

43. Various provisions of the FTA demonstrate that Congress realized that it could well take three years, or more, before the meaningful facilities-based competition they had in mind developed.

- That Congress contemplated that a reasonable period of time must be allowed for facilities-based competition to develop is demonstrated by Section 271(c)(1)(B)(ii), which provides that a BOC may pursue Track B if the new entrants have not complied with the implementation schedules in their agreements within a reasonable period of time (but not before).
- Similarly, the joint marketing restriction applicable to the larger interexchange companies expires once a Bell company is authorized to provide long distance service *or* three years after the passage of the FTA, *whichever is earlier*. Section 271(e)(1). This plainly indicates that Congress expected that it could well be three years or longer before a Bell company could satisfy Section 271.
- The same "whichever is earlier" structure in the intraLATA presubscription provision Section 271(e)(2)(B) is further confirmation that Congress expected that it could take three years or more for a BOC to qualify for long distance.

44. The very structure of the FTA demonstrates that Congress recognized what common sense alone would tell -- that meaningful facilities-based competition will not develop overnight.

45. It is also critical to recognize the control that an incumbent monopoly like SWBT has over the timing of facilities-based entry. Like any other significant investment, an investment in network facilities is subject to return on investment type requirements. A critical element of any return on investment analysis is the costs that will be incurred. Because even a facilities-based entrant must initially rely substantially if not exclusively on SWBT's facilities, if the prices

that SWBT will charge for resale and for unbundled elements are not known, the already substantial risks of entry, particularly facilities-based entry, are increased even further.

46. SWBT's strategic intent to prevent or delay meaningful facilities-based competition for as long as it can is both clearly stated and understandable. When the subject came up in the Texas arbitration, SWBT responded that the "honest answer" is that they would prefer resale competition. Resale competition keeps the traffic on their network and protects their revenue stream. Docket No. 16226, Tr. at 4436 (Exhibit EPR-2). This is a 1996 variation on a theme that has long been sounded; in 1995, SBC proclaimed that "we want to make our welcome mat smaller than anyone else's." Burrows, "Pick of the Litter: Why SBC is the Baby Bell to Beat", *Business Week* at 72 (March 6, 1996) (Exhibit EPR-3).

47. Even though new entrants such as AT&T requested access and interconnection from SWBT nearly a year ago, key prices that SWBT plans to charge either are not yet known or became known long after negotiations had begun. In the former case, SWBT should have made its cost studies available to new entrants when they requested them in negotiations (*See* FCC Order, ¶ 155), but declined to do so. Moreover, the unbundled elements prices that were contested in the AT&T/SWBT arbitration still are not final.

48. In the latter case, SWBT revealed for the first time certain non-recurring charges that AT&T does not believe are appropriate, justified, or cost-based. These non-recurring charges could render any future investment by AT&T and other new entrants uneconomic. The anti-competitive impact of excessive non-recurring charges is demonstrated in the affidavit of Steve Turner and others.

49. A new entrant that proceeds too far down the road of investment before knowing SWBT's prices and all key requirements for access and interconnection runs the risk of either economic extortion or stranded investment. Thus, by delaying presentation of key charges and requirements, SWBT has effectively delayed decision-making on facilities investment by new competitors.

50. The negotiation process itself has been a cause of delay. The requirements imposed by Section 251 were intended to be a counterbalance to the negotiating power that the local bottleneck gives SWBT and the other incumbents (FCC Order, ¶ 15), but they are a poor substitute for competition itself.

51. Entry into local service -- a new phenomenon -- also is considerably more difficult operationally than new entry into long distance which has been undertaken by hundreds of companies over the past ten years.

52. Nearly a year after the FTA was adopted, AT&T still has not been able to reach a comprehensive, operational agreement with SWBT in any state. Negotiation, followed by arbitration, has led to yet another round of negotiation.

53. In contrast, SWBT's preparations to enter long distance apparently have gone considerably smoother. As a prospective new entrant in the competitive long distance market, SWBT received four offers from network suppliers, not one. And only five months after the FTA was passed, SWBT announced in July 1996 that it had picked Sprint and expected to sign a contract that summer. *San Antonio Express News*, July 10, 1996. Distinctions between market

entry barriers in the local service and long distance markets are discussed in further detail in the statements of Joseph Gillan and F. Richard Warren-Bouton.

