enactment of the Telecommunications Act of 1996 ("1996 Act"), subsidiaries of SBC have also begun to provide Internet access service, and interexchange service outside of the seven states in which SBC subsidiaries are incumbent local exchange carriers ("ILECs").[5] SBC also has a number of international interests.

The ILEC subsidiaries of SBC are Southwestern Bell Telephone Company ("SWBT"), Pacific Bell and Nevada Bell. SWBT has 15.7 million local exchange access lines within Texas, Missouri, Oklahoma, Kansas and Arkansas. Pacific Bell and Nevada Bell together have 17.7 million local exchange access lines within California and Nevada.

Both within those seven states, and in several other major areas, SBC's commercial mobile radio service ("CMRS") subsidiaries -- Southwestern Bell Mobile Systems ("SBMS"), Southwestern Bell Wireless, Inc. ("SWBW") and Pacific Bell Mobile Services ("PBMS") -- provide cellular and PCS services, including both local and interexchange wireless service, to a population of

[5] SBC's seven "in-region" states are Arkansas, California, Kansas, Missouri, Nevada, Oklahoma and Texas.

over 73 million persons. These companies currently serve over 5.6 million CMRS customers.[6]

SBC's international telecommunications interests include investments in telecommunications companies in Mexico, France, the UK, Chile, South Africa, Israel, South Korea, Taiwan and Switzerland, and an investment in a proposed transpacific undersea cable system.

B. SNET

Today, SNET's businesses consist principally of the provision of local exchange, long distance and cellular service to customers in Connecticut. The SNET Telco is the oldest telephone company in the United States, having been established in 1878. Subsidiaries of SNET also provide directory publishing, cable television, Internet access and data services in Connecticut, as well as cellular service in Rhode Island and in western and southeastern Massachusetts.[7]

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[6] SBMS operates SBC's out-of-region cellular systems in the Chicago, Boston and Baltimore/Washington metropolitan areas, and in Upstate New York. SWBW operates SBC's cellular and PCS systems within the five in-region states served by SWBT. PBMS operates PCS systems in California and Nevada.

For ease of reference, SBMS and SWBW -- SBC's two cellular companies -- are hereafter jointly referred to as SBMS.

[7] There is no overlap between the cellular systems of SBC and SNET in Massachusetts (or elsewhere). In

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The SNET Telco serves 1.5 million customers with 2.3 million local access lines. SNET's long distance subsidiary, SNET America, Inc. ("SAI"), provides long distance service to 923,000 customers, and it also resells local service in Connecticut. Other subsidiaries of SNET provide cellular service, including local and interexchange wireless service, to approximately 460,000 customers within a population of 5.6 million persons. SNET's cable subsidiary, SNET Personal Vision, Inc., which is operating a competitive cable system in Connecticut, currently serves approximately 11,000 customers.

On January 24, 1997, SNET submitted to the Connecticut Department of Public Utility Control ("CDPUC") a proposal to restructure the SNET Telco into separate retail and wholesale business units. The CDPUC approved this proposal on June 25, 1997, subject to certain modifications. As a result of this restructuring, the SNET Telco will cease offering retail services by May 1999, and SAI will then be SNET's sole retail provider of local exchange and long distance

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Massachusetts, SBC provides cellular service in the Boston and Worcester-Fitchburg MSAs and in the Massachusetts 2 RSA. SNET provides cellular service in the Springfield-Chicopee-Holyoke, New Bedford-Fall River and Pittsfield MSAs and in the Massachusetts 1 RSA.

service. The SNET Telco will continue to function as an ILEC and a public service company, with the business purpose of meeting the needs of competing exchange carriers and other wholesale customers.

IV. Background Regarding the Merger

The SNET Telco has a long history as a local exchange carrier and a record of innovation and service. Indeed, SNET has been in the forefront of the industry in infrastructure development and product deployment, consistent with the demands of the Connecticut market and the State of Connecticut's goals for a sophisticated network infrastructure.

