257  
dw4808@att.com

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# ARNOLD & PORTER LLP

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Federal Communications Commission  
March 31, 2006  
Page 2

with a copy to:

Peter J. Schildkraut  
Arnold & Porter LLP  
555 12th Street, N.W.  
Washington, D.C.  
Tel: (202) 942-5634  
Fax: (202) 942-5999  
peter\_schildkraut@aporter.com

Also as indicated in the application, please direct questions or correspondence concerning the portion of the application dealing with BellSouth to:

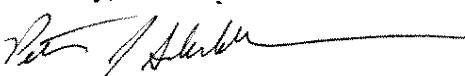
James G. Harralson  
Vice President & Associate General Counsel  
BellSouth Corporation  
1155 Peachtree Street NE  
Suite 1800  
Atlanta, GA 30309-3610  
Tel: (404) 249-2641  
Fax: (404) 249-2385  
james.harralson@bellsouth.com

with a copy to

Scott D. Delacourt  
Wiley Rein & Fielding LLP  
1776 K Street, N.W.  
Washington, D.C. 20006  
Tel: (202) 719-7459  
Fax: (202) 719-7049  
sdelacourt@wrf.com

Thank you very much for your assistance.

Sincerely,

  
Peter J. Schildkraut  
Counsel for AT&T Inc.

Enclosures

STAMP AND  
RETURN

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED  
MAR 31 2006

In the Matter of	)	
	)	
BELLSOUTH CORPORATION	)	WC Docket No. 06-74
	)	
and	)	
	)	
AT&T INC.	)	File No.
	)	
	)	
Application To Transfer Control of Cable Landing	)	
Licenses Under Cable Landing License Act and	)	
Section 1.767 of the Commission's Rules	)	

**APPLICATION UNDER THE CABLE LANDING LICENSE ACT**

Pursuant to the provisions of the Act Relating to the Landing and Operation of Submarine Cables in the United States, 47 U.S.C. §§ 34-39, and Section 1.767 of the rules of the Federal Communications Commission ("FCC" or "Commission"), 47 C.F.R. § 1.767, BellSouth Corporation ("BellSouth" or "Transferor") (FRN 0014844989), and AT&T Inc. ("AT&T" or "Transferee") (FRN 0005193701) (collectively, "the Parties"), hereby request consent to the transfer of control to AT&T of the cable landing licenses held by BellSouth Long Distance, Inc. ("Licensee" or "BSLD") (FRN 0003733318), a wholly owned subsidiary of BellSouth.

**The Proposed Transaction.** The Parties hereby seek consent to the acquisition by Transferee of the stock of BellSouth. After such acquisition, Transferee will hold all of BellSouth's voting stock and will therefore control BSLD's interests in its cable landing licenses. A narrative description of the transaction is included as part of the public interest statement included as Attachment 1 to this Application.

**The Public Interest.** The grant of this application will serve the public interest.

The public interest statement supporting the grant of FCC consent to this transaction is included as Attachment 1 to this Application.

**I. INFORMATION REQUIRED UNDER SECTION 1.767**

Pursuant to Section 1.767 of the Commission's rules, 47 C.F.R. § 1.767, the Parties submit the following information:

*(1-3) The names, addresses, and telephone numbers of the applicants, the Government, State, or Territory under the laws of which each corporate or partnership applicant is organized, and contact points for correspondence:*

(1) The transferor is BellSouth Corporation, and the carrier to be transferred is BellSouth Long Distance, Inc. Their address and telephone number are:

BellSouth Corporation  
Attn: James G. Harralson  
Vice President & Associate General Counsel  
1155 Peachtree Street NE  
Suite 1800  
Atlanta, GA 30309-3610  
Tel: (404) 249-2641  
Fax: (404) 249-2385  
james.harralson@bellsouth.com

BellSouth Long Distance, Inc.  
400 Perimeter Center Terrace, Suite 400  
Atlanta, GA 30346-1907  
Tel: (770) 352-3101

with a copy to

Scott D. Delacourt  
Wiley Rein & Fielding LLP  
1776 K Street, N.W.  
Washington, D.C. 20006  
Tel: (202) 719-7459  
Fax: (202) 719-7049  
sdelacourt@wrf.com