54. Further, SWBT told the investment community that it expected to pay wholesale rates of less than 1.5 cents per minute for long distance, which represents an 80-85 percent discount -- a far cry from the much smaller "avoided costs" discount for local service under the FTA. *Merrill Lynch, SBC Communications*, March 14, 1996 at 1.

B. Evidence Relating to Whether SWBT Has Met the Public Interest Requirement in Section 271

55. Section 271(d)(3) provides that the FCC shall not grant a BOC's application for long distance unless each of the following independent requirements has been met: (1) the competitive checklist has been "fully implemented"; (2) the authorization will be carried out in accordance with the safeguards of Section 272; and (3) "the requested authorization is consistent with the public interest, convenience and necessity." The public interest requirement is an extremely important one. Even if the other requirements of the FTA have been met, there may still be independent considerations leading to the conclusion that granting the authority would be contrary to the public interest. (*See generally* H. Conf. Rpt. at 30, 34.) Indeed, the amendment proposed by Sen. McCain that would have deleted the public interest requirement on the grounds that it duplicated the competitive checklist was resoundingly defeated. *Cong. Rec.* 57960-7971 (daily ed. June 8, 1995). (Statement of Sen. McCain).

56. Other witnesses, including Steven Turner and John Mayo, address public interest issues such as the extent of local service competition in Oklahoma (virtually nonexistent) and the

extent of long distance competition (fiercely competitive). I will briefly address an additional public interest issue of great important -- access charge reform.

57. Both the FCC and the Department of Justice have recognized the importance of access reform in the public interest determination. As the FCC stated in its First Report and Order, "access charge reform is intensely interrelated with the local competition rules" (¶ 8) and "in order to achieve pro-competitive, deregulatory markets for all telecommunications service," action must be taken to "move access charges to more cost-based and economically efficient levels." (¶ 716) Similarly, David Turetsky, Assistant Attorney General of the Justice Department's Antitrust Division, has stated that whether "the access charge structure permit[s] interexchange carriers to compete on an equal footing with the Bell companies" is a key issue under the public interest requirement.

58. If meaningful competition is to develop in Oklahoma, it is absolutely essential that access charges be reduced to cost. The excess over costs gives SWBT an indisputable advantage that it can use to thwart its competitors. As long as SWBT continues to control the local exchange bottleneck, it will continue to be able to charge these artificially inflated access prices and use its monopoly profits to advance its long distance strategy. This advantage is due to SWBT's monopoly bottleneck, not any greater efficiency or quality of service provision on its part.

59. If SWBT is allowed to enter long distance before its local exchange monopoly bottleneck is eliminated, not only will any incentive that SWBT might have to voluntarily remove this anti-competitive subsidy be lost, but SWBT will be able to use that subsidy to prevent the

development of meaningful local competition, and impede long distance competition. Protection of the public interest requires that SWBT not be allowed into long distance until its access charges are brought down to their true economic cost.

C. **Evidence Relating to Whether SWBT Has Complied with Section 272**

60. A discussion of the accounting safeguards and separate subsidiary requirements is provided in the statement of Denise Crombie. The purpose of Section 272 is demonstrated by its very title: "Separate Affiliate; Safeguards." Congress recognized that in its early stages the development of competition, even on a facilities basis, by itself would not necessarily be sufficient to protect completely against the risks of discriminatory and other anti-competitive conduct in light of the BOC's current overwhelming control of local exchange facilities, and the possibility that they might retain some residual market powers. Congress expected that most of these special safeguards would no longer be necessary after three years, but gave the FCC the authority to extend them for longer if needed. FTA § 272(f)(1).

61. SWBT's obligation to comply with Section 272 began the day that the FTA became law. SWBT may not postpone compliance until long distance entry is actually granted. The policy basis for this requirement is obvious. One of the primary purposes of the separate subsidiary requirement is to prevent cross-subsidization. If the Section 272 requirements did not apply until long distance authority was actually granted, SWBT could create anti-competitive advantages for the separate subsidiary by subsidizing its preparatory activities.

62. Thus, all of SWBT's preparations, from the development of marketing strategies through the development of customer service systems for the long distance market, have been

subject to Section 272. Through this investigation and the exercise of the investigative powers granted by Congress, this Commission can develop the evidentiary record necessary to ensure that SWBT complies fully with Section 272 and does not try to get by with perfunctory efforts that defeat the intent of Congress.

