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

[30] See note 13, supra.

services and to ensure that these functions were offered to competitors on nondiscriminatory terms.[31] SNET is required to offer its competitors "reasonable, nondiscriminatory access to all equipment, facilities and services necessary to provide telecommunications services to customers"[32] at rates to be determined by the CDPUC. Thus, Connecticut regulators and SNET have been committed for several years to the transition to competition and have been closely and actively engaged in ensuring that it occurs. The 1996 Act supplements the requirements already existing in Connecticut and imposes other obligations regarding interconnection, unbundling and resale.

As of December 31, 1997, the CDPUC had certified over 30 companies as qualified to provide local exchange services in Connecticut. SNET has reached, and the CDPUC has approved, agreements covering interconnection, resale and unbundled elements with AT&T, MCI, MFS, Brooks Fiber, TCG, TCI, Winstar and Cox for CLEC service, and interconnection agreements with Sprint PCS and Bell Atlantic Mobile for wireless service.[33]

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[31] See Conn. Gen. Stat. Ann. § 16-247b(a).

[32] Id. § 16-247b(b).

[33] The agreements with AT&T, MCI, MFS and TCG are

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As a result of these market-opening activities, SNET has filled orders for approximately 2,500 unbundled local loops and 30,000 resold local service lines. It has also filled orders to provide facilities-based competitors with approximately 14,000 ported local numbers via remote call forwarding.[34] At a minimum, therefore, SNET has thus far lost approximately 44,000 local lines to competitors, or slightly over 2 percent of SNET's total customers.[35] These competitive losses, while not yet large, are increasing every month and clearly demonstrate that local competition is taking hold and is growing in Connecticut.

Indeed, several of the recently-completed and announced mergers between telecommunications companies provide substantial support for the fact that local exchange competition will expand further, and that scale and scope are important competitive factors in this

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arbitrated agreements. The agreements with AT&T and MCI were recently reopened for limited purposes. However, they are in effect by virtue of the CDPUC orders adopting the arbitrated agreements.

[34] Ported numbers are an excellent indicator of facilities-based competition.

[35] This estimate conservatively assumes that all customers that are using ported numbers are also using an unbundled loop. To the extent that there is no such overlap, SNET has lost additional customers.

marketplace. The AT&T/Teleport merger is clearly driven by AT&T's desire to expand into the local market.[36] The same is true in the case of WorldCom's recent acquisitions of MFS and Brooks Fiber and, of course, its proposed merger with MCI.[37] The substantial sums

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[36] In their recently-filed application for authority to transfer control of Teleport's 214 authorizations to AT&T, AT&T and Teleport stated that: "AT&T's acquisition of [Teleport] holds great promise for the development of facilities-based local competition by taking full advantage of the complementary aspects of AT&T's long distance and wireless networks and marketing expertise and [Teleport's] local fiber optic and broadband wireless capabilities and rights-of-way. . . . In the near term, AT&T expects that the acquisition of [Teleport] will accelerate and expand AT&T's provision of facilities-based local exchange service." Teleport/ AT&T Application for Authority Pursuant to Section 214 of the Communications Act of 1934, as amended, For Transfer of Control of Authorization to Provider International Facilities-Based and Resold Communications Services, in File No. I-T-C-98-104-TC at pp. 7-8 (filed Feb. 3, 1998). Similar observations were made at the time the merger was announced. See, e.g., Standard & Poor's statement that: "Teleport's customer base is large enough to make AT&T a significant player in local telephone service at the time the deal closes, and AT&T's resources can be used to accelerate Teleport's already rapid growth rate." See Teleport Ratings Put on S&PWatch, Positive on Merger with AT&T, PRNewswire, Jan. 8, 1998 (available at Westlaw's PRNEWS database).

[37] According to WorldCom and MCI, their merger "will create a strong, aggressive nationwide competitor" that will attempt "to grow and expand by increasing customers and traffic as rapidly as possible." Joint Reply of WorldCom, Inc. and MCI Communications Corporation to Petitions to Deny and Comments, CC Docket No. 97-211 at pp. 6, 8 (filed Jan. 26, 1998). Their focus on the local exchange market is clear: "[t]he combination of MCI's reputation and customer recognition, with WorldCom's more extensive network of local exchange

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involved in these transactions would not have been expended if these companies -- which today are very strong competitors and which will become even stronger through the acquisitions of additional network assets and local exchange and other expertise -- did not intend to compete fully in the local market. Clearly, these companies firmly believe that such competition will be effective.[38]

SNET has actively cooperated in this transitional process. For example, SNET began early to work with competing carriers and industry groups to develop mechanized ordering. SNET uses this system to process the majority of local orders it receives.

SNET recognizes, however, that both statutory and regulatory directives, and the challenge of fulfilling them, will increase sharply in the next few years. The Commission and state regulators will continue to flesh out the detailed and complex network

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facilities, presents a unique opportunity to provide facilities-based local exchange competition. . . ." Id. at 9.

