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NYNEX

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January 9, 1995

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Re: CC Docket No 94-1

Dear Mr. Caton:

Friday, January 6, Mr. Frank Gumper, Mr. Gordon Evans, Ms. Susanne Guyer and I, representing the NYNEX Telephone Companies (NTCs), met with Ms. Kathleen Wallman, Chief-Common Carrier Bureau, and members of her staff, John Morabito, and Joanne Wall, regarding the item captioned above. Due to the late hour at which the meeting ended on Friday, an *ex parte* filing notice could not be made until today.

The attached material served as the basis for the presentation and the ensuing discussion. Any questions on this matter should be directed to me at either the address or the telephone number shown above.

Sincerely,

Ken. Rust

Attachments

cc: K. Wallman
J. Morabito
J. Wall

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FEDERAL COMMUNICATIONS COMMISSION
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NYNEX
PRICE CAP REVIEW

SHARING

- Sharing mechanism should be eliminated to go to pure Price Cap plan

- However, If the Commission decides to:
  - Retain sharing, or
  - Provide a "No sharing" option with a buy-in

  Then it is necessary to have an option allowing elimination of sharing based on a competitive showing

NYNEX
PRICE CAP REVIEW

PRODUCTIVITY

- Should be based on historical Total Factor Productivity (TFP) for industry

- Commission should adopt a 5 year "Rolling Average" TFP with a 2 year lag.
    - Captures changes in industry productivity

- Government precedent - Interstate Commerce Commission (ICC) instituted a rolling average for railroad industry in 1989

- Retain a CPD of 0.5%

- If Sharing retained, Keep TFP + 1% option with larger sharing bands.

NYNEX
PRICE CAP REVIEW

PRICING FLEXIBILITY

- Expanded pricing flexibility is needed to meet competition and satisfy customers

- Equalize all lower banding limits (zones, subcategory, category) to -20% for the trunking and local service categories

- Below band filings are not a solution - they impose administrative burdens and cause delay

- Allow variations in local switching rates by zone

NYNEX
PRICE CAP REVIEW

EXOGENOUS COST ADJUSTMENTS

- Limit exogenous treatment to those currently allowed items whose aggregate amount exceeds 0.5% of interstate revenues
  - File for differential of aggregate amount over 0.5% benchmark
  - Maintain existing definition of allowed exogenous items

Sharing and Access Reform: Conflicting Goals

It is generally recognized that the existence of a sharing mechanism in a price cap regime represents a less than optimal situation. The incentives of a firm toward greater efficiency that form the basis of any price cap plan are muted by any requirement to "give back" some of the gains made by the firm, and it is only when the loss of that greater efficiency is more than offset by the need for consumer safeguards that sharing can be justified. Under this situation, one must view sharing, then, as a necessary evil, a consumer safety net in case a productivity factor is set too low and earnings will otherwise rise to immoderate levels because market forces are not present in sufficient amounts to maintain prices at economic costs. In the current review of price caps, the record supports the elimination of sharing. If the Commission decides to retain sharing, however, or eliminate it only through an option involving a higher productivity hurdle, it must also allow for the elimination of sharing through a competitive showing. This paper will examine in brief the implications of a sharing requirement on attempts to reform Access pricing, and under what circumstances this "necessary evil" can and should be eliminated.

Sharing and Competition

The case for a sharing mechanism essentially rests on the absence of vigorous competition in a market. The salutary economic benefits of competition are well known and can be listed, but they amount to no more than an assurance that consumers reap some benefit from the market forces put on firms. Other means exist to create these assurances, and the Commission can employ these less efficient alternatives to market forces if it desires to eliminate the sharing mechanism. The Consumer Productivity Dividend (CPD) is one such mechanism. It exists solely to raise the hurdle over which LECs must pass to realize the advantages of price caps. It is possible, therefore, that some firms could and would accept a yet higher CPD hurdle to gain the greater efficiencies that come with a pure price cap regime. This option, however, is only feasible for firms not yet embroiled in a highly competitive market. This is so because, as competition takes hold in a market, and until market share stabilizes, competition dampens productivity and earnings to a degree that will not allow a firm to overcome any greater hurdle. In such a situation, productivity will decline during a transition period as outputs, i.e., demand and revenues, are eroded more rapidly by competition than most inputs can be reduced, viz., fixed expenses and common overheads cannot in the short term decline as rapidly. In the long term, as corporate downsizing takes effect, market share stabilizes, and a smaller, leaner firm emerges, productivity can increase again; but at that point, however, competition has been firmly established as the regulator of the marketplace. Long before that point is reached, of course, a sharing requirement is unnecessary. The historical results of earnings and demand for NYNEX since the inception of Price Caps suggest that it is in this transition phase, and that the Commission must now consider a means by which carriers like NYNEX, which cannot

"afford" to provide the expedient assurances of an inflated CPD, can make a sufficient showing that sharing is no longer necessary based on the existence of competition.

Sharing and Access Reform

Establishing criteria that will allow for the elimination of this "necessary evil" is important to the Commission for two reasons. First, sharing must be eliminated before Access Reform can be implemented, because a necessary part of such reform is the need to remove portions of broad markets from under price cap regulation as competition for services grows and becomes firmly rooted in geographic pockets throughout a serving area. We'll examine this impetus in a moment. The second reason sharing must be eliminated as markets become more competitive has to do with the need to eliminate the lower formula adjustment ((LFA). The LFA cannot be equitably eliminated unless the requirement to share is also done away with, since the two were crafted to provide a balanced approach to protecting consumers from excessive LEC earnings if the X factor was set too low, and, at the other end, protecting LEC stockholders from confiscatory earnings levels if the X factor were set too high.

To elaborate further on this second reason before returning to the first, it should be noted that competition in the transition period will erode earnings, and that earnings can therefore decline to a level that would trigger a LFA, if provisions for one exist. Implementing a LFA would mean that, in areas and services with relatively inelastic demand, competitive losses could be partially recouped by a LEC. Pressure for sustained short term earnings, combined with the essentially inelastic demand of some services in some areas, e.g., residential and small business customers in rural areas, would encourage this unintended abuse of the LFA. The LFA must be eliminated as markets become competitive, and the Commission can only do so by also eliminating sharing.

Returning now to the first reason that sharing should be eliminated, the Commission must envision the patchwork of competitive areas and services that is rapidly forming, and which requires a targeted approach to regulatory relief. The NYNEX Universal Service Preservation Plan (USPP) provides an example of the type of disaggregation that could be useful in differentiating among services and zones within a region, although it is not the only valid approach. The USPP distinguishes between multi-line and single-line customer services, and it establishes three different zones based on the amount of competition that is present in each, with Zone 1 representing the most competitive zone. One would expect that the most competition would be for multi-line customers in Zone 1 (as in fact is the case), and that it would be those services in Zone 1 that would first be granted streamlined regulation because of competition.

With a requirement for sharing still in place, however, and with the Part 69 requirement to allocate costs on a study-area level, no services in *any* zone, no matter how competitive, could be removed from under price caps, because of the need to extract out the associated costs and revenues, and the impossibility of doing so on such a sub-study-

area, sub-switch basis. Since telephone switching equipment provides multiple services in each central office (CO), and since only *some* services would be competitive in that CO, an allocation mechanism would have to be developed on a switch-by-switch basis -- essentially an accounting morass. The upcoming tariff filings for Video Dialtone may raise this problem even before any Access Reform efforts are completed.

One possible solution to the cost allocation problem with the sharing requirement in place would be to allow cost allocation below a study-area level, and to remove *all* services in a zone from price cap regulation, once competition in that zone has reached a predetermined level. That would solve the problem of needing to apportion switch costs, but, even apart from the Part 69 changes it would require, it would create a situation in which all services in an area or zone are removed from price cap regulation even though only some customers in that area (e.g., multi-line customers) have competitive alternatives. Another solution might be to treat services removed from under price caps as is done today, viz., assume that revenues equal costs for these services. Such an approach works well enough when the services and associated revenues outside of price caps are quite small. Once major portions of revenues are removed from under price caps, however, the charge could be made that the return from these competitive services is drawing down the overall return and thereby lessening a sharing obligation and allowing less competitive services to absorb and offset the downward pressure on competitive service rates.

The politically more palatable approach of targeting regulatory relief more precisely is possible only with a two-dimensional approach like the one employed in the NYNEX USPP, and that approach requires that there be no requirement for sharing. Fortunately, since both the need for regulatory relief and a case for the elimination of sharing can be based on the presence of competition, an elegant solution is possible in the form of establishing criteria that will allow the Commission to eliminate sharing on a LEC-specific basis, once competitive inroads are sufficient.

Criteria To Be Used

The criteria to be used in assessing whether sharing can be eliminated will no doubt be the subject of much debate, hence, the Commission must begin immediately to consider them. NYNEX suggests that they include both quantitative and qualitative elements, since the latter alone may not provide adequate assurances, and the former are necessarily historical and inequitably dilatory in a time of rapid change in the marketplace. Quantitative data should be based largely on earnings trends, supplemented by demand data, rather than solely on market share, which is difficult for LECs to obtain and in any case is less meaningful when seeking to assess competitive inroads across an entire region. Quantitative data should largely be used to see if competition has formed, whereas qualitative data should be used to confirm that the competition that *has* formed will flourish. In that regard, information on the deployment of competing networks, LEC efforts to promote competition, and the regulatory environment in a region should be key. The showing ought to be that a "substantial

portion" of LEC revenues across a region are subject to competitive threats, and that the LEC and regulators in the region have taken actions that allow for robust competition. The qualitative criteria include:

- Are competitors (CLECs) allowed interconnection to points within the LEC network where technically and economically feasible?

- Do CLECs have access, on an unbundled basis, to LEC network functions, services, and information, including databases, signaling, and network routing processes?

- Do CLECs have equal access to poles, conduits, and rights of way?

- Does the LEC integrate competitors' Class 4 and 5 switches into the LEC traffic routing plan through unbundled switching and facility elements at cost-based rates?

- Are CLECs allowed to resell and share unbundled LEC network services?

- Have state and federal franchise restrictions to entry been eliminated, so that any competitor can enter the local exchange market?

- Do CLECs have non-discriminatory access to telephone numbers?

- Do LECs and their competitors compensate each other for terminating traffic on each others' network?

- Have LECs and CLECs established cooperative engineering, operational, maintenance, and administrative practices and procedures?

- Has the LEC taken reasonable efforts to make telephone numbers portable?