However, as explained below in this section, several recent factors -- including a reduction in SNET's scale and scope in relation to its principal competitors; the need for increased marketing and product development resources to respond to increasing competition; and a better understanding of the substantial costs SNET would have to incur to fulfill its market-opening initiatives (most of which are fixed costs that have little or no relation to scale) -- when combined with the ever-present demands of managing and maintaining its networks, led SNET to the conclusion that it needed to become part of a larger company to

maintain its ability to achieve its goals for itself, its customers and the State of Connecticut. After a careful review, the SNET Board of Directors approved the merger of SNET and SBC on January 4, 1998.

SNET's focus on the Connecticut market will not change as a consequence of this merger with SBC. To the contrary, the merger will enable the SNET Telco, and SNET's other operating subsidiaries, to fulfill their goals to serve their customers with high quality service and advanced products, and to compete effectively in the emerging telecommunications marketplace.

Many factors influenced SNET's decision, but most important was SNET's conclusion that it needed to become part of a successful telecommunications company with a larger scope and scale in order to achieve its strategic goals in a rapidly changing marketplace and regulatory environment. Scope and scale have always been important in the telephone industry. They are more important than ever today, as the industry undergoes a turbulent and expensive transition from monopoly to competition, and as the need to develop and market new products and services accelerates. The SNET Telco faces a particularly difficult challenge. On the one hand, with approximately $2 billion in annual revenues and 2.3 million access lines, the SNET Telco is both too large

and serves too sophisticated a customer base to do anything but accept and comply fully with the many new, market-opening and other regulatory requirements it faces, and to incur their attendant costs. On the other hand, the SNET Telco is too small to be able to compete effectively with its principal competitors, which are growing even larger through recently-announced mergers.

For example, AT&T, with annual revenues of $52 billion, announced on January 8, 1998, its plans to acquire Teleport Communications Group ("TCG"). Both of those companies are already competing in Connecticut's local market: AT&T as a reseller since March 1997, and TCG as the operator of an extensive fiber network in Connecticut since 1994. TCG is currently the largest alternative facilities-based local switch provider in Connecticut, offering competing wholesale and retail services. Its network spans over 364 route miles (and 12,520 fiber miles) and includes New London, New Haven, Fairfield, Litchfield and Hartford counties and is served by a switch that is interconnected to two SNET offices.[8]

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[8] See New Paridigm Resources Group, Inc., 1997 Annual Report on Local Telecommunications Competition at pp. 509, 516 (8th ed. 1997).

Another example is WorldCom. Its acquisition of MCI will combine three facilities-based networks in Connecticut with the second largest interexchange carrier in the country. Already, WorldCom is the nation's fourth largest interexchange carrier with annual revenues of $4.5 billion. It recently acquired MFS Communications ("MFS") -- the largest competitive local exchange carrier in the country -- and it has just completed its acquisition of Brooks Fiber Properties ("Brooks Fiber"). MFS's Hartford network has been in operation since 1994. Brooks Fiber also has a Hartford network and a Stamford network, with fully redundant fiber rings and a Lucent 5ESS central office switch. With MCI, WorldCom would acquire a third fiber network in Hartford and a second switch in that city, and the combination of WorldCom and MCI will result in a company with annual revenues of approximately $27 billion.[9]

While SBC had no plans to compete with SNET in any telecommunications market in Connecticut, the list of actual and potential local and long distance competitors in Connecticut, with resources larger than

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[9] Additional information regarding fiber deployment in Connecticut and throughout the country is set forth in the Commission's Fiber Deployment Update: End of Year 1996 (rel. Aug. 29, 1997). See pp. 2, 5, 6 and 46 et seq. of that report.

SNET, is not limited to those listed above.[10] Rather, it also includes Sprint (with $14 billion in annual revenues), GTE (with $13 billion in annual revenues) and, of course, Bell Atlantic which has facilities, customers and brand name recognition in the state. A Bell Atlantic subsidiary currently operates a public service company within a portion of Connecticut, in addition to Bell Atlantic's statewide wireless operations.[11] Indeed, to date, over 30 companies have

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[10] The size of SNET's main competitors -- most of whom already have network facilities in Connecticut -- also gives them other advantages. As very large buyers of equipment and other products, they are able to negotiate large discounts with vendors. As very large providers of service, they can distribute the costs of funding or soliciting bids for the development of new technology over an extended base of operations. Over the long term, in an industry governed by such strong economies of scale and scope, SNET would find it increasingly difficult to compete effectively against rivals that are ten to twenty times its size.