The transferee is AT&T Inc. Its address and telephone number are:

AT&T Inc.  
c/o Wayne Watts  
AT&T Inc.  
175 East Houston  
San Antonio, TX 78205  
Tel: (210) 351-3476  
Fax: (210) 351-3257  
dw4808@att.com

with a copy to:

Peter J. Schildkraut  
Arnold & Porter LLP  
555 12<sup>th</sup> Street, N.W.  
Washington, D.C. 20004  
Tel: (202) 942-5634  
Fax: (202) 942-5999  
peter\_schildkraut@aporter.com

(2) BellSouth is a corporation organized and existing under the laws of the state of Georgia. AT&T is a corporation organized and existing under the laws of the state of Delaware.

(3) Correspondence concerning this application should be addressed to the following:

For BellSouth Corporation and BellSouth Long Distance, Inc.:

James G. Harralson  
Vice President & Associate General Counsel  
BellSouth Corporation  
1155 Peachtree Street NE  
Suite 1800  
Atlanta, GA 30309-3610  
Tel: (404) 249-2641  
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For AT&T:

AT&T Inc.  
c/o Wayne Watts  
AT&T Inc.  
175 East Houston  
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Fax: (202) 942-5999  
peter\_schildkraut@aporter.com

(4-5) The Licensee holds the authority for the following submarine cable landing licenses:<sup>1</sup>

Entity Name	Authorization Number	Description of Activity Authorized
BellSouth Long Distance, Inc.	SCL-LIC-19990303-00004	License to land and operate a submarine cable (TAT-14) at Manasquan, New Jersey and Tuckerton, New Jersey in the United States and extending to Denmark, Germany, the Netherlands, France and the United Kingdom.
BellSouth Long Distance, Inc.	SCL-LIC-19990325-00006	License to land and operate a digital submarine cable system to be called the MAYA-1 Cable System which will land in Florida in the United States, and in the Cayman Islands, Colombia, Costa Rica, Honduras, Mexico and Panama.

The architecture and capacity of these cable systems are a matter of record and will not change as a result of the proposed transaction.

(6) This application does not seek to change the regulatory classification of the cable systems.

(7) This application does not seek to change the voting or ownership interests of the cable systems or landing stations or the allocation of capacity on the cable systems, which are set forth below:

**BellSouth Ownership Interests in Cable Systems Being Transferred to AT&T**

Cable Name	Voting Interest	Segment <sup>2</sup>	Ownership Interest	Available Capacity	Connection Path or Landing Points
MAYA-1 Cable	2.51916%	S	2.51916%	78 MIUs  (1 MIU = 1 E-1)	Ring

<sup>1</sup> In addition, BSLD holds an interest in the Pan American Cable. However, BSLD is not a licensee on the Pan American Cable because neither BSLD nor its predecessor-in-interest in the cable was part of the consortium which applied for and obtained the initial cable landing license for the Pan American Cable. BSLD's predecessor-in-interest acquired its interest in the Pan American Cable after the FCC issued the license for the cable.

<sup>2</sup> De minimis non-ownership interests (less than five percent) in landing stations are not included.

<b>Cable Name</b>	<b>Voting Interest</b>	<b>Segment<sup>2</sup></b>	<b>Ownership Interest</b>	<b>Available Capacity</b>	<b>Connection Path or Landing Points</b>
TAT-14	0.239072%	S	0.239072%	5 STM-1s (1 STM-1 = 63 E-1s)	United States – United Kingdom – France – The Netherlands – Germany –Denmark
Pan American Cable	1.34421%	SA	0.29240%	5 Half-MIUs (1 MIU = 1 E-1)	Cable Segment between St. Thomas, USVI, and St. Croix, USVI
		S1	0.27793%	5 Half-MIUs	Cable Segment between St. Croix, USVI and B.U.1
		S3	0.31827%	5 Half-MIUs	Cable Segment between B.U.1 and B.U.2
		S4	0.97561%	2 Half-MIUs	Cable Segment between Punto Fijo, Venezuela and B.U.2
		S5	0.20107%	3 Half-MIUs	Cable Segment between B.U.2 and B.U.3
		S7a	0.26834%	3 Half-MIUs	Cable Segment between B.U.3 and Colon, Panama
		S7b	0.26834%	3 Half-MIUs	Cable Segment between Panama City and Colon, Panama
		S8	2.33010%	24 Half-MIUs	Cable Segment between Panama City and B.U.4