63. SWBT's record to date is not an encouraging one. Section 272(b)(5) of the FTA provides that the separate affiliate "shall conduct all transactions with the Bell Operating Company of which it is an affiliate on an arms length basis *with any given transactions reduced to writing and available for public inspection.*"

64. On February 12, 1997, AT&T requested SWBT to provide "public inspection" of such transactions pursuant to Section 272(b)(5). Similar requests were made to SWBT in Texas, Kansas, Missouri, and Arkansas. (Exhibit EPR-4). By letter of February 28, 1997, AT&T received a response to its request. SWBT stated, in pertinent part, that AT&T's request was premature because it "seeks information relating to an affiliate that is not yet required by the 1996 Act or FCC Orders. Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance (SBLD) . . . has not yet been authorized in any state to provide, and is not yet providing, such services. . . . As of this date, there are no documents that meet the terms of your request." Letter from David Brown to Max Lehew, dated February 28, 1997. (Exhibit EPR-5).

65. The statement that there "are no documents" is particularly troubling. Unless the separate subsidiary has undertaken no preparatory work, the implication that there have been no

transactions between SWBT and SBLD defies credulity. And if there have been transactions, but no documentation, SWBT and SBLD are in violation of the FTA.

D. IntraLATA Toll Dialing Parity

66. As comprehensive as the NARUC Best Practices list is, it does omit express reference to one of the requirements that a Bell Operating Company seeking long distance authority must meet -- namely, intraLATA toll dialing parity. Section 271(e)(2)(A) provides that a Bell operating company that is granted long distance authority "shall provide intraLATA toll dialing parity throughout the State coincident with its exercise of that authority." Because this requirement is relevant to SWBT's Section 271 application, AT&T will address it briefly here even though it is not specifically referred to in this Commission's order. Mark Lancaster, on behalf of AT&T, discusses SWBT's failure to establish intraLATA toll dialing parity in more detail.

67. Because SWBT is required to make intraLATA toll dialing parity available throughout Oklahoma "coincident" with the exercise of its authority to offer long distance, it is appropriate to investigate whether SWBT has in fact taken the necessary actions to ensure that it can make intraLATA toll dialing parity operational in a timely manner.

68. The critical question is not simply whether SWBT has adopted plans to do so, but rather whether SWBT has taken the implementation steps necessary to ensure that intraLATA pre-subscription can proceed smoothly in the marketplace. If SWBT has not taken the actions necessary to ensure that its network can operationalize dialing parity and process presubscription

changes to new competitors without delay and/or error. SWBT should not be permitted into long distance at this time.

VERIFICATION

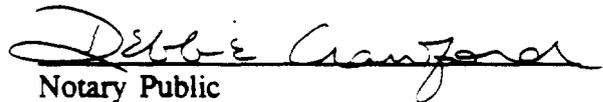
STATE OF TEXAS)
)
COUNTY OF Dallas)

I, EDWIN P. RUTAN, II, of lawful age, being first duly sworn, now state: that I am authorized to provide the foregoing statement on behalf of AT&T; that I have read the foregoing statement; and the information contained in the foregoing statement is true and correct to the best of my knowledge and belief.



EDWIN P. RUTAN, II
AT&T
Law & Government Affairs,
Vice President - Southwest Region

SUBSCRIBED AND SWORN TO BEFORE ME this 7th day of March,
1997.


Notary Public

My Commission Expires:

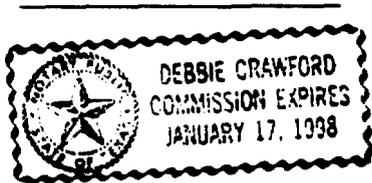


EXHIBIT EPR-1

**DEFINITION OF "IMPLEMENT" FROM
MERRIAM WEBSTER'S COLLEGIATE DICTIONARY**

Ensuring Compliance with Checklist requires Implementation



²**im•ple•ment** \-ment\ *vt* (1806) **1:** CARRY OUT, ACCOMPLISH; *esp:* to give practical effect to and ensure of actual fulfillment by concrete measures...