[11] Other actual and potential competitors also include TCI, the country's largest cable operator with annual revenues of $8 billion. TCI chose Connecticut as the first state in the nation in which to offer its integrated digital services. In October 1996, TCI began selling Hartford customers telephone, cable and Internet access services, including TCI's People Link local phone service, ALL TV digital video service, and @Home high-speed Internet access. Other cable television companies, such as Cablevision Systems (which recently announced plans to acquire TCI's Connecticut cable properties), Cox Communications and Comcast also have facilities, customers and brand name recognition in Connecticut, and have been certified to compete with SNET. These cable companies together have networks that cover approximately 70% of Connecticut.

been certified to offer local exchange service, and over 230 companies have been authorized to provide intrastate toll service, in Connecticut.[12]

In addition, the SNET Telco is now spending considerable sums and devoting staff resources to comply with the market-opening and competition-enabling mandates under Connecticut and federal law. Under Connecticut law and the 1996 Act, the SNET Telco has been opening its networks to these and many other larger rivals. It has been doing so for several years.

Two years before the passage of the 1996 Act, the Connecticut legislature enacted a comprehensive law that imposed market-opening obligations on the SNET Telco, such as interconnection and unbundling requirements.[13] Section 251 of the 1996 Act reinforced

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[12] A list of certified local exchange carriers appears at Attachment C to this Exhibit, and a list of intrastate toll carriers appears at Attachment D to this Exhibit. The CLEC list was obtained from the DCPUC (via telecopy) on February 19, 1996, and the intrastate toll list was printed from the CDPUC's web page (www.dpuc.state.ct.us) on February 18, 1998.

SNET has lost approximately 25% of its intrastate toll presubscribed lines to these competitors. In addition, SNET's loss of intrastate market share, based on minutes of use, has been greater than its gain of interstate market share, based on minutes of use.

[13] See e.g., Conn. Gen. Stat. Ann. §§ 16-247a-1 (West Supp. 1997) (codifying 1994 Conn. Pub. Acts 83); In re

[Footnote continued on next page]

some of Connecticut's 1994 mandates and extended others. Like other local phone companies,[14] the SNET Telco is modernizing its network, its switching, its AIN platforms and its outside plant facilities, while devoting substantial efforts to developing interfaces and mechanized access to its operations support systems for its competitors to use for ordering, provisioning, maintenance and billing. However, unlike many other phone companies, the SNET Telco must spread the cost of these initiatives over a comparatively small base of operations. As the SNET Telco develops access to its operations support systems, for example, it must select,

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Southern New England Telephone Company, Order, 177 P.U.R.4th 340 (Conn. D.P.U.C. 1997) (authorizing unbundling by LECs); In re Participative Architecture Issues, Order, 177 P.U.R.4th 332 (Conn. D.P.U.C. 1996) (implementing 1994 Conn. Pub. Acts 83 to regulation of state telecommunications market); In re Southern New England Telephone Company, Decision, 1995 WL 807764 (Conn. D.P.U.C. 1995) (initiating proceeding to unbundle local telecommunication networks); In re DPUC Investigation into the Competitive Provision of Local Exchange Service in Connecticut, Decision, 1995 WL 507795 (Conn. D.P.U.C. 1995) (assessing competition among LECs with respect to new telecommunication laws); In re Vision for Connecticut's Telecommunications Infrastructure, Order, 156 P.U.R.4th 463 (Conn. D.P.U.C. 1994) (laying regulatory foundation for future implementation of 1994 Conn. Pub. Acts 83).

[14] The United States Telephone Association estimates that the Bell Operating Companies and GTE have spent close to $4 billion since February 1996 upgrading their networks and operations support systems in order to comply with the 1996 Act's requirements.

administer and implement solutions for 2.3 million access lines. SBC, by contrast, makes the same changes over a base of over 33 million access lines.