Cable Name	Voting Interest	Segment <sup>2</sup>	Ownership Interest	Available Capacity	Connection Path or Landing Points
		S10	2.60304%	24 Half-MIUs	Cable Segment between B.U.4 and B.U.5
		S12	3.59820%	24 Half-MIUs	Cable Segment between B.U.5 and Arica, Chile

(8) As required by Section 1.767(a)(8) of the Commission's rules, 47 C.F.R. § 1.767(a)(8), the Transferee submits the following relevant certifications required by Section 63.18(h) through (k) of the Commission's rules, 47 C.F.R. § 63.18(h)-(k):

- (h) AT&T and BellSouth are both publicly traded corporations whose stock is widely held by the public. Based on holdings as of December 31, 2005, no person or entity holds a ten percent or greater ownership interest in AT&T or will do so in the combined company after the proposed transaction is consummated.

The Transferee does have interlocking directorates with Teléfonos de México, S.A. de C.V. ("Telmex"), which is a carrier or controls carriers in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and the United States, and with América Móvil, S.A. de C.V. ("América Móvil"), which is a carrier or controls carriers in Argentina, Brazil, Chile, Colombia, El Salvador, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, the United States, and Uruguay; AT&T Global Network Services International, Inc., which is a carrier in Israel, New Zealand, and Pakistan; AT&T Global Network Services Norge LLC, which is a carrier in Norway; and AT&T Global Network Services Venezuela LLC, which is a carrier in Venezuela. Rayford Wilkins, Jr., Group President of AT&T Inc., is a director of both Telmex and América Móvil while John J. Stephens, Vice President and Controller of AT&T Inc., is a director of América Móvil. In addition, Richard P. Resnick, President-SBCI Mexico for SBC International, Inc. (a wholly owned subsidiary of the Transferee), also is a director of Telmex. Charles Allen, Assistant Treasurer of AT&T Inc., is a director and Treasurer of AT&T Global Network Services International, Inc.; AT&T Global Network Services Norge LLC; and AT&T Global Network Services Venezuela LLC.

- (i) AT&T Inc. ("AT&T") and its wholly owned direct subsidiary AT&T Corp. and indirect subsidiaries SBC Long Distance, LLC; SNET America, Inc.; SNET Diversified Group, Inc.; TC Systems, Inc.; TCG America, Inc.; ACC National Long Distance Corp.; Alascom, Inc.; TCG Delaware Valley, Inc.; AT&T of Puerto Rico, Inc.; and AT&T of the Virgin Islands, Inc. are presently affiliated with numerous foreign carriers authorized to provide telecommunications services to the public. Upon consummation of this transaction, BellSouth Long Distance, Inc. also will be affiliated with those foreign carriers, which are listed below:

<u>Foreign Carrier</u>	<u>Country</u>
AT&T Communications Services Argentina S.R.L.	Argentina
AT&T Global Network Services Australia Pty. Ltd.	Australia
AT&T Global Network Services Austria GmbH	Austria
AT&T Global Network Services Belgium Luxembourg S.P.R.L.	Belgium
AT&T Global Network Services Brazil Ltda.	Brazil
AT&T Global Network Services Bulgaria Ltd.	Bulgaria
AT&T Global Services Canada Co.	Canada
AT&T Enterprises Canada Co.	Canada
AT&T Chile SA	Chile
AT&T Red Global Telecommunications Ltda.	Chile
AT&T Global Network Services Colombia (Ltda.)	Colombia
AT&T Global Network Services Hrvatska d.o.o.	Croatia
AT&T Global Network Services Czech Republic s.r.o.	Czech Republic
AT&T Global Network Services Ltd.	Cyprus
AT&T Global Network Services Denmark ApS	Denmark
AT&T Global Network Services Ecuador Cia. Ltda.	Ecuador
AT&T Global Network Services Estonia Ou	Estonia
AT&T Global Network Services Finland Oy	Finland
AT&T Global Network Services France SAS	France
AT&T Global Network Services Deutschland GmbH	Germany
AT&T Global Network Services (Hellas) E.P.E. (Limited)	Greece
AT&T Servicios de Comunicaciones de Guatemala SA	Guatemala
AT&T Global Network Services Hong Kong Limited	Hong Kong
AT&T Global Network Services Hungary Kft	Hungary
AT&T Global Network Services Ireland Limited	Ireland
AT&T Global Network Services International Inc.	Israel
AT&T Global Network Services Italia S.p.A.	Italy
AT&T Japan Ltd.	Japan
AT&T Global Services KK	Japan
AT&T Communications Services (Japan) Ltd.	Japan
AT&T GNS Korea Limited (Yuhan Hoesa)	Korea
AT&T Global Network Services Latvia SIA	Latvia
UAB AT&T Lietuva (Lithuania)	Lithuania
AT&T Global Network Services Belgium Luxembourg S.P.R.L. (Branch Office)	Luxembourg
Alestra, S. de R.L. de C.V.	Mexico
AT&T Global Network Services Nederland B.V.	Netherlands
AT&T Global Network Services International Inc.	New Zealand
AT&T Global Network Services Norge LLC	Norway
AT&T Global Network Services International Inc.	Pakistan
AT&T Communications Services de Panama S. de R.L.	Panama
AT&T Global Network Services del Peru S.R.L.	Peru
AT&T Global Network Services Polska Sp. z.o.o.	Poland

AT&T Serviços de Telecomunicações, Sociedade Unipessoal, Lda.	Portugal
AT&T Global Network Services Romania S.R.L.	Romania
AT&T Global Network Services OOO	Russia
AT&T Worldwide Telecommunications Services Singapore Pte Ltd.	Singapore
AT&T Global Network Services Slovakia s.r.o.	Slovakia
AT&T Globalne Omrezne Storitve d.o.o.	Slovenia
AT&T Global Network Services Espana, S.L.	Spain
AT&T Global Network Services Sweden AB	Sweden
AT&T Global Network Services Switzerland	Switzerland
AT&T Global Network Services Taiwan Ltd.	Taiwan
AT&T Global İletişim Servisleri Limited Şirketi Ltd. STI	Turkey
AT&T Global Network Services (UK) B.V.	United Kingdom
AT&T Global Network Services Venezuela, LLC	Venezuela

AT&T is not affiliated with any entity that owns or controls a foreign cable landing station in any of the destination markets covered by BSLD's cable landing licenses.

- (j) The Transferee hereby certifies that it is not a foreign carrier but that it holds controlling interests in certain foreign carriers in destination countries where its subsidiaries provide international service. The carriers and the countries where they provide service are described above in subsection (i).
- (k) AT&T hereby certifies that all of the countries listed in its response to Subsection (i) are WTO Member countries, with the exception of Russia.<sup>3</sup> AT&T certifies that its foreign carrier affiliate in Russia, AT&T Global Network Services, owns no facilities in that destination market and, therefore, lacks market power in Russia, satisfying the requirement of Section 63.18(k)(2).

(9) The Transferee certifies that it accepts and abides by the routine conditions specified in Section 1.767(g), 47 C.F.R. § 1.767(g).

## II. REQUIRED ANTI-DRUG ABUSE ACT CERTIFICATION

The Parties hereby certify that no party to this Application, as defined in 47 C.F.R. § 1.2002(b), is subject to denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 862.

<sup>3</sup> See WTO Members and Observers List, at [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm) (last visited Mar. 24, 2006).

## CONCLUSION


Accordingly, the Parties respectfully request that the Commission grant authority for consummation of the transaction described herein.

Respectfully submitted,

BellSouth Corporation

By: \_\_\_\_\_  
James G. Harralson  
Vice President & Associate General Counsel  
BellSouth Corporation  
1155 Peachtree Street NE  
Suite 1800  
Atlanta, GA 30309-3610  
(404) 249-2641 (phone)  
(404) 249-2385 (facsimile)

AT&T Inc.

By:   
Wayne Watts  
Senior Vice President &  
Associate General Counsel  
AT&T Inc.  
175 East Houston  
San Antonio, TX 78205  
(210) 351-3476 (phone)  
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**CONCLUSION**

Accordingly, the Parties respectfully request that the Commission grant authority for consummation of the transaction described herein.