Merriam Webster's Collegiate Dictionary
Tenth Edition
p. 583

Exhibit EPR-2
2 Pages

EXHIBIT EPR-2
TESTIMONY FROM DOCKET NO. 16226

1 already only gives us 75 cents on the
2 dollar because we are not recovering our
3 embedded cost and we ought to be able to
4 recover at least the correct cost that
5 competition would set and that's what
6 TELRIC is supposed to be.

7 CHAIRMAN WOOD: Let's
8 assume that that -- I mean, I'm just
9 thinking more broadly than that. I
10 understand your argument on embedded
11 versus TELRIC, but, you know, if somebody
12 is buying pieceparts from the system or is
13 reselling the service all together; in
14 other words, taking Options 1 and 2 from
15 the Federal Act as compared to the Time
16 Warner type who really ain't going to use
17 much of the system at all, just
18 interconnect one and do that. I mean,
19 what kind of competitor is the competitor
20 that you-all would rather have?

21 MS. HUNT: I think the
22 honest answer has to be we would rather,
23 first of all, have reseller competitors
24 and next have competitors who at least
25 take the whole loop up to the switch.

1 Switching is a commodity that can be
2 reused for other customers to the extent
3 that they take 1 plug out of a loop. You
4 have isolated the remainder of that loop
5 and nobody gets any benefit from that, not
6 competitors, not consumers, not
7 Southwestern Bell. So, yes, if you could
8 pick and choose, the Company would be
9 better off to at least recover some return
10 on its network so long as that return is
11 high enough that you're making some money
12 and there is the incentive to continue to
13 keep that network at a high level of
14 efficiency for benefit of consumers,
15 competitors who wish to rely on that
16 network, and our own telephone service.

17 But if you drive those costs too
18 low, Southwestern Bell at the corporate
19 level has a lot of businesses and the
20 incentive to continue to put more money
21 into the Texas telephone network is not
22 going to be all that great nor is there
23 going to be any incentive for competition
24 to come in and drive up the service and
25 the technology quotient higher; whereas,

Exhibit EPR-3
2 Pages

EXHIBIT EPR-3

PICK OF THE LITTER: WHY SBC IS THE BABY BELL TO BEAT

PICK OF THE LITTER: WHY SBC IS THE BABY BELL TO BEAT

It's flying high, but it may be passing up big opportunities

When Southwestern Bell Corp. snatched out \$1.4 billion for the cellular-phone properties of Metromedia Co. in 1987, its stock dropped \$7 in a matter of hours, and rival executives jeered. After all, Southwestern Bell—renamed SBC Communications Inc. last year—had paid \$45 per potential cellular customer (or pop as they say in the business) when no one else had ever paid more than \$30. “Everyone figured we were just a rich Baby Bell with bad judgment,” says James S. Kahan, senior vice-president for strategic planning.

Not any more. Since that day, the fifth-largest Baby Bell has been on a moneymaking streak. The Metromedia properties are now worth more than \$300 per pop and have helped give SBC the highest market penetration of any major cellular operator. The number of local phone lines in its five-state territory, anchored by a booming Texas, grew by a record 3.6% last year, compared with 3.1% for all the Bells. The \$500 million investment SBC made in 1990 in a British cable-TV joint venture with Cox Enterprises Inc. is worth an estimated \$900 million today. It has just bought 40% of Chilean communications conglomerate VTR Inversiones for \$316 million, as an entree to the lucrative South American market.

STRING OF HITS. Even its 10% stake in Telefonos de México, bought for \$1 billion in 1991, has almost doubled in value. That's despite a 45% plunge in Telmex shares since Dec. 15, which caused SBC to take a \$34 million write-off in the



WHITACRE: “My personal objective is to get double-digit earnings”

first quarter. Analysts say that, despite the near-term damage from the peso crisis, Telmex is a long-term plus for SBC, given the desperate need for more phone connections in Mexico.

The string of hits has made SBC the best-performing of the Baby Bells.

“SBC is like none of the other phone companies.

It's a growth play, and it's diversified”

which were spawned in the 1984 breakup of AT&T. SBC shares since divestiture, including reinvested dividends, have risen 654%, compared with an average of 40% for the other six Baby Bells (chart, page 70). According to consultant J. M. Lafferty Associates Inc. Why? Because 35% of SBC's earnings come from unregulated businesses such as cellular phones and overseas investments—roughly three times as much as Ameritech Corp., the next-most-diversified of the Baby Bells. “SBC is like none of the other phone companies,” says portfolio manager Michael G. Trotsky of Boston's Independence Investment Associates. “It's a growth play, and it's diversified.”