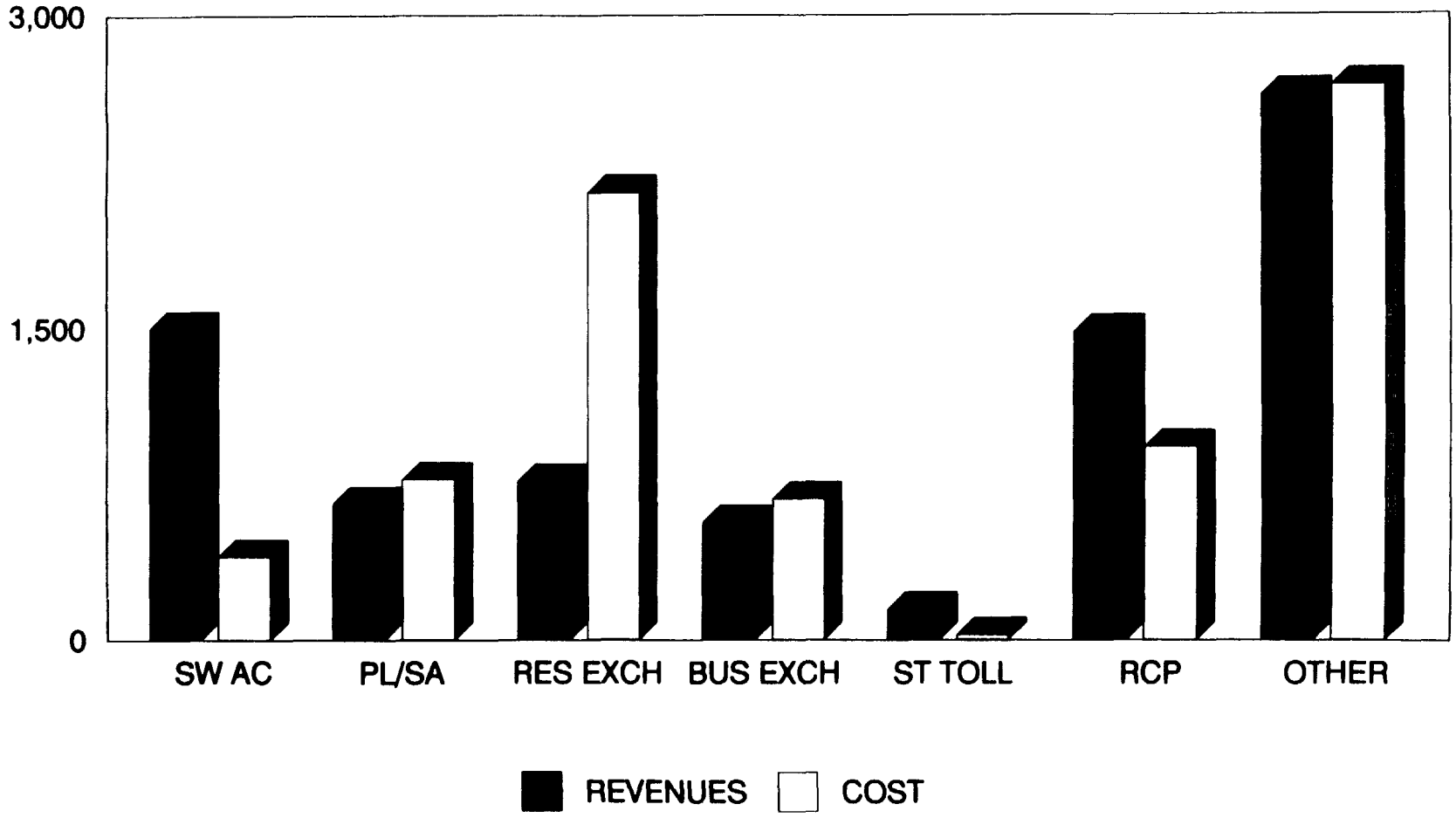
Armed with the assurances derived from these quantitative and qualitative data, the Commission would then act to eliminate the sharing requirement for the petitioning LEC. It would still require further, particularized information, if the LEC contended also that some classes of services in certain areas or zones faced demonstrably sufficient competition to warrant having them removed from price cap regulation. The showing for regulatory relief would still rely on a mix of quantitative and qualitative data, but, because of the localized nature of the competition, a heavier reliance could be placed on quantitative data, including market share.

Conclusions

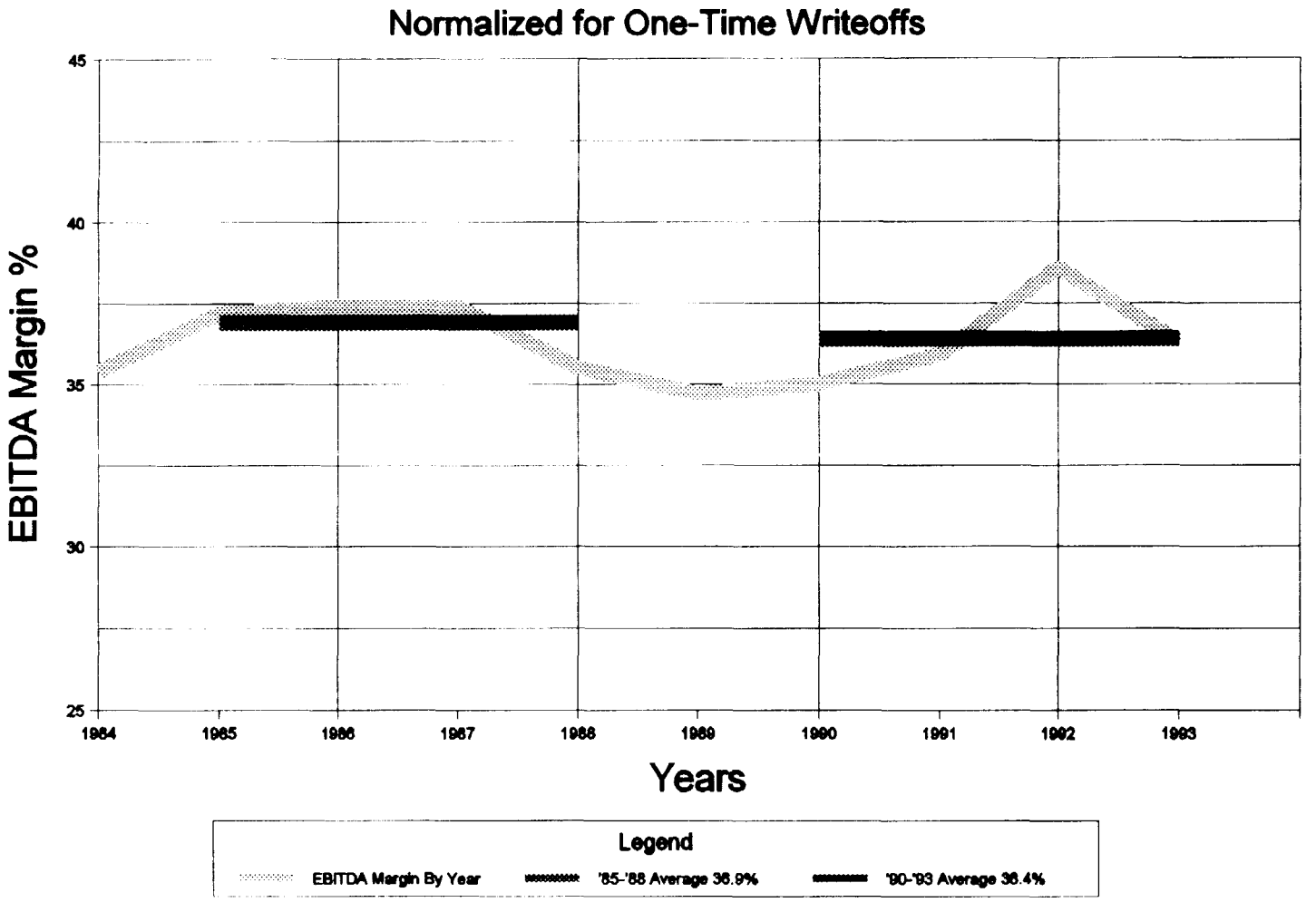
The Commission can and should eliminate the sharing requirement. To address the concerns expressed by some parties in this proceeding, two methods can be developed to allow it to achieve this desirable end: 1) it can impose an additional CPD to insure that LECs with the ability to do so can flow the effects of a greater productivity offset to

consumers; 2) it can establish criteria that will provide it assurances that consumers will benefit because competition has developed in a region. In the rapidly evolving environment in which a nationwide, homogenous market no longer exists, and which requires the singling out of individual areas and services ripe for access reform, the Commission must take steps now to allow consumers to gain the benefits of a pure price cap regime and to allow LECs contribute to the growth of the competitive marketplace and to the robust deployment of the Information Age infrastructure.

TOTAL SERVICE SPECIFIC COST STUDY
NYNEX-NEW YORK STATE
($ MILLIONS)



NYNEX EBITDA MARGIN



Merrill Lynch

December 9, 1994

Global

Telecommunications Services

Global Valuation and Statistical Review

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*EBITDA = Earning before interest, depreciation and amortization, and taxes.
**Cash Flow = Net income + depreciation and other non-cash items.

Note: Unless otherwise specified, all analysis is done in local currency and converted to dollars at the current exchange rate. Whenever possible, earnings are adjusted to reflect US GAAP requirements.

Table 1

Valuation Comparisons

(Prices as of December 9, 1994)