Respectfully submitted,

BellSouth Corporation

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Vice President & Associate General Counsel  
BellSouth Corporation  
1155 Peachtree Street NE  
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AT&T Inc.

By: \_\_\_\_\_

Wayne Watts  
Senior Vice President &  
Associate General Counsel  
AT&T Inc.  
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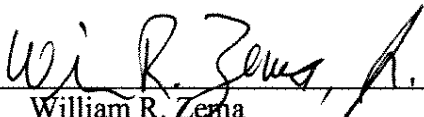
## CERTIFICATE OF SERVICE

The undersigned does hereby certify that a complete copy of the foregoing application was delivered by hand or by first-class United States Mail, postage pre-paid, to the following, on this 31<sup>st</sup> day of March, 2006:

U.S. Coordinator, EB/CIP  
U.S. Department of State  
2201 C Street, N.W.  
Washington, D.C. 20520-5818

Office of the Chief Counsel/NTIA  
U.S. Department of Commerce  
14<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Defense Information Systems Agency  
Code RGC  
701 S. Courthouse Road  
Arlington, VA 22204

By:   
\_\_\_\_\_  
William R. Zema  
Senior Legal Assistant

Merger of  
AT&T Inc. and  
BellSouth Corporation

**Description of Transaction,  
Public Interest Showing and  
Related Demonstrations**

Filed with the Federal Communications Commission  
March 31, 2006

## EXECUTIVE SUMMARY

In 1984, at the time of the Bell System divestiture, the principal telecommunications technology was the narrowband, circuit-switched wireline network, and the principal competitive issue was whether the separation of local service (considered to be a natural monopoly) from interexchange service would allow the latter to flourish as a separate competitive market. Today, the nation's voice, data and video needs are met by numerous competing wireless and wireline networks. No one thinks of local service as a natural monopoly. And no one thinks long distance is a separate, standalone market. Business and mass market customers alike want mobility and broadband, and they have an increasing array of choices for both.

In approving the SBC/AT&T and Verizon/MCI transactions, this Commission concluded that “the proposed transaction is likely to generate several significant merger-specific public interest benefits,”<sup>1</sup> including provision to the government of “additional security and routing efficiency for vital and sensitive government communications,”<sup>2</sup> efficiencies related to “vertical integration of the largely complementary networks and facilities,”<sup>3</sup> significant economies of scale and scope,<sup>4</sup> and substantial cost savings.<sup>5</sup> This

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<sup>1</sup> *In re Applications of SBC Commc 'ns Inc. & AT&T Corp.*, Memorandum Opinion and Order, WC Dkt. No. 05-65, FCC 05-183, ¶ 182 (Nov. 17, 2005) (“*SBC/AT&T Merger Order*”); *In re Applications of Verizon Commc 'ns Inc. & MCI, Inc.*, Memorandum Opinion and Order, WC Dkt. No. 05-75, FCC 05-184, ¶ 193 (Nov. 17, 2005) (“*Verizon/MCI Merger Order*”).

<sup>2</sup> *SBC/AT&T Merger Order* ¶ 186; *Verizon/MCI Merger Order* ¶ 197.

<sup>3</sup> *SBC/AT&T Merger Order* ¶ 191; *Verizon/MCI Merger Order* ¶ 203.

<sup>4</sup> *SBC/AT&T Merger Order* ¶¶ 193-95; *Verizon/MCI Merger Order* ¶¶ 205-07.

<sup>5</sup> *SBC/AT&T Merger Order* ¶¶ 196-204; *Verizon/MCI Merger Order* ¶¶ 208-14.



transaction will bring these benefits to the customers of BellSouth, which is the only BOC without long distance facilities of national scope. It also will bring additional unique benefits in the areas of wireless, video and public safety.

