TABLE 18.2

TELEPHONE LINES BY STATE AS OF DECEMBER 31, 1996

STATE NAME	NUMBER OF TELEPHONE COMPANIES	BELL COMPANY LINES			OTHER COMPANY LINES			TOTAL LINES	% EQUAL ACCESS
		EQUAL ACCESS	NON-EQUAL ACCESS	% EQUAL ACCESS	EQUAL ACCESS	NON-EQUAL ACCESS	% EQUAL ACCESS		
ALABAMA	30	1,804,922	0	100.00	416,009	12,431	97.10	2,233,362	99.44
ALASKA	25	0	0	N.A.	308,979	46,206	86.99	355,185	86.99
ARIZONA	15	2,255,788	711	99.97	155,215	2,898	98.17	2,414,612	99.85
ARKANSAS	28	887,446	0	100.00	381,685	19,326	95.18	1,288,457	98.50
CALIFORNIA	22	15,825,276	0	100.00	3,948,898	31,136	99.22	19,805,310	99.84
COLORADO	27	2,276,307	1,831	99.92	92,300	10,744	89.57	2,381,182	99.47
CONNECTICUT	2	0	0	N.A.	2,035,573	0	100.00	2,035,573	100.00
DELAWARE	1	466,474	0	100.00	0	0	N.A.	466,474	100.00
DIST. OF COLUMBIA	1	771,630	0	100.00	0	0	N.A.	771,630	100.00
FLORIDA	13	5,663,040	0	100.00	3,865,704	42,758	98.91	9,571,502	99.55
GEORGIA	36	3,572,631	0	100.00	671,366	31,411	95.53	4,275,408	99.27
HAWAII	1	0	0	N.A.	586,974	28,314	95.40	615,288	95.40
IDAHO	21	449,625	0	100.00	160,233	2,897	98.22	612,755	99.53
ILLINOIS	56	6,233,999	0	100.00	1,153,220	55,376	95.42	7,442,595	99.26
INDIANA	42	1,953,053	0	100.00	1,145,476	23,638	97.98	3,122,167	99.24
IOWA	153	989,362	0	100.00	495,012	10,894	97.85	1,495,268	99.27
KANSAS	39	1,244,898	0	100.00	199,374	42,034	82.59	1,486,306	97.17
KENTUCKY	19	1,113,544	0	100.00	776,373	7,665	99.02	1,897,582	99.60
LOUISIANA	20	2,102,325	0	100.00	151,262	12,216	92.53	2,265,803	99.46
MAINE	19	633,594	0	100.00	116,874	4,410	96.36	754,878	99.42
MARYLAND	2	3,046,238	0	100.00	5,829	0	100.00	3,052,067	100.00
MASSACHUSETTS	3	4,148,019	0	100.00	3,795	0	100.00	4,151,814	100.00
MICHIGAN	38	4,843,416	0	100.00	809,673	49,964	94.19	5,703,053	99.12
MINNESOTA	89	2,055,017	0	100.00	659,497	15,072	97.77	2,729,586	99.45
MISSISSIPPI	19	1,166,783	0	100.00	52,683	25,281	67.57	1,244,747	97.97
MISSOURI	44	2,325,764	0	100.00	674,867	63,551	91.39	3,064,182	97.93
MONTANA	18	334,537	0	100.00	135,820	11,341	92.29	481,698	97.65
NEBRASKA	42	501,392	0	100.00	404,197	22,334	94.76	927,923	97.59
NEVADA	14	294,577	0	100.00	776,083	3,444	99.56	1,074,104	99.68
NEW HAMPSHIRE	12	707,034	0	100.00	42,870	2,859	93.75	752,763	99.62
NEW JERSEY	3	5,587,098	0	100.00	189,400	0	100.00	5,776,498	100.00
NEW MEXICO	15	693,849	0	100.00	108,617	11,700	90.28	814,166	98.56
NEW YORK	44	10,373,195	0	100.00	1,180,966	8,218	99.31	11,562,379	99.93
NORTH CAROLINA	26	2,066,889	0	100.00	2,086,598	13,129	99.37	4,166,616	99.68
NORTH DAKOTA	24	207,695	0	100.00	123,591	22,958	84.33	354,244	93.52
OHIO	42	3,733,502	0	100.00	2,413,246	80,892	96.76	6,227,640	98.70
OKLAHOMA	39	1,503,575	7,320	99.52	298,718	13,212	95.76	1,822,825	98.87
OREGON	33	1,230,646	0	100.00	611,272	5,396	99.12	1,847,314	99.71
PENNSYLVANIA	37	5,500,537	0	100.00	1,594,339	24,793	98.47	7,119,669	99.65
RHODE ISLAND	1	602,318	0	100.00	0	0	N.A.	602,318	100.00
SOUTH CAROLINA	27	1,309,243	0	100.00	651,840	922	99.86	1,962,005	99.95
SOUTH DAKOTA	32	257,672	0	100.00	122,661	4,748	96.27	385,081	98.77
TENNESSEE	25	2,465,023	0	100.00	570,920	35,869	94.09	3,071,812	98.83
TEXAS	57	8,376,840	0	100.00	2,242,582	59,016	97.44	10,678,438	99.45
UTAH	13	941,891	0	100.00	35,588	7,115	83.34	984,594	99.28
VERMONT	10	307,533	0	100.00	52,649	5,290	90.87	365,472	98.55
VIRGINIA	21	2,839,412	0	100.00	921,353	4,608	99.50	3,765,373	99.88
WASHINGTON	22	2,258,674	0	100.00	1,002,466	9,059	99.10	3,270,199	99.72
WEST VIRGINIA	10	703,559	0	100.00	140,265	2,516	98.24	846,340	99.70
WISCONSIN	89	2,047,863	0	100.00	1,004,961	4,945	99.51	3,057,769	99.84
WYOMING	10	226,095	0	100.00	34,883	13,331	72.35	274,309	95.14
UNITED STATES	1,431 *	**********	9,862	99.99	35,612,756	905,917	97.52	157,428,335	99.42
NORTHERN MARIANA	1	0	0	N.A	20,976	0	100.00	20,976	100.00
PUERTO RICO	2	0	0	N.A	1,166,721	0	100.00	1,166,721	100.00
VIRGIN ISLANDS	1	0	0	N.A	56,211	0	100.00	56,211	100.00
GRAND TOTAL	1,435 *	**********	9,862	99.99	36,856,664	905,917	97.60	158,672,243	99.42