Company (Ticker/ADR)	Rating***	12/9/94 US ADR or Ord Sh Pr	Aggregate Value/1995E EBITDA[2]	1994E[1] P/E&	1994E P/CF*&	1995E[1] P/E&	1995E P/CF*&	Proj. 5-Yr Gr&	1995 P/CF*: Growth	1995 P/E: Growth
North America										
Ameritech (AIT)	B-3-3-7	$40.88	5.4	13.5	5.8	12.2	5.5	6%	0.92	2.03
Bell Atlantic (BEL)/p/	B-2-2-7	$50.25	5.2	14.2	5.2	13.2	5.0	6%	0.86	2.28
BellSouth (BLS)/#/	B-3-3-7	$53.13	4.5	12.9	5.0	11.9	4.7	6%	0.81	2.06
NYNEX (NYN)/p/	B-3-3-7	$37.13	4.8	12.6	4.0	11.6	3.9	6%	0.64	1.93
Pacific Telesis (PAC)/p/	B-3-3-7	$28.88	4.3	10.5	4.2	10.3	4.1	3%	1.64	4.13
SBC Communications (SBC)/p/	B-2-2-7	$40.75	6.0	14.7	6.5	13.4	6.1	9%	0.69	1.52
US West (USW)	B-2-2-7	$35.25	4.7	12.7	4.9	12.2	4.8	6%	0.82	2.10
RBOC Average			**5.0**	**13.0**	**5.1**	**12.1**	**4.9**	**6%**	**0.91**	**2.29**
GTE (GTE)	B-3-2-7	$30.88	5.0	13.1	5.4	12.4	5.2	8%	0.65	1.54
Alltel (AT)/p/	B-3-1-7	$27.88	6.4	17.1	8.2	15.5	7.9	11%	0.71	1.41
Rochester Tel (RTC)/#/	B-3-2-7	$21.13	4.8	15.3	6.3	14.1	5.9	10%	0.59	1.41
So. New England Tel (SNG)	B-3-2-7	$33.00	4.2	11.9	4.4	12.0	4.3	6%	0.77	2.18
Lincoln Telecom (LTEC)/q/p/	B-3-2-7	$15.25	5.1	13.6	7.3	12.7	6.9	8%	0.87	1.59
Citizens Utilities (CZNA,CZNB)/#/	C-3-2-9	$12.88	9.1	16.7	9.2	16.3	8.6	8%	1.08	2.04
AT&T (T)	A-2-2-7	$48.88	7.5	15.4	8.4	13.8	7.8	12%	0.65	1.15
MCI Communications (MCIC)/p/q/	B-3-2-7	$19.23	4.3	13.3	6.0	12.8	5.6	12%	0.47	1.07
Sprint (FON)/p/	C-2-2-7	$29.88	4.2	11.7	4.5	10.7	4.2	13%	0.32	0.82
ALC Communications (ALC)	D-3-2-9	$28.00	7.7	16.8	13.2	14.2	11.2	18%	0.62	0.79
LCI International (LCII)/p/q/	D-2-1-9	$21.50	8.3	21.9	11.3	17.9	9.9	20%	0.49	0.90
LDDS Communications (LDDS)/p/q/	RVW	$18.38	5.8	17.5	NA	13.9	NA	NA	NA	NA
Bell Canada Ent. (BCE)	NA	$32.88	3.7	14.6	4.1	12.8	3.9	5%	0.78	2.56
Average - North America			**5.4**	**14.4**	**6.3**	**13.0**	**5.9**	**9%**	**0.73**	**1.76**
Europe										
British Telecom (BTY)	A-2-3-7	$59.00	5.0	14.8	6.2	12.5	5.6	6%	0.93	2.09
Cable & Wireless (CWP)	C-2-1-7	$17.13	4.8	16.0	7.7	13.0	6.5	13%	0.50	1.00
Telecom Italia (SSITF)	C-2-2-7	$2.34	3.0	19.6	2.8	19.6	2.6	20%	0.13	0.98
STET (STFEY)/v/	C-2-3-7	$27.36	3.0	17.3	2.0	15.8	1.8	15%	0.12	1.05
TeleDanmark (TLD)/p/	B-2-1-7	$24.75	4.6	16.5	6.8	11.8	5.6	13%	0.43	0.91
KPN (KINPF)/@/	B-2-3-7	$30.82	4.0	12.1	4.3	11.5	4.1	6%	0.68	1.92
Telefonica de Espana (TEF)/#/	B-2-1-7	$38.25	3.9	15.4	3.1	12.1	2.6	13%	0.20	0.93
Bezeq (Israel)	NA	$1.75	2.9	11.6	1.8	9.5	1.5	15%	0.10	0.64
Average - Europe			**3.9**	**15.4**	**4.3**	**13.2**	**3.8**	**13%**	**0.39**	**1.19**
Latin America										
Telefonos de Chile (CTC)	NA	$82.00	9.6	16.7	11.7	15.0	7.9	15%	0.53	1.00
ENTEL (Chile)	NA	$10.05	7.1	9.9	7.6	9.4	7.3	15%	0.49	0.63
Telefonos de Mexico (TMX)/p/g/	C-3-2-7	$51.75	4.9	9.2	6.7	8.3	6.2	13%	0.48	0.64
Telef. de Argentina (TFOBF)(TAR)/q/	NA	$53.63	6.4	16.2	8.1	13.3	7.3	21%	0.35	0.63
Telecom Argentina/p/	NA	$55.00	8.4	20.2	8.9	15.2	7.9	22%	0.36	0.69
Atlantic Tele-Net. (ATNI)	NA	$8.25	3.5	8.7	3.4	7.2	3.1	15%	0.21	0.49
Telebras (TBRAY)/v/	D-2-1-7	$49.05	6.1	33.8	6.0	25.7	5.6	30%	0.19	0.86
Telesp (BRZTF)/z/	D-3-1-7	$496.45	9.0	39.9	10.7	20.0	8.2	25%	0.33	0.80
Average - Latin America			**6.9**	**19.3**	**7.9**	**14.2**	**6.7**	**19%**	**0.37**	**0.72**
Asia/Pacific										
Nippon Telegr. & Teleph.	NA	$42.13	8.2	175.4	NA	64.2	NA	25%	NA	2.57
Telekom Malaysia (MYTEF)/y/	C-3-3-7	$6.20	9.4	21.9	12.7	19.7	10.9	16%	0.68	1.22
Hongkong Telecom (HKT)/p/p/	C-2-1-7	$18.38	11.6	18.1	15.2	15.6	13.2	15%	0.88	1.04
Philippine Long Dist. (PHI)	D-3-2-7	$51.75	7.7	17.4	10.2	13.9	8.3	10%	0.83	1.39
Singapore Telecom (SNGTF)/y/	B-4-3-7	$1.87	16.8	31.3	24.8	26.7	21.5	17%	1.29	1.60
PT Indosat (IIT)/p/w/	C-2-2-7	$32.25	13.2	23.5	21.1	17.7	16.0	18%	0.89	0.98
TelecomAsia (Thailand)	NA	$2.93	26.2	NM	176.3	61.3	35.8	NA	NA	NM
Thai Telephone & Telecom	NA	$5.90	22.0	NM	120.9	70.5	31.5	NA	NA	NM
VSNL (India)	NA	$31.89	20.7	33.3	24.0	25.0	19.0	34%	0.56	0.74
Telecom New Zealand (NZT)	B-3-2-7	$51.00	7.0	16.2	9.1	14.6	8.4	12%	0.73	1.27
DACOM (Korea)(DCMKF)/y/	D-4-3-7	$135.22	21.0	200.6	35.7	173.7	27.4	15%	1.83	11.58
Average - Asia/Pacific			**14.9**	**59.7**	**45.0**	**45.7**	**19.2**	**18%**	**0.96**	**2.49**
Average - Asia/Pacific w/o NTT			**15.6**	**45.3**	**45.0**	**43.9**	**19.2**	**17%**	**0.96**	**2.48**
Average:			7.4	20.6	14.5	17.7	8.3	13%	0.63	1.38
Cap Wtd:			7.0	47.1	10.3	24.8	7.7	14%	0.68	1.71
Cap Wtd w/o NTT:			6.8	17.1	10.3	15.7	7.7	12%	0.68	1.51
Cap Wtd w/o NTT & Sing Tel:			6.2	16.3	9.5	15.1	6.9	11%	0.65	1.51

Footnotes: Italicized companies are rated above average or higher. [1] Companies with fiscal year ending on 3/31 are included with companies with fiscal year ending 12/31 of the previous year. [2] EBITDA = Earnings before interest, depreciation and amortization, and taxes. Merrill Lynch estimates, except LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT, and VSNL which are consensus estimates or interim finanical stmts annualized and TelecomAsia and ThaiTel which are company forecasts. [3] Home Market Data Source. Merrill Lynch analysts. NA = Not available. NM = Not meaningful.

Table 1 (Continued)

Valuation Comparisons
(as of December 9, 1994)

1994 Yield vs. Home Mkt[3]	1995 P/E vs. Home Mkt[3]	Mkt Cap % of Home Market	Stock Perfomance ($US) 3-Month	6-Month	12-Month	Home Mkt YOY change ($US) 12/9/94	YOY change Telco vs. Home Market	
								North America
1.62	0.91	0.5%	-0.3%	3.5%	3.8%	-3.7%	7.5%	Ameritech (AIT)
1.89	0.99	0.5%	-7.6%	-7.6%	-18.0%	-3.7%	-14.3%	*Bell Atlantic (BEL)*
1.79	0.89	0.6%	-8.2%	-12.0%	-8.8%	-3.7%	-5.1%	BellSouth (BLS)
2.19	0.87	0.3%	-2.6%	-2.3%	-11.3%	-3.7%	-7.6%	NYNEX (NYN)
2.60	0.77	0.3%	-10.5%	-5.7%	NM	-3.7%	NM	Pacific Telesis (PAC)
1.34	1.00	0.5%	-2.1%	-4.7%	-6.3%	-3.7%	-2.6%	*SBC Communications (SBC)*
2.09	0.91	0.4%	-13.0%	-13.2%	-24.8%	-3.7%	-21.1%	*US West (USW)*
1.93	**0.90**	3.1% **	**-6.3%**	**-6.0%**	**-10.9%**	**-3.7%**	**-7.2%**	**RBOC Average**
2.10	0.92	0.7%	0.4%	-2.4%	-15.4%	-3.7%	-11.7%	GTE (GTE)
1.19	1.16	0.1%	-0.4%	5.7%	-2.2%	-3.7%	1.5%	Alltel (AT)
1.32	1.05	0.0%	-7.1%	-10.6%	-10.1%	-3.7%	-6.4%	Rochester Tel (RTC)
1.84	0.90	0.0%	0.4%	-0.4%	-9.6%	-3.7%	-5.9%	So. New England Tel (SNG)
1.18	0.95	0.0%	-1.6%	1.7%	-22.8%	-3.7%	-19.1%	Lincoln Telecom (LTEC)
ND	1.25	0.1%	-7.2%	-9.6%	-28.5%	-3.7%	-24.8%	Citizens Utilities (CZNA,CZNB)
0.93	1.03	1.7%	-10.3%	-12.5%	-11.5%	-3.7%	-7.8%	*AT&T (T)*
0.09	0.96	0.3%	-20.3%	-21.9%	-23.1%	-3.7%	-19.4%	MCI Communications (MCIC)
1.15	0.80	0.2%	-23.9%	-24.1%	-7.7%	-3.7%	-4.0%	*Sprint (FON)*
ND	1.06	0.0%	-22.2%	-8.6%	3.2%	-3.7%	6.9%	*ALC Communications (ALC)*
ND	1.34	0.0%	11.7%	9.6%	26.5%	-3.7%	30.2%	*LCI International (LCII)*
ND	1.04	0.1%	-22.6%	2.1%	-16.9%	-3.7%	-13.2%	LDDS Communications (LDDS)
1.99	0.34	3.7%	-5.1%	-7.4%	-6.4%	-9.6%	3.2%	Bell Canada Ent. (BCE)
1.61	**0.94**		**-8.0%**	**-6.3%**	**-8.2%**	**-4.0%**	**-4.1%**	**Average - North America**
								Europe
0.89	1.18	3.3%	-3.7%	5.1%	-15.7%	-5.1%	-10.6%	*British Telecom (BTY)*
0.45	1.22	1.1%	-16.0%	-16.5%	-25.1%	-5.1%	-20.0%	*Cable & Wireless (CWP)*
0.50	1.09	10.7%	-15.4%	-17.4%	19.7%	6.0%	13.8%	*Telecom Italia (SSITF)*
0.54	0.88	10.2%	-9.2%	-20.9%	20.6%	6.0%	14.6%	*STET (STFEY)*
2.22	0.70	14.0%	-12.0%	0.5%	NA	NA	NA	*TeleDanmark (TLD)*
2.81	1.02	7.9%	0.7%	11.7%	NA	11.0%	NA	*KPN (KINPF)*
0.60	1.10	10.2%	-6.1%	-6.7%	1.3%	3.4%	-2.1%	*Telefonica de Espana (TEF)*
NA	NA	2.5%	-4.4%	-7.4%	NA	NA	NA	Bezeq (Israel)
1.14	**1.03**		**-8.3%**	**-6.4%**	**0.2%**	**2.7%**	**-0.8%**	**Average - Europe**
								Latin America
0.87	0.78	6.4%	-7.5%	-14.9%	-2.5%	57.2%	-59.7%	Telefonos de Chile (CTC)
2.85	0.49	1.4%	-15.6%	-27.9%	NA	57.2%	NA	ENTEL (Chile)
1.43	0.62	14.9%	-18.8%	-18.9%	-13.0%	-11.8%	-1.2%	Telefonos de Mexico (TMX)
1.14	1.00	15.4%	-24.1%	-26.0%	-9.5%	-9.7%	0.2%	Telef. de Argentina (TFOBF)(TAR)
0.80	1.14	13.2%	-21.7%	-14.7%	9.5%	-9.7%	19.2%	Telecom Argentina
0.84	0.54	NA	-15.4%	-2.9%	-34.7%	-3.7%	-31.0%	Atlantic Tele-Net. (ATNI)
0.88	1.74	9.2%	-5.7%	14.1%	36.3%	64.3%	-28.1%	*Telebras (TBRAY)*
1.77	1.35	5.0%	7.9%	50.9%	53.2%	64.3%	-11.1%	Telesp (BRZTF)
1.32	**0.96**		**-12.6%**	**-4.8%**	**5.6%**	**26.0%**	**-16.0%**	**Average - Latin America**
								Asia/Pacific
0.85	1.48	3.4%	-5.1%	0.0%	28.7%	20.7%	8.0%	Nippon Telegr. & Teleph.
0.80	1.01	5.5%	-26.6%	-12.6%	-21.7%	-15.1%	-6.6%	Telekom Malaysia (MYTEF)
1.16	1.20	6.5%	-12.5%	-5.2%	-7.5%	-22.2%	14.7%	*Hongkong Telecom (HKT)*
1.37	0.87	5.3%	-15.9%	-26.5%	-20.2%	-8.3%	-11.9%	Philippine Long Dist. (PHI)
0.76	1.64	15.1%	-19.7%	-19.5%	-22.6%	-1.3%	-21.2%	Singapore Telecom (SNGTF)
0.77	1.03	6.6%	NA	NA	NA	-16.6%	NA	*PT Indosat (IIT)*
ND	NM	4.5%	-27.6%	-22.5%	NA	-12.8%	NA	TelecomAsia (Thailand)
ND	NM	2.0%	NA	NA	NA	-12.8%	NA	Thai Telephone & Telecom.
0.32	0.92	1.6%	-8.0%	-19.9%	NA	17.1%	NA	VSNL (India)
1.15	1.32	23.3%	-1.4%	6.3%	16.6%	2.3%	14.3%	Telecom New Zealand (NZT)
0.36	NM	0.8%	-10.9%	30.9%	126.2%	25.7%	100.5%	DACOM (Korea) (DCMKF)
0.84	**1.18**		**-14.2%**	**-7.7%**	**14.2%**	**-2.1%**	**14.0%**	**Average - Asia/Pacific**
0.84	**1.14**		**-15.3%**	**-8.6%**	**11.8%**	**-4.4%**	**15.0%**	**Average - Asia/Pacific w/o NTT**
1.31	1.01		-9.9%	-7.1%	-4.8%		-6.3%	**Average**
1.20	1.11		-8.9%	-6.3%	0.3%		-3.1%	**Cap Wtd**
1.29	1.03		-9.7%	-7.7%	-7.3%		-6.3%	**Cap Wtd w/o NTT**
1.31	0.99		-9.2%	-7.1%	-6.0%		-5.0%	**Cap Wtd w/o NTT & Sing Tel**