Wireless. AT&T's and BellSouth's wireless operations already are jointly owned through Cingular, which is operated as a separate company with separate management. Although Cingular has been successful, it faces increasing challenges due to its tripartite management structure, particularly as it addresses critical technology choices and invests in new services that merge traditional landline and wireless services. For example, AT&T, BellSouth and Cingular are at various stages in constructing IP-based networks to enable advanced capabilities. This merger will permit integration of those separate networks into a single IP network to carry local and long distance voice, data and wireless traffic, making it possible to offer "follow me" converged wireless/wireline services that will provide voice, data and video content to residential, business and government customers seamlessly across wireless and wireline telephones, personal computers, televisions and myriad other devices.

Video. Although BellSouth is in the midst of deploying a fiber-rich network that is capable of providing IP video services, it has no present plans to provide such services over that network. AT&T, by contrast, is committed to providing a broad array of video programming and other services on an integrated IP platform and already has completed much of the work that will make such services possible. By combining BellSouth's fiber-rich network with AT&T's investments in IPTV technology and content, the combined company will have the resources to deploy video services more quickly in the

BellSouth region than would have occurred absent the merger, reduce the per-subscriber costs of IPTV, spur broadband adoption, and increase the amount and diversity of programming available to the public.

National Security/Disaster Recovery. The Commission found that the SBC/AT&T merger would enhance service to U.S. government agencies and promote national security by creating a “strong, full-service, facilities-based provider capable of delivering integrated end-to-end services to the government on a national or international basis.”<sup>6</sup> Likewise, by enabling network integration and more efficient routing on a broader scale and across a broader geographic scope, this merger will both improve the merged company’s ability to respond expeditiously and effectively to the government’s evolving needs and enhance communications security and reliability. As the Commission recognized in the *SBC/AT&T* and *Verizon/MCI Merger Orders*, these efficiencies must be taken “extremely seriously.”<sup>7</sup>

The merger also will enhance the ability of the combined company to prepare for, and respond to, natural disasters, acts of terrorism and other emergencies. As the White House recently observed in a comprehensive review of the federal response to Hurricane Katrina, disaster preparedness has become a national imperative.<sup>8</sup> The merger will enable the combined company to respond more effectively to disasters that affect the

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<sup>6</sup> *SBC/AT&T Merger Order* ¶ 187.

<sup>7</sup> *Id.* ¶ 186; *Verizon/MCI Merger Order* ¶ 197.

<sup>8</sup> See *The Federal Response to Hurricane Katrina: Lessons Learned*, at 3 (Feb. 2006), available at <http://www.whitehouse.gov/reports/katrina-lessons-learned.pdf> (“*Federal Response to Hurricane Katrina*”).

communications infrastructure than could either company standing alone by combining AT&T's unique disaster recovery capabilities and assets developed to meet the needs of government and enterprise customers that demand extraordinary reliability and responsiveness for their networks with BellSouth's experience in responding to hurricanes and other disasters. The merger also will permit joint planning in advance of catastrophes, enabling faster deployment of personnel and equipment after disasters occur, more rapid restoration of critical communications capabilities, and more effective coordination with the Commission's newly established Public Safety and Homeland Security Bureau, the National Communications System and other key government agencies.

Efficiencies/Consumer Benefits. In approving the SBC/AT&T merger, the Commission recognized that there would be significant efficiencies in combining the complementary operations of the two companies.<sup>9</sup> The new AT&T is already significantly ahead of schedule in recognizing those efficiencies and bringing those benefits to its customers. The efficiencies from combining AT&T's and BellSouth's complementary wireless and wireline operations are equally significant. The Applicants estimate that this merger will produce total efficiencies of \$18 billion, after accounting for the costs of integration and other implementation costs. Those cost savings will allow a stronger network, enable more research and development, enhance service quality and lower costs for consumers.

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<sup>9</sup> *SBC/AT&T Merger Order* ¶¶ 190-92.

Lack of Competitive Harms. While the merger will bring clear and specifically identifiable public interest benefits, it will not harm competition or consumers in any market. There is little competitive overlap between the two companies and, as the Commission concluded in the *SBC/AT&T Merger Order* and intervening market developments confirm, competition is well established in the markets where AT&T and BellSouth traditionally have operated. Indeed, the merger of AT&T and BellSouth involves virtually no increase in horizontal concentration in any relevant market.