TABLE 18.3

ADDITIONAL RESIDENTIAL LINES FOR HOUSEHOLDS WITH TELEPHONE SERVICE (End-of-year data in millions)

Year	Loops 1/			Households with Telephone Service 2/	Additional Residential Lines	Percentage of Additional Lines for Households with Telephones
	Residential	Non-Residential	Total Loops			
1988	87.7	38.5	126.2	85.4	2.3	2.7 %
1989	90.0	40.6	130.6	87.4	2.6	3.0
1990	92.2	42.9	135.1	88.4	3.9	4.4
1991	95.9	42.5	138.4	89.4	6.5	7.3
1992	99.3	43.0	142.3	91.0	8.3	9.1
1993	101.8	45.2	147.0	93.0	8.8	9.4
1994	105.1	47.2	152.3	93.7	11.4	12.2
1995	108.1	50.4	158.5	94.2	13.9	14.8
1996	110.8	54.2	165.1	95.1	15.7	16.5

Source: FCC staff estimates.

1/ Total loops are from the Universal Service Fund subscriber line counts provided by the National Exchange Carrier Association. The Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands totals have been removed. Total loops have been divided between residential and non-residential using the ratio of residential to non-residential access lines reported in *Statistics of Communications Common Carriers*. Those totals also exclude Puerto Rico, but cover only the carriers that file ARMIS reports (of which there are none for the Northern Mariana Islands and the U.S. Virgin Islands).

2/ Current Population Survey (U.S. Department of Commerce, Bureau of the Census).