* Cash Flow = Net Income + Depreciation. ** Total RBOC's as % of Market Cap. *** Merrill Lynch does not have coverage for stocks with NA rating. & Merrill Lynch estimates except for LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT and VSNL which are consensus estimates, and TelecomAsia and ThaiTel which are company estimates.

Table 2

Equity Multiples
(as of June 28, 1994)

Company (Ticker/ADR)	1993 [1] EPS	P/E	CF*	P/CF*	1994E [1] EPS [2]	P/E	CF [2]	P/CF*	1995E [1] EPS [2]	P/E	CF [2]	P/CF*
North America												
Ameritech (AIT)	2.74	14.9	6.71	6.1	3.03	13.5	7.10	5.8	3.35	12.2	7.41	5.5
Bell Atlantic (BEL)	3.44	14.6	9.25	5.4	3.55	14.2	9.60	5.2	3.80	13.2	10.12	5.0
BellSouth (BLS)	3.64	14.6	9.90	5.4	4.13	12.9	10.71	5.0	4.45	11.9	11.38	4.7
NYNEX (NYN)	3.15	11.8	9.28	4.0	2.95	12.6	9.22	4.0	3.20	11.6	9.63	3.9
Pacific Telesis (PAC)	2.71	10.7	6.90	4.2	2.75	10.5	6.94	4.2	2.80	10.3	7.04	4.1
SBC Communications (SBC)	2.48	16.4	5.83	7.0	2.77	14.7	6.26	6.5	3.05	13.4	6.67	6.1
US West (USW)	2.72	13.0	7.38	4.8	2.78	12.7	7.25	4.9	2.90	12.2	7.38	4.8
RBOC Average		**13.7**		**5.3**		**13.0**		**5.1**		**12.1**		**4.9**
GTE (GTE)	2.20	14.0	5.87	5.3	2.35	13.1	5.73	5.4	2.50	12.4	5.93	5.2
Alltel (AT)	1.39	20.1	2.47	11.3	1.63	17.1	3.38	8.2	1.80	15.5	3.55	7.9
Rochester Tel (RTC)	1.21	17.5	3.09	6.8	1.38	15.3	3.37	6.3	1.50	14.1	3.60	5.9
So. New England Tel (SNG)	2.53	13.0	7.15	4.6	2.77	11.9	7.42	4.4	2.75	12.0	7.75	4.3
Lincoln Telecom (LTEC)	1.01	15.1	1.90	8.0	1.12	13.6	2.09	7.3	1.20	12.7	2.20	6.9
Citizens Utilities (CZNA,CZNB)	0.71	18.1	1.35	9.5	0.77	16.7	1.40	9.2	0.79	16.3	1.49	8.6
AT&T (T)	2.58	18.9	5.78	8.5	3.18	15.4	5.85	8.4	3.55	13.8	6.23	7.8
MCI Communications (MCIC)	1.30	14.8	2.75	7.0	1.45	13.3	3.22	6.0	1.50	12.8	3.41	5.6
Sprint (FON)	1.99	15.0	5.87	5.1	2.55	11.7	6.63	4.5	2.80	10.7	7.17	4.2
ALC Communications (ALC)	1.23	22.8	1.58	17.7	1.67	16.8	2.12	13.2	1.97	14.2	2.51	11.2
LCI International (LCII)	0.34	64.2	1.72	12.5	0.98	21.9	1.91	11.3	1.20	17.9	2.18	9.9
LDDS Communications (LDDS)	0.85	21.6	0.85	21.6	1.05	17.5	NA	NA	1.32	13.9	NA	NA
Bell Canada Ent. (BCE)	1.78	18.5	7.61	4.3	2.25	14.6	8.00	4.1	2.57	12.8	8.38	3.9
Average - North America		**18.7**		**7.9**		**14.4**		**8.3**		**12.9**		**5.9**
Europe												
British Telecom (BTY)	4.29	13.8	9.26	6.4	3.98	14.8	9.45	6.2	4.71	12.5	10.58	5.6
Cable & Wireless (CWP)	1.07	16.0	2.07	8.3	1.07	16.0	2.21	7.7	1.32	13.0	2.65	6.5
Telecom Italia (SSITF)	0.09	26.7	0.82	2.8	0.12	19.6	0.85	2.8	0.12	19.6	0.90	2.6
STET (STFEY)	1.31	20.9	13.11	2.1	1.58	17.3	13.70	2.0	1.73	15.8	14.89	1.8
TeleDanmark (TLD)	0.97	25.5	3.15	7.9	1.50	16.5	3.64	6.8	2.10	11.8	4.45	5.6
KPN (KINPF)	2.54	12.1	7.42	4.2	2.55	12.1	7.15	4.3	2.67	11.5	7.51	4.1
Telefonica de Espana (TEF)	2.38	16.1	10.97	3.5	2.48	15.4	12.38	3.1	3.15	12.1	14.71	2.6
Bezeq (Israel)	0.13	13.4	0.71	2.5	0.15	11.6	0.95	1.8	0.18	9.5	1.21	1.5
Average - Europe		**18.1**		**4.7**		**15.4**		**4.3**		**13.2**		**3.8**
Latin America												
Telefonos de Chile (CTC)	5.04	16.3	7.47	11.0	4.91	16.7	7.00	11.7	5.45	15.0	10.32	7.9
ENTEL (Chile)	0.92	10.9	1.22	8.2	1.02	9.9	1.32	7.6	1.07	9.4	1.37	7.3
Telefonos de Mexico (TMX)	5.48	9.5	7.25	7.1	5.60	9.2	7.74	6.7	6.25	8.3	8.32	6.2
Telef. de Argentina (TFOBF)(TAR)	2.55	21.0	5.50	9.8	3.32	16.2	6.60	8.1	4.04	13.3	7.30	7.3
Telecom Argentina	2.00	27.5	5.66	9.7	2.72	20.2	6.16	8.9	3.63	15.2	6.96	7.9
Atlantic Tele-Net (ATNI)	0.80	10.3	2.44	3.4	0.95	8.7	2.41	3.4	1.15	7.2	2.65	3.1
Telebras (TBRAY)	1.28	38.3	7.86	6.2	1.45	33.8	8.14	6.0	1.91	25.7	8.78	5.6
Telesp (BRZTF)	13.12	37.8	45.15	11.0	12.44	39.9	46.41	10.7	24.88	20.0	60.72	8.2
Average - Latin America		**21.5**		**8.3**		**18.3**		**7.8**		**14.2**		**6.7**
Asia/Pacific												
Nippon Telegr. & Teleph.	0.16	263.7	NA	NA	0.24	175.4	NA	NA	0.66	64.2	NA	NA
Telekom Malaysia (MYTEF)	0.24	28.1	0.41	15.2	0.28	21.9	0.49	12.7	0.31	19.7	0.57	10.9
Hongkong Telecom (HKT)	0.88	20.9	1.05	17.6	1.01	18.1	1.21	15.2	1.18	15.6	1.40	13.2
Philippine Long Dist. (PHI)	3.75	13.8	5.38	9.6	2.98	17.4	5.08	10.2	3.72	13.9	6.27	8.3
Singapore Telecom (SNGTF)	0.05	34.9	0.07	27.8	0.06	31.3	0.08	24.8	0.07	26.7	0.09	21.5
PT Indosat (IIT)	1.28	25.2	1.42	22.7	1.37	23.5	1.53	21.1	1.82	17.7	2.02	16.0
TelecomAsia (Thailand)	0.02	186.1	0.02	165.7	NM	NM	0.02	176.3	0.05	61.3	0.08	35.8
Thai Telephone & Telecom.	NM	NM	NM	NM	NM	NM	0.05	120.9	0.08	70.5	0.19	31.5
VSNL (India)	0.41	78.9	0.63	50.5	0.96	33.3	1.33	24.0	1.28	25.0	1.68	19.0
Telecom New Zealand (NZT)	2.60	19.6	5.11	10.0	3.15	16.2	5.62	9.1	3.50	14.6	6.05	8.4
DACOM (Korea) (DCMKF)	1.59	85.0	4.09	33.1	0.67	200.6	3.79	35.7	0.78	173.7	4.93	27.4
Average - Asia/Pacific		**75.2**		**39.1**		**59.7**		**45.0**		**45.7**		**19.2**
Average - Asia/Pacific w/o NTT		**54.3**		**39.1**		**45.3**		**45.0**		**43.9**		**19.2**
Average		30.1		13.2		20.6		14.5		17.7		8.3
Cap Wtd		66.6		10.3		47.1		10.3		24.8		7.7
Cap Wtd w/o NTT		21.0		10.3		17.1		10.3		15.7		7.7
Cap Wtd w/o NTT & Sing Tel		20.2		9.4		16.3		9.5		15.1		6.9

Footnotes: [1] Companies with fiscal year ending on 3/31 are included with companies with fiscal year ending 12/31 of the previous year. [2] Merrill Lynch estimates except for LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT and VSNL, which are consensus estimates and TelecomAsia and ThaiTel which are company estimates. [3] Total Return = Dividend yield + 5-year growth. [4] See Table 7 NM = Not meaningful. *Cash Flow = Net Income + Depreciation.