After considerable deliberation, SNET determined that joining forces with SBC would best achieve SNET's increasing need for greater scale and scope. SNET believed this was necessary to provide its customers with the broad range of telecommunications products and services they are demanding, and with the new competitively-priced products and services they will demand in the future. SNET also concluded that the merger would be in the best interests of its employees and shareholders. While SNET's management had explored various alternatives to a merger -- including joint ventures and other business alliances in specific product areas, as well as the possibility of strategic acquisitions or investments -- SNET's management ultimately concluded that a combination with SBC was the company's best strategic option, for several reasons.

First, SNET concluded that SBC's financial, technological, network, marketing, and sales expertise and resources would enable SNET to accomplish its long-term growth strategies and to compete more effectively. Second, it believed that access to SBC's personnel and other resources would facilitate SNET's

ability to introduce new products and services. Third, SNET recognized that SBC has complementary strengths and expertise in providing and marketing local wireline and wireless services. Fourth, SNET was impressed with SBC's record of success in completing business combinations and integrating geographically diverse businesses, as evidenced by SBC's acquisition of the Pacific Telesis Group ("Telesis") and its international activities. Fifth, SNET believed that there should be no regulatory or antitrust obstacles to the merger, because SNET's and SBC's wireline operations share no geographic boundaries, and because there was no actual, planned or potential competitive overlap between their existing wireline or wireless operations. Finally, SNET's management took into account the fact that, after the merger, SNET would continue to operate as a separate business unit, with its operating headquarters and employee base in Connecticut. This factor is important to the State of Connecticut and to SNET's customers and employees.

In short, in the face of the changes that are sweeping the telecommunications industry, SNET concluded that joining forces with SBC would best enable SNET to continue to expand its service offerings, to maintain and advance its networks and associated infrastructure,

to maintain its unique identification with Connecticut and its status as a viable competitor, while at the same time assuring its customers of the highest quality service.

SBC shared many of these same beliefs. SBC also concluded that a merger with SNET would be in the best interests of the combined company's customers, employees and shareholders. As described more fully below, SBC believed that the merger would not produce any anticompetitive effects, but rather, it would produce a number of procompetitive, public interest benefits in the markets for wireless, wireline and long distance service, and it would enhance the combined company's position as one of the leading telecommunications companies in the country.

V. Public Interest Statement

A. The Applicable Standard of Review

In order to approve the transfer to SBC of ultimate control of the FCC authorizations now held by subsidiaries of SNET, the Commission must find that the transfers are consistent with the public interest, convenience and necessity. In making that finding, the Commission will consider whether SBC is qualified to control the FCC authorizations in question, and whether

the merger will or could adversely affect competition. The Commission will also consider whether the transaction will produce other public interest benefits.

As demonstrated below, the merger of SBC and SNET will serve the public interest, and no aspect of the merger will produce anticompetitive effects in any telecommunications market. Moreover, the merger is likely to produce benefits in the markets for wireless, wireline and long distance service.

In structure and substance, the merger of SBC and SNET parallels others which the Commission has approved in recent years, in which larger telephone companies acquired smaller ones.[15] The Commission has found that these mergers presented no, or only minor, adverse effects on competition. It concluded that such business combinations can create important procompetitive benefits, which result in improved services and increased competitiveness in the telecommunications industry. Indeed, since passage of the 1996 Act, the Commission has also unconditionally approved a merger involving two very large telephone

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[15] See, e.g., In re Applications of Centel Corporation and Sprint Corporation, 8 FCC Rcd. 1829, aff'd, 8 FCC Rcd. 6162 (1993) ("Centel/Sprint"); In re Applications of Contel Corporation and GTE Corporation, 6 FCC Rcd. 1003 (1991).

companies -- i.e., SBC's recent merger with Telesis -- finding no anticompetitive effects and some modest improvements to the competitiveness and performance of some markets.[16] The same standard and method of analysis undertaken by the Commission in those decisions should be applied here.