*Mass Market.* The merger will in no way reduce mass market competition for the same reasons that underlay the Commission's conclusion that the merger of AT&T and SBC would not adversely affect mass market competition. Mass market competition in BellSouth's region has taken hold and is growing exponentially. Rapid advances in IP technology permit cable companies to offer voice services to their customers. By bundling telephone services with their dominant video and data services, cable companies have won approximately 5.5 million telephone customers, and their telephone subscribership is growing by more than 50 percent per year. Meanwhile, the number of wireless subscribers exceeds the number of wireline customers, wireless carriers have become leading long distance providers, many wireless customers are "cutting the cord" and giving up their landline phones altogether, and competitive local exchange carriers ("CLECs") also continue to compete for mass market customers.

AT&T is not an active competitor in BellSouth's region. Before its merger with SBC, AT&T Corp. made a unilateral business decision to dismantle its legacy mass market business, a process that has continued since the merger. In the last three years,

two-thirds of the legacy AT&T's mass market customers have found another provider. Thus, as the Commission found, "[r]egardless of what role AT&T played in the past, we conclude that AT&T's actions to cease marketing and gradually withdraw from the mass market mean it is no longer a significant provider (or potential provider) of local service, long distance service, or bundled local and long distance service."<sup>10</sup>

The only arguable overlap between AT&T and BellSouth in the mass market involves the AT&T CallVantage VoIP service, and that overlap is not competitively significant. AT&T CallVantage is one of dozens of over-the-top VoIP services that can be provided interchangeably over DSL, cable modem or other broadband connections. The AT&T CallVantage service has less than one-tenth of the leading VoIP provider's customer base nationwide and fewer than 14,000 customers in BellSouth's region.

*Retail Enterprise Services.* There is likewise limited horizontal overlap in the provision of enterprise services. In BellSouth's region, AT&T focuses mainly on serving the largest retail business customers. For its part, BellSouth lacks a national network and other assets required to provide integrated nationwide service to this market segment and has little organic ability to become a more serious competitor. In any event, as the Commission recently found in the *SBC/AT&T Merger Order*, the enterprise segment is populated by sophisticated customers and a wide and growing range of competitors that now includes national interexchange carriers, international carriers, CLECs, IP/data network providers, cable companies, VoIP providers, equipment vendors and systems

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<sup>10</sup> *SBC/AT&T Merger Order* ¶ 103.

integrators. There is no prospect that the merged company could dominate the fiercely competitive enterprise space.

*Wholesale Dedicated Access Services.* AT&T is a fringe supplier of wholesale dedicated access services in the BellSouth region. Its focus is almost entirely on serving retail commercial customers. The incidental wholesale local services that AT&T provides are declining and could readily be replaced by other facilities-based providers. AT&T has local fiber connections to more than ten buildings that are not already served by other CLECs in only two metropolitan areas in BellSouth's ILEC territory. Those dense urban areas (Atlanta and Miami/Fort Lauderdale) are served by many other facilities-based CLECs, and in each of those MSAs, all but about 25 of AT&T's fiber-connected buildings are competitively insignificant under criteria accepted in the SBC/AT&T and Verizon/MCI mergers.

*Internet.* In the *SBC/AT&T Merger Order*, the Commission concluded that the merger would not cause anticompetitive effects in the Internet backbone market. That analysis applies with at least equal force here. BellSouth is not a Tier 1 backbone competitor. Furthermore, as with the SBC/AT&T merger, the presence of numerous other Tier 1 providers, together with the ability of Internet service providers to switch backbone providers, dispel any competitive concerns.

*Size and Scope of Local Operations.* Finally, the combination of AT&T's local telephone operations in the legacy SBC region, and BellSouth's local operations in its region, raises no legitimate concerns. Regulatory conditions imposed on mergers in the immediate aftermath of the 1996 Act have proved unnecessary and costly and, in any

event, could not be justified in today's environment in which local markets are irreversibly open to competition and VoIP, cable, and wireless companies now provide vigorous intermodal competition across all services and market segments. Combining the non-overlapping local operations of AT&T and BellSouth will have straightforward results – efficiencies that better position the merged company to compete.

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The full “Description of Transaction, Public Interest Showing and Related Demonstrations” may be found in the Commission’s Electronic Comment Filing System at <http://www.fcc.gov/cgb/ecfs/> under WC Docket Number 06-74 and is incorporated herein by reference.