Table 2 (Continued)

Equity Multiples
(as of December 9, 1994)

P/BV	1994 ROE	1995E % of Funds Internally Generated [4]	Current Div. Yld	ADR Withhldng Tax Rate	Net ADR Div. Yld	Div. Payout Ratio	Proj. 5 Yr Growth [2]	Total Return[3]	
									North America
2.8	18.7%	120%	4.7%	0.0%	4.7%	63.4%	6%	7.2%	Amentech (AIT)
3.5	23.6%	120%	5.5%	0.0%	5.5%	77.7%	6%	8.0%	*Bell Atlantic (BEL)*
1.9	12.8%	124%	5.2%	0.0%	5.2%	66.8%	6%	6.7%	BellSouth (BLS)
1.8	15.5%	110%	6.4%	0.0%	6.4%	80.0%	6%	8.9%	NYNEX (NYN)
2.4	22.2%	105%	7.5%	0.0%	7.5%	79.3%	3%	9.0%	Pacific Telesis (PAC)
3.0	18.5%	128%	3.9%	0.0%	3.9%	57.0%	9%	9.9%	*SBC Communications (SBC)*
2.4	18.4%	101%	6.1%	0.0%	6.1%	77.0%	6%	8.6%	*US West (USW)*
2.5	**18.5%**	**115%**	**5.6%**		**5.6%**	**71.6%**	**6%**	**8.3%**	**RBOC Average**
2.9	20.8%	100%	6.1%	0.0%	6.1%	80.0%	8%	14.1%	GTE (GTE)
3.2	16.2%	97%	3.4%	0.0%	3.4%	58.9%	11%	11.4%	Alltel (AT)
2.0	11.4%	146%	3.8%	0.0%	3.8%	58.7%	10%	6.8%	Rochester Tel (RTC)
2.3	18.0%	150%	5.3%	0.0%	5.3%	63.5%	6%	10.3%	So. New England Tel (SNG)
2.7	17.6%	169%	3.4%	0.0%	3.4%	46.4%	8%	8.4%	Lincoln Telecom (LTEC)
2.2	12.1%	152%	0.0%	0.0%	0.0%	0.0%	8%	8.0%	Citizens Utilities (CZNA,CZNB)
4.6	24.2%	148%	2.7%	0.0%	2.7%	41.5%	12%	14.7%	*AT&T (T)*
1.5	10.1%	87%	0.3%	0.0%	0.3%	3.4%	12%	12.3%	MCI Communications (MCIC)
2.4	15.8%	112%	3.3%	0.0%	3.3%	39.2%	13%	16.3%	*Sprint (FON)*
13.9	61.0%	303%	0.0%	0.0%	0.0%	0.0%	18%	18.0%	*ALC Communications (ALC)*
8.7	13.6%	106%	0.0%	0.0%	0.0%	0.0%	20%	20.0%	*LCI International (LCII)*
1.4	6.5%	NM	0.0%	0.0%	0.0%	0.0%	NA	NA	LDDS Communications (LDDS)
1.4	7.7%	100%	5.8%	15.0%	5.0%	108.2%	5%	10.0%	Bell Canada Ent. (BCE)
3.5	**18.8%**	**127%**	**3.9%**		**3.8%**	**53.0%**	**9%**	**11.3%**	**Average - North America**
									Europe
2.0	15.3%	105%	5.5%	15.0%	4.7%	73.2%	6%	14.7%	*British Telecom (BTY)*
2.3	15.1%	76%	2.8%	15.0%	2.4%	43.7%	13%	15.4%	*Cable & Wireless (CWP)*
1.6	6.0%	136%	2.1%	15.0%	1.8%	55.2%	20%	21.8%	*Telecom Italia (SSITF)*
2.1	10.4%	128%	2.2%	15.0%	1.9%	45.5%	15%	16.9%	*STET (STFEY)*
1.8	6.8%	167%	3.9%	15.0%	3.3%	63.2%	13%	16.3%	*TeleDenmark (TLD)*
2.0	16.2%	137%	4.2%	0.0%	4.2%	50.9%	6%	10.2%	*KPN (KINPF)*
1.1	7.0%	106%	3.7%	25.0%	2.8%	60.1%	13%	15.8%	*Telefonica de Espana (TEF)*
4.4	33.1%	132%	3.8%	0.0%	3.8%	51.3%	15%	18.8%	Bezeq (Israel)
2.2	**13.7%**	**123%**	**3.5%**		**3.1%**	**55.4%**	**13%**	**16.2%**	**Average - Europe**
									Latin America
3.0	18.2%	93%	2.6%	23.5%	2.0%	42.6%	15%	17.0%	Telefonos de Chile (CTC)
3.5	31.8%	100%	6.5%	0.0%	6.5%	71.4%	15%	21.5%	ENTEL (Chile)
2.1	21.8%	143%	2.5%	0.0%	2.5%	23.9%	13%	15.5%	Telefonos de Mexico (TMX)
2.2	10.3%	75%	3.0%	0.0%	3.0%	62.7%	21%	24.0%	Telef. de Argentina (TFOBF)(TAR)
2.8	10.2%	66%	2.1%	0.0%	2.1%	57.3%	22%	24.1%	Telecom Argentina
0.9	8.9%	113%	2.4%	0.0%	2.4%	25.0%	15%	16.9%	Atlantic Tele-Net (ATNI)
0.7	2.0%	64%	0.6%	15.0%	0.5%	21.1%	30%	30.5%	*Telebras (TBRAY)*
1.2	3.1%	58%	0.9%	NM	0.9%	35.6%	25%	25.9%	Telesp (BRZTF)
2.0	**13.3%**	**89%**	**2.6%**		**2.6%**	**42.5%**	**19%**	**21.9%**	**Average - Latin America**
									Asia/Pacific
3.1	1.2%	74%	0.6%	0.0%	0.6%	156.3%	25%	25.6%	Nippon Telegr. & Teleph.
3.8	14.5%	68%	0.9%	15.0%	0.8%	24.6%	16%	16.9%	Telekom Malaysia (MYTEF)
8.9	42.4%	124%	3.6%	0.0%	3.6%	75.2%	15%	18.6%	*Hongkong Telecom (HKT)*
1.9	13.6%	55%	0.5%	15.0%	0.4%	7.1%	10%	10.4%	Philippine Long Dist. (PHI)
10.2	29.2%	177%	0.9%	0.0%	0.9%	31.7%	17%	17.6%	Singapore Telecom (SNGTF)
11.7	41.5%	134%	1.2%	15.0%	1.0%	30.1%	18%	19.0%	*PT Indosat (IIT)*
8.0	4.3%	43%	0.0%	10.0%	0.0%	0.0%	NA	NA	TelecomAsia (Thailand)
5.1	NM	26%	0.0%	10.0%	0.0%	0.0%	NA	NA	Thai Telephone & Telecom.
12.4	NM	78%	0.3%	0.0%	0.3%	10.0%	34%	34.3%	VSNL (India)
4.4	24.3%	121%	5.6%	15.0%	4.7%	86.4%	12%	16.2%	Telecom New Zealand (NZT)
7.5	8.8%	31%	0.4%	0.0%	0.4%	35.6%	15%	15.4%	DACOM (Korea) (DCMKF)
7.0	**20.0%**	**85%**	**1.3%**		**1.2%**	**41.6%**	**16%**	**19.3%**	**Average - Asia/Pacific**
7.4	22.3%	86%	1.3%		1.2%	30.1%	17%	18.8%	**Average - Asia/Pacific w/o NTT**
3.7	17.1%	113%	3.0%		2.8%	47.9%	13.3%	15.6%	**Average**
3.4	14.9%	110%	3.0%		2.8%	72.2%	14.1%	16.5%	**Cap Wtd**
3.5	18.1%	118%	3.5%		3.4%	52.8%	11.6%	14.4%	**Cap Wtd w/o NTT**
3.1	17.5%	115%	3.7%		3.5%	53.9%	11.4%	14.3%	**Cap Wtd w/o NTT & Sing Tel**

Table 3

Aggregate Value Multiples
(as of December 9, 1994)