SBC's future, though, is not quite as certain. Once phone deregulation arrives, the carrier is

bound to face tough competition for urban customers in its core local-landline business. And with a global frenzy of telecom dealmaking under way, finding bargains like Telmex will be harder. While SBC gets kudos from Wall Street for not throwing money at every new technology development that comes along, the company may be deaned out of some big opportunities.

Take personal communications services (PCS), a wireless technology better suited than cellular is for moving data in addition to voice. AT&T, Sprint, and others are bidding billions at national auctions for PCS spectrum, and they can build national PCS networks. But SBC, banking that cellular technology will be able to match those

Information Processing

SBC has a low profile on the Information Superhighway and it lags in personal communications services

over time, has bid less than \$40 million to date on licenses that would only fill in gaps in its cellular coverage.

SBC is also conspicuously low-profile on the Information Superhighway. While Bell Atlantic, U.S. West, and others develop movies-on-demand, SBC has only a vaguely worded agreement with Walt Disney, Amertech, and BellSouth to develop consumer programming. It also has an under-\$10 million pilot project with Microsoft Corp. to test interactive services in Richardson, Tex. SBC's attempt at an I-way mega-deal—a \$4.6 billion joint venture to share 21 of Cox's cable stations—was nixed by SBC Chairman and CEO Edward E. Whitacre Jr. soon after U.S. regulators lowered cable rates last April. "That was a tough call," says Charles F. Knight, an SBC director and CEO of Emerson Electric Co. "None of us know where cable is going, but Ed decided the timing wasn't right. It's great to see such discipline."

Whitacre's discipline is the bottom line. The board tapped him as CEO in 1990 and gave him a mandate to tighten up SBC's cushy culture. A 31-year SBC veteran, Whitacre yanked managers out of a plush St. Louis headquarters and moved them into rented space in San Antonio. He sold three of the company's seven jets, and demanded fast returns on all ventures.

STIFLING COMPETITION? The strapping 6-ft.-5-in. executive has been known to wander the halls asking employees: "What have you done for my stock today?" Says Whitacre: "My personal objective is to get double-digit earnings as long as I'm around." He has already done it three years running. In 1994, profits surged 14.9%, and sales grew 8.7%, to \$11.6 billion. "SBC's still branded a Baby Bell, but people don't realize how much he has transformed the company," says Oppenheimer & Co. analyst Stephen Yanis, who expects annual profit growth of 11% through 2000, compared with 6% for the other Bell companies.

Meeting such aggressive growth targets will get more complicated when local competition arrives. SBC has invested less in its local phone network than other Bells. For example, according to Fed-

eral Communications Commission documents, it has been slowest to install digital switches. It has also battled to maintain its local monopoly, while other Baby Bells have been willing to give ground in return for more freedom. "SBC is the worst of the Baby Bells at abusing the process to stifle competition," says MFS Communications Co. CEO Royce J. Holland. "They're all for competition, so long as it's outside their service territory."

want to make our welcome mat smaller than anyone else's."

One way is to upgrade the SBC network. SBC has agreed to spend \$1 billion over four years to add multimedia capabilities to its system.—if Texas enacts regulations that effectively guarantee SBC profits at a 13.3% rate of return on invested capital. The company has also bumped up its advertising for local TV by 27% (after seven flat years) and has set up marketing teams to defend vulnerable niches.

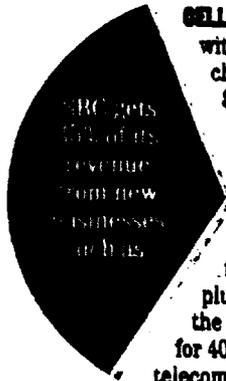
CALLER ID. SBC has mounted a special effort to win back the young crowd. In 1992, its research found that people under 35 feel little loyalty to their phone company and face a defection risk of 100%, vs. just 17% for over-55s. So its market unit in Austin, home to the University of Texas, came up with a variety of youth-oriented packages and offered them at college registration sessions. Some 35% of UT students bit—spending about 40% more than average on such features as 800-voice-mail service. Now, SBC is accelerating the rollout of other special features, such as caller ID.