TELEPHONE NUMBERS:

In 1994, many area codes were nearing exhaustion as demand for telephone numbers continued to rise. Adding new area codes was difficult because some older telephone equipment was designed to recognize only area codes with a middle digit of 0 or 1, and the supply of those area codes was dwindling. On January 1, 1995, the restriction on the middle digit was removed, and 640 new area codes were made available. During 1995, fifteen new area codes were assigned -- the largest single-year expansion of area codes in decades. Twenty new area codes were added in 1996, forty-one were added in 1997. Eleven codes are currently projected for 1998. The changes in area codes from 1984 to 1998 are shown in Table 19.1.

On May 1, 1993, procedures for routing 800 calls were changed and 800 numbers were made "portable." The new system enables customers to change service providers while still retaining the same 800 number. There has been tremendous growth in the 800 market. The growth of 800 telephone numbers is shown in Table 19.2. In March 1996, a second toll- free calling code -- 888 -- was placed in service. The 888 code assignments are shown in Table 19.3. The third toll-free calling code -- 877 -- is scheduled to take effect beginning April 4, 1998.

TABLE 19.1

AREA CODES ASSIGNMENTS
(1984-1998)

LOCATION	DATE	PREVIOUS CODE	ADDED CODE
CALIFORNIA	1/84	213	818
NEW YORK	9/84	212	718
COLORADO	3/88	303	719
FLORIDA	4/88	305	407
MASSACHUSETTS	7/88	617	508
ILLINOIS	11/89	312	708
NEW JERSEY	11/90	201	908
TEXAS	11/90	214	903
CALIFORNIA	9/91	415	510
MARYLAND	10/91	301	410
CALIFORNIA	11/91	213	310
NEW YORK	1/92	212	917
NEW YORK	1/92	718	917
GEORGIA	5/92	404	706
NEW YORK	7/92	212	718
TEXAS	11/92	512	210
CALIFORNIA	11/92	714	909
ONTARIO	10/93	416	905
NORTH CAROLINA	11/93	919	910
MICHIGAN	12/93	313	810
PENNSYLVANIA	1/94	215	610
ALABAMA	1/95	205	334
WASHINGTON	1/95	206	360
TEXAS	3/95	713	281
ARIZONA	3/95	602	520
COLORADO	4/95	303	970
FLORIDA (TAMPA)	5/95	813	941
VIRGINIA	7/95	703	540
GEORGIA (ATLANTA)	8/95	404	770
CONNECTICUT	8/95	203	860
FLORIDA (MIAMI)	9/95	305	954
TENNESSEE	9/95	615	423
BERMUDA	10/95	809	441
OREGON	11/95	503	541
SOUTH CAROLINA	12/95	803	864
FLORIDA (NORTH)	12/95	904	352
MISSOURI	1/96	314	573
ILLINOIS (CHICAGO)	1/96	708	847
PUERTO RICO	3/96	809	787
OHIO	3/96	216	330
MINNESOTA	3/96	612	320
ANTIGUA	4/96	809	268
FLORIDA (SOUTHEAST)	5/96	407	561
BARBADOS	7/96	809	246
ST. LUCIA	7/96	809	758

TABLE 19.1

AREA CODES ASSIGNMENTS (CONT'D)
(1984-1998)