This merger will have no adverse competitive effects and it will result in public interest benefits. By joining with SBC, SNET will gain access to the resources it needs to remain an effective competitor in the rapidly-changing local exchange markets in which it participates. Moreover, in this merger, there is no overlap between the local exchange and exchange access operations of SBC and SNET, nor are those operations even adjacent. And, significantly, neither company had any plans to provide such services in each other's territory.[17] Similarly, the cellular systems owned by

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[16] In re Applications of Pacific Telesis Group and SBC Communications Inc., 12 FCC Rcd. 2624 (1997) ("SBC/Telesis").

[17] Because neither of the Applicants had any plans to offer competing services in the other company's area, and, of course, since there is no adjacency between their service areas, neither the "actual potential competition" nor the "precluded competitor" doctrine is at issue here. Compare SBC/Telesis, supra, 12 FCC Rcd. 2624 at ¶¶ 17-18 with In re Applications of NYNEX Corporation and Bell Atlantic Corporation, 1997 WL 46170 at ¶¶ 8-9, 43 (1997) ("Bell Atlantic/NYNEX").

the companies in New England serve separate geographic areas and, where they are adjacent, their combination will benefit the customers of the combined company through the expansion of calling scopes and in other ways, described below, as the Commission has recognized in prior decisions.[18] Finally, the Applicants market their long distance services -- including SNET's service and SBC's out-of-region service -- in separate areas, and neither company had any plans to market long distance service to customers in the other company's areas. Rather, as described below, the combination of SNET's long distance business and SBC's out-of-region long distance business will enhance the ability of the combined company to better serve its customers and to compete more effectively in the provision of long

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[18] See, e.g., In re Bell Atlantic Mobile Systems, Inc. and NYNEX Mobile Communications Company, 10 FCC Rcd. 13,368 at ¶¶ 45-46 (1995) (citing In re Application of Corpus Christi Cellular Telephone Co., 3 FCC Rcd. 1889 (1988) ("Corpus Christi")); Corpus Christi, at ¶ 19 ("In addition to McCaw's public interest statement to the effect that regional systems . . . are in the public interest, such conclusion had previously been confirmed by the Commission, by the experience of large wireline operators and by McCaw's own experience in other regional clusters nationwide."); see also In re Application of Madison Cellular Telephone Company, 2 FCC Rcd. 5397 at ¶ 4 (1987).

distance service outside of SBC's in-region states, while not producing any anticompetitive effects.[19]

Because the merger of SBC and SNET will not eliminate any actual or potential competition between the parties in any product or geographic market, the method of analysis employed by the Commission in its recent approval of the Bell Atlantic/NYNEX merger has no applicability here. In the Bell Atlantic/NYNEX Order, the Commission stated that the method of market analysis used in that Order applies "[w]ith respect to mergers that may present horizontal market power concerns."[20] Such concerns were present in that case for two reasons: first, because the Commission expressly found that Bell Atlantic planned to enter LATA 132 and other NYNEX territories; and second, because the Commission also concluded, primarily because of the adjacency between the territories of Bell Atlantic and NYNEX, that NYNEX was an actual potential competitor in Bell Atlantic's territories.[21] As a result of those conclusions, the

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[19] A description of the long distance services currently provided by SBC and SNET appears in subsection V.B.2(c), below.

[20] Bell Atlantic/NYNEX, supra, 1997 WL 465170 at ¶ 37.

[21] Id., at ¶¶ 8-9. Similarly, as the Wireless Bureau recently stated in connection with the approval of the Century/PacifiCorp merger: "In the *BA-NYNEX Order*, the

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Commission stated that the applicants had the burden of demonstrating procompetitive benefits which outweighed the potential anticompetitive effects of the merger. In order to determine whether the applicants had met their burden, the Commission undertook a detailed analysis of the relevant markets and other factors regarding the effects of the merger.