[38] Even more than in the case of Bell Atlantic and NYNEX, where the Commission found that the merging parties were potential competitors, several of the companies noted above are already actual competitors of SNET in Connecticut. By contrast, SBC had no plans to enter the Connecticut market as a competitor to SNET on either a wireline or wireless basis.

opening mandates in Sections 251 and 252 of the 1996 Act and the parallel requirements of Connecticut law. Demand for interconnection, unbundled elements, and resold service in Connecticut will grow sharply in the next few years, as cable, long distance and other companies commit themselves fully to competing to provide services to residential and business customers.

This was an important element in SNET's conclusion that it needed to become part of a larger company. SNET's combination with SBC will enable SNET to complete this transition to competition more effectively, efficiently and expeditiously than it could do on its own. This is also a significant benefit of this merger. SBC currently has more than 3,400 employees dedicated to implementing 1996 Act requirements.[39] It has already invested almost $1 billion on the infrastructure, systems and expertise needed to open local networks to competition, This includes over $300 million to implement number portability and approximately $600 million to modify and upgrade its networks and operations support systems in order to accommodate resale, unbundled network elements and interconnection with competitors -- and SBC expects

[39] By comparison, SNET has a total employee base of approximately 9,500 for all of its operations.

to spend at least $500 million more in 1998 on these market-opening activities. SBC has developed and implemented advanced electronic interfaces to permit competitors to access SBC's pre-ordering, ordering, provisioning, repair and maintenance, and billing systems. It has also established four local service centers from which competing carriers can order interconnection, resold services, and unbundled elements.

Thus far, SNET has been effective in accommodating the transition to competition, and by July of this year the SNET Telco will have made its own internal system for accessing its operations support systems available to its competitors. Nonetheless, in this very fluid environment, the demand for enhancements will be constant, and SNET cannot cost-effectively develop the same depth of technology and expertise on its own that SBC can develop. Moreover, much of what has to be done involves changes for which economies of scale are very large. Thus, the combination of SBC's resources and market-opening expertise, with those of SNET, will enhance the ability of the merged company to fulfill its obligations and facilitate competition in the local exchange market.

In addition to the foregoing benefits, the Applicants believe that this merger will further enhance the ability of the combined company to compete, to provide new and innovative services, and more effectively to market existing services to its Connecticut customers, as a result of SNET's access to SBC's network equipment purchasing discounts, SBC's local marketing expertise (as evidenced by its significantly higher penetration rate than SNET's for second lines and other features which are desired by customers), and SBC's extensive network, market research and product development expertise.

SBC's market research department has spent a considerable amount of money on research designed to determine the needs of its customers. It has also spent considerable sums determining and testing how best to provide new services to its customers in packages that make the most sense for them. While there are differences in the demographics and the needs of each area, a substantial amount of the investment SBC has made in market research can be used to enhance SNET's ability to provide services in Connecticut.

Similarly, SBC's research and product development subsidiary, Technology Resources, Inc. ("TRI"), has made and continues to make substantial

expenditures designed to enhance network operations, to develop product standards, and to develop new network technologies that will facilitate the deployment of new service offerings and to do so in a way that will provide cost efficiencies.[40] Every telecommunications company must devote substantial resources to these R&D activities if it wishes to stay competitive. It would be difficult, if not impossible, for SNET, standing alone, to make the commensurate increase in investment that would be necessary to undertake these activities. SBC's substantial activities and resources in this area will provide both immediate and long-term benefits to SNET's customers.

(c) Long Distance Service

As the Commission has recognized in recent years, the long distance market in the United States is increasingly competitive. The Commission no longer regulates any interexchange carrier as a dominant carrier.[41] Today, the major facilities-based carriers, including AT&T, MCI, Sprint and WorldCom, are joined by

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[40] See SBC Growth Profile, Attachment F to this Exhibit, at pp. 67-71, for a description of TRI's technology development activities.

[41] See In re Motion of AT&T Corp. to Be Reclassified as a Non-Dominant Carrier, 11 FCC Rcd. 3271 at ¶¶ 57-73, 138-140 (1995), aff'd on recon., 1997 WL 621655 (1997).

hundreds of other carriers, some of which are also very large companies and some of which also have their own facilities. Nevertheless, this national market is still characterized by the lock-step pricing practices of the three major facilities-based carriers and would clearly benefit, and become more competitive, by the entry of additional facilities-based and other large-scale competitors, which SNET and SBC hope to be and which this merger will enhance.