SBC can thank the cellular business for giving it a crash course in consumer marketing. With 2.6 million wireless subscribers—800,000 of them added last year—it is neck and neck with AT&T/McCaw, the largest U.S. operator. SBC's Micro Systems unit works hard to offer the right mix of features and prices. It signed up 7.4% of its potential customers in 1994, compared with about 5% for the industry overall. "We have to make people think that it's just a phone—not a toy for oilmen and richies," says Micro Systems CEO John T. Sturges.

Whether SBC can translate the lessons of cellular to its landline business is still unclear. With service in the nation's 50 largest cities in the region, SBC is less exposed to competition than its brethren in densely populated areas. That could protect its market share in the early days of deregulation, but not over the long haul. Says S.G. Warburg & Co. analyst Michael Deatherage, "SBC has got a good average. They're not a company to bet against." Just ask the shareholders.

By Peter Burrows

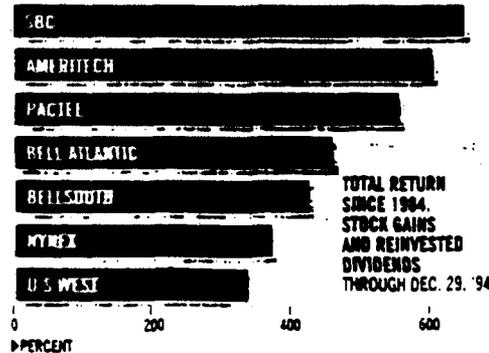
SUCCESSFUL DIVERSIFICATION EFFORTS...



CELLULAR Now neck and neck with AT&T/McCaw, the unit churned out more than \$1 billion in cash flow in 1994.

INTERNATIONAL Even with a hit on its 10% stake in peso-battered Telmex, SBC has more than doubled the \$2 billion-plus it has invested outside the U.S. It just paid \$316 million for 40% of Chile's VTB Inversiones telecommunications conglomerate.

...HELP SBC LEAD THE BELLS IN STOCK PERFORMANCE



DATA: COMPANY REPORTS, J.M. LAFFERTY ASSOCIATES INC.

Inside SBC territory, some 20 competitive access providers (CAPs) are already cherry-picking corporate accounts by offering cheaper links to long-distance lines. That stream of rivals could soon be a flood: The Texas legislature may introduce a bill in early March that would open local phone services to competition this fall. "We're at a critical juncture," says SBC Vice-President for Marketing J. David Gallimore, "and we

EXHIBIT EPR-4

**REQUEST TO SWBT TO PROVIDE "PUBLIC INSPECTION"
OF TRANSACTIONS PURSUANT TO SECTION 272(b)(5)**

Max L. Lehw
State Director
Government Relations



1601 NW Expressway
Suite 1220
Oklahoma City, OK 73118
Phone (405) 848-8222

February 12, 1997

Mr. Robert Stafford, Division Manager
Regulatory and Industry Relations
Southwestern Bell Telephone Co.
800 N. Harvey, Room 320
Oklahoma City, Oklahoma 73102

Dear Bob:

The Telecommunications Act of 1996 provides that a RBOC that is a local exchange carrier may not provide interLATA service or engage in manufacturing activities unless it provides that service through a separate affiliate that operates independently from the RBOC. See 47 U.S.C. 272. Section 272 establishes additional safeguard requirements that must be met by SWBT before SWBT, or more accurately its affiliate, is allowed to provide interLATA service.

Section 272 further provides that the separate affiliate must maintain separate books, records and accounts from SWBT, and that any transactions between the affiliate and SWBT must be "on an arm's length basis with any such transactions reduced to writing and available for public inspection." 47 U.S.C. 272(b)(5). Pursuant to section 272(b)(5), AT&T is hereby requesting access to the books, records and accounts of the SWBT affiliate established to provide interLATA service in Oklahoma and a copy of any transactions between the affiliate and SWBT in order to make the public inspection contemplated in section 272(b)(5) of the same. Please contact me no later than February 17, 1997 in order to arrange for either inspection or copying of the above-requested documents.