The circumstances present in the case of the Bell Atlantic/NYNEX merger are in stark contrast to the situation presented by this merger of **non-adjacent** LECs which **do not compete** and **had no plans to compete** in each other's territory. In this case, the merger will not eliminate competition (actual or potential), and it will not produce any other anticompetitive effects. Thus, the rationale for applying the type of analysis utilized in Bell Atlantic/NYNEX -- and the corresponding need for the applicants to prove that the merger will produce procompetitive benefits -- is simply not present or

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Commission fully articulated its general approach to merger analysis in a case concerning the competitive effects of a merger between *adjacent incumbent LECs*." In re Applications of PacifiCorp Holdings, Inc. and Century Telephone Enterprises, Inc., 1997 WL 640871 at ¶ 13 (WTB, rel. Oct. 17, 1997) ("Century/PacifiCorp") (emphasis added).

applicable here.[22] Nevertheless, as demonstrated below, this merger will result in benefits in several areas. Therefore, even if the Commission should decide to apply the Bell Atlantic/NYNEX method of analysis, the information provided in these applications shows that the SBC/SNET merger is in the public interest and should be approved.[23]

B. This Merger Is Consistent With The Public Interest, Convenience And Necessity

Application of the Commission's traditional standard of review and competitive analysis to this merger demonstrates that the Commission should unconditionally approve the transfers of control to SBC of the FCC authorizations held by subsidiaries of SNET, because:

- SBC is clearly qualified to control the authorizations,
- The merger will not produce anticompetitive

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[22] As the Commission stated in its approval of the SBC/Telesis merger, where it found that the merger would not reduce competition and that SBC possessed the requisite qualifications to control the licenses in question, "[a] *demonstration that benefits will arise from the transfer is not . . . a prerequisite to our approval*, provided that no foreseeable adverse consequences will result from the transfer." SBC/Telesis, supra, 12 FCC Rcd. 2624 at ¶ 2 (emphasis added).

[23] The Applicants would be pleased to provide the Commission with any additional information it would find useful in its consideration of these applications.

effects in any product or geographic market, and

- The merger is likely to result in a number of public interest benefits in the CMRS, local exchange and long distance markets.

The authorizations which are the subject of these transfer of control applications consist of:

- wireless licenses used in the operations of SNET's local exchange and cellular subsidiaries,
- cellular authorizations utilized by SNET's cellular subsidiaries,
- international 214 authorizations used in the operations of SNET's long distance subsidiary, and
- satellite authorizations used in the operations of SNET's cable subsidiary.[24]

Both before and after the proposed merger, the licensees of all of the subject authorizations will be the same. The only change which would be effected by the merger would be to add SBC as the ultimate parent company of these licensees.

1. SBC's Qualifications

SBC is the parent of FCC licensees which hold numerous FCC authorizations, including the same types of

[24] A list of the categories of FCC authorizations currently controlled by SNET appears at Attachment A to this Exhibit.

authorizations at issue here.[25] SBC's qualifications to control these companies have never been questioned, and cannot reasonably be questioned here.[26] Indeed, as recently as last year, in connection with its approval of the SBC/Telesis merger, the Commission reviewed "the citizenship, character, and financial and technical qualifications" of SBC. The Commission noted that SBC "is a Commission licensee and communications carrier of longstanding," and it found, as it should find here, that SBC "possesses those qualifications."[27]

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[25] A list of the categories of FCC authorizations held by subsidiaries or affiliates of SBC is contained in the FCC Form 430 for SBC which accompanies the FCC Form 490 and 312 being submitted herewith.

[26] A copy of SBC's Current Report on Form 8-K, dated May 8, 1997, filed with the SEC appears at Attachment E to this Exhibit. That Current Report contains SBC's audited financial statements for 1996 to reflect the business combination of SBC and the Pacific Telesis Group. Additional financial information regarding SBC's financial condition is contained in the "SBC 1997 Growth Profile" ("SBC Growth Profile") at pp. 2-3, 91-111, which appears at Attachment F to this Exhibit. See also SBC Growth Profile at pp. 14-15, for a discussion of SBC's capital structure.

[27] SBC/Telesis, supra, 12 FCC Rcd. 2624 at ¶ 11. While some of the parties which filed comments in that proceeding sought to cast SBC in an unfavorable light, the Commission noted that "[n]o party claims that SBC lacks any of the qualifications just mentioned," id., nor could any party to this proceeding plausibly do so in connection with the merger of SBC and SNET. Similarly, of course, SNET is unquestionably qualified as the transferor of the licenses in question here.