Since passage of the 1996 Act, subsidiaries of SBC have begun marketing long distance service in those areas outside of SBC's seven states where SBMS is a cellular provider -- not including Connecticut, since SBC has no operations there. Similarly, since April 1994, SAI, SNET's long distance subsidiary, has been providing long distance service to its customers in Connecticut. With the exceptions noted below, there is no overlap between the areas in which these subsidiaries of SBC and SNET market, or planned to market, their long distance services, or the customers to whom those services are marketed. Moreover, neither company had any plans to market long distance service in the other company's territory.[42]

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[42] This situation is in marked contrast to what the
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SAI's marketing of long distance service is directed at its local exchange customers in Connecticut. However, it provides a minimal amount of long distance service in several of SBC's in-region states, to the extent that SAI's Connecticut business customers have branch offices in those states and they procure long distance service for those offices from SAI. This service represents a minuscule fraction of the long distance market and the revenues of SBC and SNET,[43] and it does not constitute substantial actual or potential

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Commission found in the case of the Bell Atlantic/NYNEX merger. Specifically, in the case of Bell Atlantic, the Commission concluded that:

> [T]he proposed merger will eliminate Bell Atlantic as a likely significant independent competitor in the market to provide local exchange and exchange access services, and bundled local exchange, exchange access and long distance services, to residential and smaller business customers, particularly in LATA 132 . . . but not limited to that area. We conclude that Bell Atlantic did plan to enter LATA 132 and other NYNEX territories [and] . . . [w]e base this conclusion on [Bell Atlantic] documents.

Bell Atlantic/NYNEX, supra, 1997 WL 465170 at ¶ 8.

[43] SNET's total 1997 revenue from the 30 billed numbers at branch offices of SAI's Connecticut customers which are located within SBC's in-region states was approximately $500,000. This figure represents less than one-half of 1% of the long distance revenue of SNET alone, and, of course, a far smaller percentage of the total long distance market.

competition with SBC. While there may be some change in the manner in which these services would be provided following consummation of the merger,[44] they do not present any significant competitive implications for the merger as a whole.[45]

To the contrary, the Applicants believe that the merger will produce several procompetitive benefits in the long distance market. First, SBC's out-of-region long distance service will benefit from SNET's expertise and in the provision of long distance service. In less

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[44] For example, to the extent that any such service is being provided to the branch offices of SAI's Connecticut business customers within any of SBC's in-region states at the time the merger is consummated, it would be terminated or otherwise brought into compliance with applicable law.

[45] Subsidiaries of SBC and SNET also issue calling cards to their customers which can be used in virtually all states where these customers travel. However, neither company markets, nor had any plans to market, long distance service in the other company's territory. For example, the only tariff accompanying SBC's recently-withdrawn application for authorization to provide intrastate, interexchange service within Connecticut was solely for calling card service. Thus, any provision of originating long distance service by either company in the other company's territory is the fortuitous consequence of the use of a calling card by a customer when traveling in the other's territory. Moreover, when SBC's customers use their calling cards for interexchange calls within any of SBC's in-region states the calls are not handled by an SBC long distance company, but by an unaffiliated interexchange carrier and the calls are branded as such. SNET will, as appropriate, implement a similar approach when its customers use their calling cards within SBC's in-region states.

than three years, because of its outstanding performance as a long distance carrier,[46] SAI has acquired approximately 923,000 long distance customers, which represents a significant achievement in a relatively short period of time. Second, SBC'S out-of-region long distance customers will benefit from the billing capabilities SNET has developed for its long distance service, which permits billing in increments as small as one second. Finally, the merger will enable SAI to take advantage of SBC's superior purchasing power for long distance minutes resold by SAI, which will lower its costs of providing long distance service.

3. Absence of Adverse Competitive Effects

The benefits described above will be realized without any adverse effects on competition in any product or geographic market, as the Commission found in approving the SBC/Telesis merger based facts similar to those present here. In this merger:

- there are no overlaps or adjacencies between the areas in which the ILEC subsidiaries of SNET and SBC provide local exchange and exchange access services;
- unlike the circumstances present in Bell Atlantic/NYNEX, neither SBC nor SNET had any plans to market any services in any of the

[46] In 1997, J.D. Power and Associates named SNET as the long distance carrier with the highest ranking among mainstream long distance users.

other company's service areas prior to the merger;[47]

- the Applicants' cellular systems operate in different MSAs and RSAs and, where they are adjacent, their combination will enhance the merged company's ability to serve its customers and compete with the expanding list of CMRS providers with larger calling scopes in New England and adjacent areas; and

- the Applicants market their long distance services in different areas and, as described above, the combined company will be better able to compete outside of SBC's in-region states with the myriad long distance competitors it faces.

In sum, neither SBC nor any of its affiliates provides services, or planned to provide any services, in competition with SNET or any of its affiliates in any geographic area or line of business, and vice versa.

(a) CMRS Service

There are no competitive concerns with respect to the CMRS authorizations that are the subject of these transfer of control applications. Neither SBC nor SNET operates any CMRS system in the other company's area, and the merger will not cause any reduction in actual or potential competition. To the contrary, as described above, by allowing them to combine their adjacent operations and permitting them to expand their calling

[47] See SBC Growth Profile, Attachment F to this Exhibit, at p. 34, regarding SBC's focus and plans.