Thank you in advance for your cooperation in this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,


Max L. Lehw

MLL:pd

Exhibit EPR-5
2 Pages

EXHIBIT EPR-5

**RESPONSE TO REQUEST FOR "PUBLIC INSPECTION"
OF TRANSACTIONS PURSUANT TO SECTION 272(b)(5)**

David Brown
Attorney

SBC Communications Inc.
175 E. Houston Street
12th Floor
San Antonio, Texas 78205
Phone 210 351-3478
Fax 210 351-3509



February 28, 1997

Mr. Max L. Lehew
State Director
Government Relations
AT&T
1601 NW Expressway, Suite 1220
Oklahoma City, OK 73118

Re: Correspondence Requesting Information Related to Southwestern Bell Telephone Company-Affiliated Section 272 Company or Companies

Dear Mr. Lehew:

Mr. Stafford has forwarded to me your correspondence of February 12, 1997 (the "Request"). This correspondence is intended to respond to your Request.

It is the consistent practice of Southwestern Bell Telephone Company ("SWBT") and, where required, its affiliates, to comply with all state and federal regulations. Consistent with that commitment to compliance, SWBT and its affiliates intend to comply with all state and federal regulations pertaining to information maintenance and disclosure under Section 272(b)(5) of the Telecommunications Act of 1996 (the "1996 Act") and the FCC's rules when providing high-quality, in-region originating, interLATA services in competition with established incumbents such as MCI, Sprint, and your company.

Your Request, however, is inconsistent with and unauthorized by the terms of the 1996 Act and the FCC's implementing regulations. As the FCC recognizes, and as you undoubtedly are aware, Section 272 of the 1996 Act and the FCC's rules apply only with respect to required separate affiliates. In addition, these statutory provisions and regulations provide access only to certain, limited categories of information.

Your Request, therefore, is at best premature, and in any event, over broad. First, the Request seeks information relating to an affiliate that is not yet required by the 1996 Act or FCC orders. Southwestern Bell Communications Services, Inc., d/b/a Southwestern Bell Long Distance ("SBLD"), an affiliate of SWBT which is expected to offer in-region originating, interLATA services, has not yet been authorized in any state to provide, and is not yet providing, such services. Second, the information that AT&T seeks, even if timely requested, is far more comprehensive than the FCC has authorized, required, or permitted. Neither SWBT nor SBLD, for instance, are required to make available for inspection the "books, records, or accounts" of SBLD. To the extent that the FCC rules permit access to information relating to transactions, this access is subject to protection of confidential and proprietary information. As a future direct competitor of SBLD, you undoubtedly understand the competitive sensitivity of such information

As of this date, there are no documents that meet the terms of your Request.

Thank you for your interest in this matter. Please be assured that SWBT and SBLD will continue to comply with all applicable statutes and regulations. If you have any questions or comments, please do not hesitate to call.

Very truly yours,

A handwritten signature in black ink, appearing to read "David F. Brown", written over a horizontal line.

David F. Brown

Attorney

cc: Mr. Robert Stafford
Mr. Robert M. Lynch

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF ERNEST G.
JOHNSON, DIRECTOR OF THE
PUBLIC UTILITY DIVISION,
OKLAHOMA CORPORATION
COMMISSION TO EXPLORE THE
REQUIREMENTS OF SECTION 271
OF THE TELECOMMUNICATIONS
ACT OF 1996.

§
§
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Cause No. PUD 970000064

**STATEMENT OF STEVEN E. TURNER
ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHWEST**

I. INTRODUCTION AND QUALIFICATIONS

1. My name is Steven E. Turner. Currently, I head my own telecommunications and financial consulting firm, Kaleo Consulting.

2. I hold a Bachelor of Science degree in Electrical Engineering from Auburn University in Auburn, Alabama. I also hold a Masters of Business Administration in Finance from Georgia State University in Atlanta, Georgia.

3. From 1986 through 1987, I was employed by General Electric in their Advanced Technologies Department as a Research Engineer developing high speed graphics simulators. I joined AT&T in 1987 and, during my career there, held a variety of engineering, operations, and management positions. These positions covered the switching, transport, and signaling disciplines within AT&T. From 1995 until 1997, I worked in the Local Infrastructure and Access Management organization within AT&T. It was during this tenure that I became familiar with the many regulatory issues surrounding AT&T's local