SBC is the parent of SWBT, Pacific Bell and Nevada Bell, which collectively serve over 33 million access lines within SBC's seven in-region states. As the owner of several of the country's largest telephone companies, SBC is well qualified to exercise ultimate control over the authorizations used in SNET's local exchange business.

Similarly, there can be no issue regarding SBC's qualifications to control the CMRS and other authorizations held by SNET's cellular subsidiaries. SBMS is the second largest cellular provider in the United States, with operations in the five states in which SWBT operates as well as in the Chicago, Boston, Washington/Baltimore metropolitan areas, and in Upstate New York. SBMS provides high quality, competitive service to its customers and, as a result, it has an average market penetration rate that is significantly above the national average. In addition, PBMS is a rapidly expanding PCS provider in California and Nevada, and SBC has committed substantial financial and other resources to ensure that PBMS is meeting the FCC's objectives for PCS to become a new and effective competitor to the existing cellular systems in those states.

2. Public Interest Benefits

The Applicants believe that this merger is likely to produce a number of merger-specific procompetitive, and other public interest, benefits which support approval of the proposed transfers of control. Specifically, the Applicants expect that the enhanced capabilities of the merged company should benefit competition, and the current and future customers of the merged company, in at least the following ways:

(a) CMRS Service

The merged company will be an enhanced CMRS competitor in New England and adjacent areas. SNET's cellular customers will benefit from SBC's expertise in the design, construction and marketing of advanced cellular networks, and the merged company will be better positioned to provide customers in New England and other adjacent areas where it has cellular licenses, including Upstate New York, with wider-area, toll free calling scopes, enhanced one-stop shopping, and other services which the CMRS competitors of SBC and SNET can and are now offering to their customers.

The ability of the merged company to offer a considerably larger calling scope, through the combination of the areas now served separately by SBC

and SNET, is clearly procompetitive, as the Commission has recognized in approving other mergers or transfers allowing for larger regional systems.[28] The materials which appear at Attachment G to this Exhibit illustrate that this is particularly true in New England and adjacent areas.[29] In those areas, the competitors of SBC and SNET -- including Bell Atlantic Mobile in cellular; AT&T, Sprint and Omnipoint in PCS; and Nextel in SMR -- are either now offering or have announced plans to offer very large CMRS calling scopes within which "home rates" and toll free calling apply. Neither SBC nor SNET individually can match these offerings. Thus, the customers of the merged company will benefit from the combination of SNET's Connecticut, Rhode Island, and western and southeastern Massachusetts cellular operations with SBC's cellular operations in the Boston metropolitan area and in Upstate New York. The combined company will be able to offer consumers the benefits of a wider calling scope, including not only

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[28] See note 18, supra.

[29] The materials at Attachment G consist of a map which shows the current cellular coverage areas for SBC and SNET in New England and New York, and two matrices which lists the coverage areas of their principal wireless competitors in the states and counties in New England and New York. These materials plainly show the competitive disadvantage which each of SBC and SNET face in these areas.

competitive rate plans, but also consistency of advanced features that depend on the existence of an integrated, regional network which can be designed and operated to minimize costs and maximize efficiencies.

The merger will also make SBC's superior purchasing power for network equipment and CPE available to SNET's cellular operations, which will lower its costs of providing CMRS service and enhance its ability to compete.

(b) Local Exchange and Exchange Access

SBC and SNET believe that this merger will produce a number of benefits in the local exchange market in Connecticut which, as noted above, is becoming increasingly competitive. Before describing those benefits, however, the Applicants believe it is useful to outline further the nature of this competitive Connecticut market as it exists today.

As noted above, in July 1994, the Connecticut legislature established a plan to facilitate the entry of new carriers into the state's local exchange markets.[30] The CDPUC was directed to initiate proceedings pursuant to which SNET would unbundle local network functions that could be offered as separate

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[30] See note 13, supra.