Company (Ticker/ADR)	12/9/94 US ADR or Ord Sh Pr	Shs Per ADR**	Shs Outst (mil)[5]	Local Currency	Price in Local Currency	Mkt Val of Equity (US$B)	Net Debt*** (US$B)
North America							
Ameritech (AIT)	$40.88	1	550	US$	40.88	22.5	6.5
Bell Atlantic (BEL)	$50.25	1	437	US$	50.25	22.0	9.0
BellSouth (BLS)	$53.13	1	496	US$	53.13	26.4	8.6
NYNEX (NYN)	$37.13	1	421	US$	37.13	15.6	10.1
Pacific Telesis (PAC)	$28.88	1	424	US$	28.88	12.2	5.1
SBC Communications (SBC)	$40.75	1	602	US$	40.75	24.5	6.9
US West (USW)	$35.25	1	456	US$	35.25	16.1	7.0
RBOC Average							
GTE (GTE)	$30.88	1	958	US$	30.88	29.6	13.8
Alltel (AT)	$27.88	1	189	US$	27.88	5.3	1.8
Rochester Tel (RTC)	$21.13	1	73	US$	21.13	1.5	0.3
So. New England Tel (SNG)	$33.00	1	64	US$	33.00	2.1	1.0
Lincoln Telecom (LTEC)	$15.25	1	32	US$	15.25	0.5	(0.0)
Citizens Utilities (CZNA,CZNB)	$12.88	1	190	US$	12.88	2.4	1.3
AT&T (T)	$48.88	1	1,567	US$	48.88	76.6	22.9
MCI Communications (MCIC)	$19.23	1	690	US$	19.23	13.3	(0.0)
Sprint (FON)	$29.88	1	349	US$	29.88	10.4	4.8
ALC Communications (ALC)	$28.00	1	39	US$	28.00	1.1	0.1
LCI International (LCII)	$21.50	1	39	US$	21.50	0.8	0.1
LDDS Communications (LDDS)	$18.38	1	129	US$	18.38	2.4	0.6
Bell Canada Ent. (BCE)	$32.88	1	309	Can$	45.37	10.2	9.1
Average - North America							
Europe							
British Telecom (BTY)	$59.00	10	623	GBP	3.76	36.7	8.6
Cable & Wireless (CWP)	$17.13	3	729	GBP	3.64	12.5	2.1
Telecom Italia (SSITF)	$2.34	1	8,204	ItLira	3,820.00	19.2	9.2
STET (STFEY)	$27.38	10	673	ItLira	4,460.00	18.4	12.7
TeleDenmark (TLD)	$24.75	0.5	262	DKK	306.74	6.5	(0.4)
KPN (KINPF)	$30.82	1	460	NLG	54.40	14.2	2.3
Telefonica de Espana (TEF)	$38.25	3	313	Pta	1,681.47	12.0	13.6
Bezeq (Israel)	$1.75	1	732	NIS	5.24	1.3	2.3
Average - Europe							
Latin America							
Telefonos de Chile (CTC)	$82.00	17	51	ChlPs	1,919.78	4.1	1.0
ENTEL (Chile)	$10.05	1	93	ChlPs	4,000	0.9	0.1
Telefonos de Mexico (TMX)	$51.75	20	530	MexPs	8.92	27.4	(1.5)
Telef. de Argentina (TFOBFX(TAR)	$53.63	10	118	ArgPs	5.36	6.3	0.6
Telecom Argentina	$55.00	10	98	ArgPs	5.50	5.4	1.1
Atlantic Tele-Net (ATNI)	$8.25	1	12	US$	8.25	0.1	0.1
Telebras (TBRAY)	$49.05	1000	299	US$[1]	0.05	14.7	2.8
Telesp (BRZTF)	$496.45	1000	16	US$[1]	0.50	8.0	1.0
Average - Latin America							
Asia/Pacific							
Nippon Telegr. & Teleph.	$42.13	0.005	3,125	Yen	843,000	131.6	26.4
Telekom Malaysia (MYTEF)	$8.20	1	1,996	Ringgit	15.90	12.4	0.3
Hongkong Telecom (HKT)	$18.38	10	1,115	HK$	14.20	20.5	(0.2)
Philippine Long Dist. (PHI)	$51.75	1	62	PhilPs	1,239.41	3.2	1.1
Singapore Telecom (SNGTF)	$1.87	1	15,249	SingS	2.75	28.6	(0.6)
PT Indosat (IIT)	$32.25	10	104	Rupiah	7,600.00	3.3	(0.0)
TelecomAsia (Thailand)	$2.93	1	2,223	Baht	73.50	6.5	0.0
Thai Telephone & Telecom.	$5.90	1	500	Baht	148.00	2.9	(0.0)
VSNL (India)	$31.89	1	85	Rupee	1,000.00	2.7	0.1
Telecom New Zealand (NZT)	$51.00	16	118	NZ$	5.04	6.0	1.0
DACOM (Korea) (DCMKF)	$135.22	1	12	Won	107,500	1.6	0.3
Average - Asia/Pacific							
Average - Asia/Pacific w/o NTT							

Footnotes: [1] Telebras and Telesp are analyzed in $US dollars only. [2] US Average. [3] EBITDA = Earnings before interest, depreciation and amortization, and taxes. [4] Telesp has no ADR, it is traded in 1,000 shares units in Brazil. Market statistics are for preferred share units. [5] If stock is traded as a ADR, shares outstanding = the number of ADR *equivalent* shares outstanding. [6] LT Addr POP is a figure that considers the employment characteristics of the population to determine the number of potential phone lines both at home and at work. NA = Not available. NM = Not meaningful. ** If shares are not traded as ADRs in the U.S., the default is 1. E = Merrill Lynch estimated 1994 Revenues except for LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT, and VSNL which are consensus forecasts or interim results annualized and TelecomAsia and ThaiTel which are company forecasts. ***Net Debt=LT Debt + ST Debt - Cash. **** POPs = population (i.e. aggregate value per person).

Table 3 (Continued)

Aggregate Value Multiples
(as of December 9, 1994)

Ag Val (Eq +Net Debt) (US$B)	Aggregate Value as a multiple of: 1995E Rev	1995E EBITDA[3]	Access Lines	POPs****	Net PP&E	
						North America
29.0	2.2	5.4	$1,604	NA	1.7	*Ameritech (AIT)*
31.0	2.2	5.2	$1,629	NA	1.9	*Bell Atlantic (BEL)*
35.0	2.0	4.5	$1,750	NA	1.4	BellSouth (BLS)
25.7	1.9	4.8	$1,561	NA	1.3	NYNEX (NYN)
17.3	1.9	4.3	$1,171	NA	1.1	Pacific Telesis (PAC)
31.4	2.5	6.0	$2,309	NA	1.8	*SBC Communications (SBC)*
23.0	2.0	4.7	$1,624	NA	1.7	*US West (USW)*
	2.1	**5.0**	**$1,684**	**$1,091** [2]	**1.5**	**RBOC Average**
43.4	2.1	5.0	$1,928	NA	1.5	GTE (GTE)
7.1	2.1	6.4	$4,353	NA	2.5	Alltel (AT)
1.8	1.7	4.8	$1,977	NA	1.8	Rochester Tel (RTC)
3.2	1.7	4.2	$1,588	NA	1.2	So. New England Tel (SNG)
0.5	2.5	5.1	$2,052	NA	2.0	Lincoln Telecom (LTEC)
3.8	3.6	9.1	NM	NA	1.6	Citizens Utilities (CZNA,CZNB)
99.5	1.2	7.5	NM	NM	4.7	*AT&T (T)*
13.2	0.9	4.3	NM	NM	1.5	MCI Communications (MCIC)
15.2	1.1	4.2	NM	NM	1.4	*Sprint (FON)*
1.1	1.7	7.7	NM	NM	21.5	*ALC Communications (ALC)*
0.9	1.6	8.3	NM	NM	4.3	*LCI International (LCII)*
2.9	1.5	5.8	NM	NM	8.2	LDDS Communications (LDDS)
19.2	1.3	3.7	$2,035	$717	1.2	Bell Canada Ent. (BCE)
	1.8	**5.4**	**$1,961**	**$1,060**	**3.4**	**Average - North America**
						Europe
45.3	2.0	5.0	$1,679	$789	1.8	*British Telecom (BTY)*
14.6	1.7	4.8	NM	$255	2.0	*Cable & Wireless (CWP)*
28.4	1.5	3.0	$1,169	$496	1.0	*Telecom Italia (SSITF)*
31.1	1.4	3.0	$1,280	$543	0.9	*STET (STFEY)*
6.1	1.9	4.6	$1,974	$1,172	2.5	*TeleDenmark (TLD)*
16.5	1.5	4.0	$2,128	$1,085	1.5	*KPN (KINPF)*
25.6	2.2	3.9	$1,758	$654	1.1	*Telefonica de Espana (TEF)*
3.6	1.4	2.9	$1,723	$658	1.5	Bezeq (Israel)
	1.7	**3.9**	**$1,673**	**$707**	**1.5**	**Average - Europe**
						Latin America
5.1	4.9	9.6	$3,502	$412	2.3	Telefonos de Chile (CTC)
1.0	4.1	7.1	NM	$83	3.2	ENTEL (Chile)
26.0	2.6	4.9	$3,175	$303	2.2	Telefonos de Mexico (TMX)
6.9	3.0	6.4	$2,796	$439	1.9	Telef. de Argentina (TFOBF)(TAR)
6.5	3.9	8.4	$3,059	$392	2.2	Telecom Argentina
0.2	1.6	3.5	$2,202	$302	1.0	Atlantic Tele-Net. (ATNI)
17.4	2.8	6.1	$1,515	$116	0.7	*Telebras (TBRAY)*
9.0	4.0	9.0	$2,249	$280	1.1	Telesp (BRZTF)
	3.4	**6.9**	**$2,843**	**$291**	**1.8**	**Average - Latin America**
						Asia/Pacific
158.0	2.3	8.2	$2,665	$1,277	1.6	Nippon Telegr. & Teleph.
12.7	6.1	9.4	$4,847	$673	3.4	Telekom Malaysia (MYTEF)
20.3	5.1	11.6	$6,602	$3,486	8.9	*Hongkong Telecom (HKT)*
4.3	3.7	7.7	$2,972	$66	2.6	Philippine Long Dist. (PHI)
28.0	10.0	16.8	$22,378	$9,990	14.1	Singapore Telecom (SNGTF)
3.3	7.3	13.2	NM	$18	19.4	*PT Indosat (IIT)*
6.5	17.3	26.2	$3,255	$138	6.8	TelecomAsia (Thailand)
2.9	14.6	22.0	$2,929	$338	5.6	Thai Telephone & Telecom.
2.8	8.9	20.7	NM	$3	16.2	VSNL (India)
7.0	3.8	7.0	$4,363	$2,037	3.0	Telecom New Zealand (NZT)
1.9	3.7	21.0	NM	NM	6.8	DACOM (Korea) (DCMKF)
	7.5	**14.9**	**$6,252**	**$1,803**	**8.0**	**Average - Asia/Pacific**
	8.1	**15.6**	**$6,764**	**$1,661**	**8.7**	**Average - Asia/Pacific w/o NTT**
	3.4	7.4	$3,023	$990	3.8	**Average**
	2.8	7.0	$3,391	$1,411	3.0	**Cap Wtd**
	2.9	6.8	$3,600	$1,449	3.3	**Cap Wtd w/o NTT**
	2.5	6.2	$2,309	$890	2.7	**Cap Wtd w/o NTT & Sing Tel**

Table 4

Operating Statistics

Company (Ticker/ADR)	1995E Revenues (US$ mil)	1995E Operating Statistics as a Percentage of Revenues: Cash Op Expenses	EBITDA[1]	EBIT[2]	Net Income	Capital Exp	Depreciation
North America							
Ameritech (AIT)	$12,962	59%	41%	24%	14%	18%	17%
Bell Atlantic (BEL)	$14,375	59%	41%	22%	12%	17%	19%
BellSouth (BLS)	$17,687	56%	44%	24%	13%	18%	20%
NYNEX (NYN)	$13,729	61%	39%	19%	10%	20%	20%
Pacific Telesis (PAC)	$9,262	56%	44%	24%	13%	21%	19%
SBC Communications (SBC)	$12,319	58%	42%	25%	15%	18%	18%
US West (USW)	$11,545	57%	43%	24%	12%	21%	18%
RBOC Average		58%	42%	23%	13%	19%	19%
GTE (GTE)	$20,725	58%	42%	25%	12%	20%	17%
Alltel (AT)	$3,350	67%	33%	22%	10%	16%	11%
Rochester Tel (RTC)	$1,100	65%	35%	23%	9%	9%	12%
So. New England Tel (SNG)	$1,806	59%	41%	23%	10%	13%	19%
Lincoln Telecom (LTEC)	$198	52%	48%	31%	19%	13%	17%
Citizens Utilities (CZNA,CZNB)	$1,056	61%	39%	25%	15%	19%	13%
AT&T (T)	$80,171	83%	17%	12%	7%	5%	5%
MCI Communications (MCIC)	$14,423	78%	22%	12%	7%	19%	9%
Sprint (FON)	$13,950	74%	26%	15%	7%	14%	11%
ALC Communications (ALC)	$871	78%	22%	19%	11%	5%	3%
LCI International (LCII)	$571	81%	19%	12%	7%	13%	7%
LDDS Communications (LDDS)	$1,957	74%	26%	18%	8%	5%	8%
Bell Canada Ent. (BCE)	$15,047	66%	34%	23%	5%	13%	12%
Average - North America		66%	34%	20%	10%	15%	14%
Europe							
British Telecom (BTY)	$22,172	59%	41%	25%	13%	18%	16%
Cable & Wireless (CWP)	$8,811	66%	34%	25%	11%	23%	10%
Telecom Italia (SSITF)	$18,985	50%	50%	18%	6%	26%	32%
STET (STFEY)	$22,588	53%	47%	18%	5%	24%	28%
TeleDenmark (TLD)	$3,236	59%	41%	23%	16%	12%	18%
KPN (KINPF)	$11,016	63%	37%	18%	11%	16%	19%
Telefonica de Espana (TEF)	$11,897	45%	55%	26%	8%	31%	29%
Bezeq (Israel)	$2,578	51%	49%	22%	5%	23%	27%
Average - Europe		56%	44%	22%	9%	22%	22%
Latin America							
Telefonos de Chile (CTC)	$1,059	49%	51%	33%	26%	37%	17%
ENTEL (Chile)	$254	42%	58%	47%	39%	26%	11%
Telefonos de Mexico (TMX)	$9,849	46%	54%	42%	34%	25%	12%
Telef. de Argentina (TFOBF)(TAR)	$2,331	54%	46%	27%	20%	45%	20%
Telecom Argentina	$1,664	54%	46%	25%	21%	59%	22%
Atlantic Tele-Net. (ATNI)	$155	55%	45%	33%	9%	17%	12%
Telebras (TBRAY)	$6,197	54%	46%	13%	9%	65%	33%
Telesp (BRZTF)	$2,260	56%	44%	19%	18%	71%	25%
Average - Latin America		51%	49%	30%	22%	43%	19%
Asia/Pacific							
Nippon Telegr. & Teleph.	$67,392	72%	28%	5%	1%	33%	24%
Telekom Malaysia (MYTEF)	$2,067	35%	65%	41%	30%	75%	24%
Hongkong Telecom (HKT)	$4,005	56%	44%	37%	33%	13%	6%
Philippine Long Dist. (PHI)	$1,150	52%	48%	35%	17%	54%	14%
Singapore Telecom (SNGTF)	$2,791	40%	60%	50%	38%	16%	9%
PT Indosat (IIT)	$452	44%	56%	51%	44%	27%	5%
TelecomAsia (Thailand)	$377	34%	66%	46%	32%	123%	20%
Thai Telephone & Telecom.	$201	34%	66%	47%	27%	181%	20%
VSNL (India)	$318	57%	43%	33%	12%	25%	10%
Telecom New Zealand (NZT)	$1,836	45%	55%	37%	23%	16%	17%
DACOM (Korea) (DCMKF)	$516	82%	18%	8%	2%	37%	10%
Average - Asia/Pacific		50%	50%	35%	24%	54%	14%
Average - Asia/Pacific w/o NTT		48%	52%	38%	26%	57%	13%
Average		57%	43%	26%	16%	30%	16%
Cap Wtd		62%	38%	21%	12%	25%	17%
Cap Wtd w/o NTT		59%	41%	25%	15%	23%	16%
Cap Wtd w/o NTT & Sing Tel		60%	40%	24%	14%	24%	16%

Footnotes: [1] EBITDA = Earning before interest, depreciation and amortization, and taxes. [2] EBIT = Earnings before interest and taxes. NA = Not available. NM = Not meaningful. E = Merrill Lynch estimates except for LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT, and VSNL which are consensus estimates or interim results annualized and TelecomAsia and ThaiTel which are company forecasts.

Table 5

Construction Statistics

Company (Ticker/ADR)	Access Lines (MM)	Cap. Investment as a Multiple of Access Lines [1] CAPEX/ Line	Deprec/ Line	Net PP&E/ Line	CAPEX/ Line Add
North America					
Ameritech (AIT)	18.1	$116	$103	$863	$2,510
Bell Atlantic (BEL)	19.0	$116	$128	$807	$4,383
BellSouth (BLS)	20.0	$150	$147	$1,182	$3,905
NYNEX (NYN)	16.5	$128	$141	$1,131	$4,125
Pacific Telesis (PAC)	14.8	$128	$121	$1,106	$5,573
SBC Communications (SBC)	13.6	$125	$124	$1,151	$3,560
US West (USW)	14.2	$155	$133	$897	$5,044
RBOC Average		**$131**	**$128**	**$1,019**	**$4,157**
GTE (GTE)	22.5	$151	$138	$1,172	$3,554
Alltel (AT)	1.6	$174	$226	$1,427	$1,895
Rochester Tel (RTC)	0.9	$107	$142	$977	$2,158
So. New England Tel (SNG)	2.0	$1[illegible]	$170	$1,364	$6,375
Lincoln Telecom (LTEC)	0.2	$105	$139	$1,034	$4,272
Citizens Utilities (CZNA,CZNB)	0.7	$154	$160	NA	NA
AT&T (T)	NM	NM	NM	NM	NM
MCI Communications (MCIC)	NM	NM	NM	NM	NM
Sprint (FON)	6.4	$132	$127	$1,031	$2,969
ALC Communications (ALC)	NM	NM	NM	NM	NM
LCI International (LCII)	NM	NM	NM	NM	NM
LDDS Communications (LDDS)	NM	NM	NM	NM	NM
Bell Canada Ent. (BCE)	9.5	$132	$141	$1,317	$6,264
Average - North America		**$133**	**$142**	**$1,109**	**$4,024**
Europe					
British Telecom (BTY)	27.0	$145	$127	$916	$5,984
Cable & Wireless (CWP)	5.3	NM	NM	NM	NM
Telecom Italia (SSITF)	24.3	$202	$247	$1,147	$12,270
STET (STFEY)	24.3	$222	$264	$1,363	$12,270
TeleDanmark (TLD)	3.1	$131	$188	$796	$8,092
KPN (KINPF)	7.7	$235	$268	$1,406	$7,378
Telefonica de Espana (TEF)	14.6	$250	$234	$1,615	$7,852
Bezeq (Israel)	2.1	$279	$334	$1,116	$3,600
Average - Europe		**$209**	**$237**	**$1,194**	**$8,206**
Latin America					
Telefonos de Chile (CTC)	1.5	$263	$126	$1,531	$2,149
ENTEL (Chile)	NA	NA	NA	NA	NA
Telefonos de Mexico (TMX)	8.2	$306	$149	$1,458	$2,775
Telef. de Argentina (TFOBF)(TAR)	2.5	$425	$185	$1,475	$3,2[illegible]
Telecom Argentina	2.1	$461	$170	$1,387	$2,961
Atlantic Tele-Net. (ATNI)	0.1	$236	$164	$2,274	$1,915
Telebras (TBRAY)	11.5	$348	$178	$2,240	$4,779
Telesp (BRZTF)	4.0	$400	$144	$2,136	$2,086
Average - Latin America		**$348**	**$159**	**$1,786**	**$2,852**
Asia/Pacific					
Nippon Telegr. & Teleph.	59.3	$371	$270	$1,632	$12,208
Telekom Malaysia (MYTEF)	2.6	$598	$194	$1,446	$2,805
Hongkong Telecom (HKT)	3.1	$169	$80	$744	$2,591
Philippine Long Dist. (PHI)	1.4	$436	$109	$1,153	$1,526
Singapore Telecom (SNGTF)	1.3	$354	$210	$1,585	$4,094
PT Indosat (IIT)	NM	NM	NM	NM	NM
TelecomAsia (Thailand)	2.0	NM	NM	NM	$1,032
Thai Telephone & Telecom.	1.0	NM	NM	NM	$1,233
VSNL (India)	NM	NM	NM	NM	NM
Telecom New Zealand (NZT)	1.6	$178	$200	$1,460	$4,493
DACOM (Korea) (DCMKF)	NM	NM	NM	NM	NM
Average - Asia/Pacific		**$351**	**$177**	**$1,337**	**$3,748**
Average - Asia/Pacific w/o NTT		**$347**	**$158**	**$1,278**	**$2,539**
Average		$228	$171	$1,304	$4,555
Cap Wtd		$248	$185	$1,313	$6,445
Cap Wtd w/o NTT		$212	$160	$1,219	$4,780
Cap Wtd w/o NTT & Sing Tel		$202	$157	$1,194	$4,826

Footnotes: [1] For all RBOCs, GTE, Sprint and BCE, access line multiples are calculated using the Telco only portion of CAPEX, depreciation and PP&E.
[2] % of funds internally generated = (Net Income+Depreciation)/(CAPEX + Dividends). NM = Not meaningful.

Table 6

Telco System Efficiency

Company (Ticker/ADR)	Access Lines (MM)	GDP Per Capita	Line Penetration	Line Pen. vs GDP per Capita [5]	% Digital Lines	Access Lines/ Employees[2]	Employees/ 10,000 Lines[2]
North America							
Ameritech (AIT)	18.1	NA	NA	NA	66.0%	322	31.0
Bell Atlantic (BEL)	19.0	NA	NA	NA	65.0%	306	32.7
BellSouth (BLS)	20.0	NA	NA	NA	69.0%	251	39.8
NYNEX (NYN)	16.5	NA	NA	NA	72.0%	252	39.6
Pacific Telesis (PAC)	14.8	NA	NA	NA	52.0%	281	35.5
SBC Communications (SBC)	13.6	NA	NA	NA	48.0%	279	35.9
US West (USW)	14.2	NA	NA	NA	50.0%	293	34.1
RBOC Average		**23,679**	**60.2%**	**2.54**	**63.0%**	**284**	**35.5**
GTE (GTE)	22.5	NA	NA	NA	82.0%	318	31.5
Alltel (AT)	1.6	NA	NA	NA	91.0%	278	36.0
Rochester Tel (RTC)	0.9	NA	NA	NA	NA	316	31.7
So. New England Tel (SNG)	2.0	NA	NA	NA	56.0%	218	45.9
Lincoln Telecom (LTEC)	0.2	NA	NA	NA	100.0%	167	59.7
Citizens Utilities (CZNA,CZNB)	0.7		NA		NA	NA	NA
AT&T (T)	NM	NA	NM	NA	NM	NM	NM
MCI Communications (MCIC)	NM	NA	NM	NA	NM	NM	NM
Sprint (FON)	6.4	NA	NM	NA	96.0%	242	41.4
ALC Communications (ALC)	NM	NA	NM	NA	NM	NM	NM
LCI International (LCII)	NM	NA	NM	NA	NM	NM	NM
LDDS Communications (LDDS)	NM	NA	NM	NA	NM	NM	NM
Bell Canada Ent. (BCE)	9.5	20,760	57.0%	2.75	65.0%	205	48.8
Average - North America		**22,220**	**58.6%**	**2.64**	**67.7%**	**274**	**37.2**
Europe							
British Telecom (BTY)	27.0	18,194	47.0%	2.58	77.0%	193	51.9
Cable & Wireless (CWP)	5.3	18,194	NA	NA	100.0%	NM	NM
Telecom Italia (SSITF)	24.3	21,184	42.5%*	2.00	61.0%	278	36.0
STET (STFEY)	24.3	21,184	42.5%	2.00	57.0%	278	36.0
TeleDanmark (TLD)	3.1	27,552	59.4%	2.16	48.0%	183	54.7
KPN (KINPF)	7.7	21,221	51.0%	2.40	60.0%	243	41.2
Telefonica de Espana (TEF)	14.6	14,666	37.2%	2.54	42.0%	200	50.1
Bezeq (Israel)	2.1	12,612	38.2%	3.03	71.0%	239	41.9
Average - Europe		**19,351**	**45.4%**	**2.39**	**64.5%**	**230**	**44.6**
Latin America							
Telefonos de Chile (CTC)	1.5	3,030	11.8%	3.88	100.0%	184	54.4
ENTEL (Chile)	NA	3,030	NM	NM	NM	NM	NM
Telefonos de Mexico (TMX)	8.2	3,701	9.5%	2.58	65.0%	168	59.5
Telef. de Argentina (TFOBF)(TAR)	2.5	6,846	15.7%	2.29	52.9%	143	69.9
Telecom Argentina	2.1	6,846	12.8%	1.87	64.0%	140	71.3
Atlantic Tele-Net (ATNI)	0.1	NA	13.7%	NA	90.0%	93	107.1
Telebras (TBRAY)	11.5	2,619	7.6%	2.91	34.0%	119	84.4
Telesp (BRZTF)	4.0	2,619	12.5%	4.76	30.0%	166	60.4
Average - Latin America		**4,099**	**11.9%**	**3.05**	**0.62**	**145**	**72.4**
Asia/Pacific							
Nippon Telegr. & Teleph.	59.3	34,667	47.9%	1.38	50.0%	245	40.9
Telekom Malaysia (MYTEF)	2.6	3,066	13.9%	4.53	89.0%	87	114.3
Hongkong Telecom (HKT)	3.1	16,333	52.8%	3.23	100.0%	191	52.2
Philippine Long Dist. (PHI)	1.4	819	2.2%	2.73	NA	73	136.1
Singapore Telecom (SNGTF)	1.3	16,321	44.6%	2.74	100.0%	172	58.0
PT Indosat (IIT)	NM	800	1.3%	1.63	NM	NM	NM
TelecomAsia (Thailand)	2.0	NA	19.4%	NM	NM	NM	NM
Thai Telephone & Telecom	1.0	1,396	1.6%	1.29	NM	NM	NM
VSNL (India)	NM	313	0.8%	2.56	NM	NM	NM
Telecom New Zealand (NZT)	1.6	12,161	46.7%	3.84	96.0%	205	48.7
DACOM (Korea) (DCMKF)	NM	NA	NM	NM	NM	NM	NM
Average - Asia/Pacific		**9,542**	**23.1%**	**2.66**	**87.0%**	**162**	**75.0**
Average - Asia/Pacific w/o NTT		**6,401**	**20.4%**	**2.82**	**96.3%**	**146**	**81.9**
Average		11,605	27.6%	2.68	69.7%	215	53
Cap Wtd		21,733	44.9%	2.35	67.0%	233	46
Cap Wtd w/o NTT		17,905	44.0%	2.64	72.1%	229	48
Cap Wtd w/o NTT & Sing Tel		18,014	43.9%	2.63	70.1%	241	47

Footnotes: [1] For RBOCs, GTE, Sprint and BCE, access line multiples are calculated using the Telco only portion of revenues, CAPEX, depreciation and PP&E. [2] For North American companies and STET, Telco only employees are used in this calculation. [3] EBITDA = Earnings before interest, depreciation and amortization, and taxes. [4] EBIT = Earnings before interest and taxes. [5] Ratio of line penetration x 100 to GDP per captia/1000. NM = Not meaningful. *Cash Flow = Net Income + Depreciation. **Free Cash Flow = Cash Flow – CAPEX. E = Merrill Lynch estimates except for LDDS, BCE, Bezeq, CTC, ENTEL, Telefonica Argentina, Telecom Argentina, ATNI, NTT, and VSNL which are consensus estimates or interim results annualized and TelecomAsia and ThaiTel which are company forecasts.

Table 6 (Continued)

Telco System Efficiency

1995E Operating Statistics as a Multiple of Access Lines [1]							1995E	
Revenues	Cash Op Expenses	EBITDA[3]	EBIT[4]	Net Income	CF*& Per Line	Free Cash Flow/Line**&	Revenue/ Employee	
								North America
$587	$349	$238	$134	$80	$216	$100	$199	*Ameritech (AIT)*
$631	$388	$243	$116	$59	$227	$112	$197	*Bell Atlantic (BEL)*
$702	$385	$317	$170	$92	$276	$125	$187	BellSouth (BLS)
$722	$445	$277	$136	$74	$241	$113	$189	NYNEX (NYN)
$625	$352	$273	$152	$79	$200	$71	$176	Pacific Telesis (PAC)
$618	$347	$272	$147	$82	$284	$159	$208	*SBC Communications (SBC)*
$640	$353	$287	$154	$80	$237	$82	$189	*US West (USW)*
$646	**$374**	**$272**	**$144**	**$78**	**$240**	**$109**	**$192**	**RBOC Average**
$731	$395	$336	$199	$102	$257	$106	$226	GTE (GTE)
$2,053	$1,375	$677	$452	$209	$415	$78	$305	Alltel (AT)
$1,180	$767	$413	$271	$108	$250	$143	$251	Rochester Tel (RTC)
$910	$534	$377	$207	$89	$259	$143	$198	So. New England Tel (SNG)
$834	$434	$400	$261	$158	$292	$187	$140	Lincoln Telecom (LTEC)
$882	$434	$448	$288	NA	$444	$290	NA	Citizens Utilities (CZNA,CZNB)
NM	NM	NM	NM	NM	NM	NM	$260	*AT&T (T)*
NM	NM	NM	NM	NM	NM	NM	$398	MCI Communications (MCIC)
$710	$419	$291	$164	$82	$372	$240	$268	*Sprint (FON)*
NM	NM	NM	NM	NM	NM	NM	$332	*ALC Communications (ALC)*
NM	NM	NM	NM	NM	NM	NM	$676	*LCI International (LCII)*
NM	NM	NM	NM	NM	NM	NM	NM	LDDS Communications (LDDS)
$670	$312	$358	$217	$43	$263	$131	$128	Bell Canada Ent. (BCE)
$829	**$494**	**$335**	**$194**	**$91**	**$269**	**$123**	**$258**	**Average - North America**
								Europe
$822	$486	$336	$208	$105	$219	$73	$158	*British Telecom (BTY)*
NM	NM	NM	NM	NM	NM	NM	$213	*Cable & Wireless (CWP)*
$780	$391	$389	$142	$50	$287	$86	$217	*Telecom Italia (SSITF)*
$928	$496	$433	$169	$42	$294	$72	$258	*STET (STFEY)*
$1,048	$619	$428	$240	$167	$355	$225	$191	*TeleDanmark (TLD)*
$1,425	$896	$530	$262	$159	$427	$192	$346	*KPN (KINPF)*
$818	$372	$446	$212	$64	$288	$38	$163	*Telefonica de Espana (TEF)*
$1,228	$627	$601	$267	$64	$387	$108	$258	Bezeq (Israel)
$1,007	**$555**	**$452**	**$214**	**$93**	**$322**	**$113**	**$225**	**Average - Europe**
								Latin America
$721	$357	$364	$239	$187	$318	$55	$133	Telefonos de Chile (CTC)
NM	NM	NM	NM	NM	NM	NM	$161	ENTEL (Chile)
$1,204	$551	$653	$504	$405	$518	$212	$202	Telefonos de Mexico (TMX)
$947	$510	$437	$252	$191	$344	($81)	$135	Telef. de Argentina (TFOBF)(TAR)
$785	$422	$363	$193	$169	$296	($165)	$110	Telecom Argentina
$1,409	$774	$635	$472	$129	$270	$34	$132	*Atlantic Tele-Net (ATNI)*
$539	$291	$248	$70	$50	$216	($132)	$64	*Telebras (TBRAY)*
$565	$316	$250	$106	$100	$194	($206)	$94	Telesp (BRZTF)
$881	**$480**	**$421**	**$262**	**$176**	**$308**	**($40)**	**$129**	**Average - Latin America**
								Asia/Pacific
$1,137	$813	$324	$54	$13	$282	($88)	$278	Nippon Telegr. & Teleph.
$792	$274	$518	$324	$24[illegible]	$411	($187)	$69	*Telekom Malaysia (MYTEF)*
$1,305	$736	$568	$488	$427	$449	$280	$250	*Hongkong Telecom (HKT)*
$801	$414	$387	$278	$138	$237	($199)	$59	Philippine Long Dist. (PHI)
$2,232	$904	$1,329	$1,118	$855	$940	$586	$258	Singapore Telecom (SNGTF)
NM	NM	NM	NM	NM	NM	NM	$253	*PT Indosat (IIT)*
NM	NM	NM	NM	NM	NM	NM	$305	TelecomAsia (Thailand)
NM	NM	NM	NM	NM	NM	NM	$179	Thai Telephone & Telecom.
NM	NM	NM	NM	NM	NM	NM	$112	VSNL (India)
$1,147	$522	$626	$426	$269	$442	$264	$236	Telecom New Zealand (NZT)
NM	NM	NM	NM	NM	NM	NM	NM	DACOM (Korea) (DCMKF)
$1,236	**$611**	**$625**	**$449**	**$324**	**$460**	**$109**	**$200**	**Average - Asia/Pacific**
$1,255	**$570**	**$685**	**$527**	**$386**	**$496**	**$149**	**$191**	**Average - Asia/Pacific w/o NTT**
$946	$516	$431	$260	$152	$326	$93	$213	**Average**
$972	$559	$413	$228	$142	$328	$79	$225	**Cap Wtd**
$924	$484	$439	$279	$180	$342	$128	$213	**Cap Wtd w/o NTT**
$834	$456	$378	$221	$134	$301	$97	$210	**Cap Wtd w/o NTT & Sing Tel**