LOCATION	DATE	PREVIOUS CODE	ADDED CODE
VIRGINIA	7/96	804	757
MONTSERRAT	7/96	809	664
ILLINOIS (CHICAGO)	8/96	708	630
CAYMAN ISLANDS	9/96	809	345
TEXAS (DALLAS)	9/96	214	972
OHIO	9/96	513	937
BAHAMAS	10/96	809	242
ST. KITTS & NEVIS	10/96	809	869
ILLINOIS	10/96	312	773
BRITISH COLUMBIA	10/96	604	250
TEXAS (HOUSTON)	11/96	713	281
CALIFORNIA (SOUTHERN)	1/97	310	562
INDIANA	2/97	317	765
CALIFORNIA	3/97	619	760
ANGUILLA	3/97	809	264
ARKANSAS	4/97	501	870
WASHINGTON ST.	4/97	206	253
WASHINGTON ST.	4/97	206	425
JAMAICA	5/97	809	876
MICHIGAN	5/97	810	248
TEXAS	5/97	817	254
TEXAS	5/97	817	940
TURKS & CAICOS	5/97	809	649
TRINIDAD/TOBAGO	6/97	809	868
MARYLAND	6/97	301	240
MARYLAND	6/97	410	443
NEW JERSEY	6/97	201	973
NEW JERSEY	6/97	908	732
U.S. VIRGIN ISLANDS	6/97	809	340
CALIFORNIA	6/97	818	626
GUAM	7/97	NA	671
COMMONWEALTH OF THE NORTHERN MARIANA IS.	7/97	NA	670
TEXAS	7/97	210	830
TEXAS	7/97	210	956
KANSAS	7/97	913	785
WISCONSIN	7/97	414	920
CALIFORNIA	8/97	415	650
OHIO	9/97	216	440
MASSACHUSETTS	9/97	617	781
MASSACHUSETTS	9/97	508	978
TENNESSEE	9/97	615	931
MISSISSIPPI	9/97	601	228
UTAH	9/97	801	435
DOMINICA	10/97	809	767
BRITISH VIRGIN ISLANDS	10/97	809	284

TABLE 19.1

AREA CODES ASSIGNMENTS (CONT'D)
(1984-1998)

LOCATION	DATE	PREVIOUS CODE	ADDED CODE
MISSOURI	10/97	816	660
YUKON & NW TERR.	10/97	403	867
YUKON & NW TERR.	10/97	819	867
GRENADA	10/97	809	473
CALIFORNIA	11/97	916	530
OHIO	12/97	614	740
MICHIGAN	12/97	313	734
NORTH CAROLINA	12/97	910	336
GEORGIA (ATLANTA)	1/98	770	678
PENNSYLVANIA	2/98	412	724
CALIFORNIA	3/98	510	925
SOUTH CAROLINA	3/98	803	843
ALABAMA	3/98	205	256
CALIFORNIA	4/98	714	949
ST. VINCENT & GRENADINES	6/98	809	784
QUEBEC	6/98	514	450
CALIFORNIA (LOS ANGELES)	6/98	213	323
CALIFORNIA	7/98	408	831
CALIFORNIA	11/98	209	559

SOURCE: BELL COMMUNICATIONS RESEARCH.

TABLE 19.2

TELEPHONE NUMBERS ASSIGNED FOR 800 SERVICE

YEAR	MONTH	WORKING 800 NUMBERS	MISC* 800 NUMBERS	TOTAL 800 NUMBERS ASSIGNED	SPARE 800 NUMBERS STILL AVAILABLE
1993	APRIL	2,448,985	642,725	3,091,710	4,618,290
	MAY	2,511,933	708,192	3,220,125	4,489,875
	JUNE	2,589,123	722,006	3,311,129	4,398,871
	JULY	2,675,483	705,416	3,380,899	4,329,101
	AUGUST	2,738,259	701,009	3,439,268	4,270,732
	SEPTEMBER	2,818,262	639,547	3,457,809	4,252,191
	OCTOBER	2,891,994	660,544	3,552,538	4,157,462
	NOVEMBER	3,083,250	728,514	3,811,764	3,898,236
	DECEMBER	3,155,955	731,438	3,887,393	3,822,607
1994	JANUARY	3,257,540	580,216	3,837,756	3,872,244
	FEBRUARY	3,381,646	731,005	4,112,651	3,597,349
	MARCH	3,516,620	743,813	4,260,433	3,449,567
	APRIL	3,659,129	699,212	4,358,341	3,351,659
	MAY	3,793,865	738,767	4,532,632	3,177,368
	JUNE	3,933,037	792,698	4,725,735	2,984,265
	JULY	4,099,174	699,803	4,798,977	2,911,023
	AUGUST	4,312,486	807,881	5,120,367	2,589,633
	SEPTEMBER	4,506,014	841,381	5,347,395	2,362,605
	OCTOBER	4,611,014	871,684	5,482,698	2,227,302
	NOVEMBER	4,817,854	875,416	5,693,270	2,016,730
	DECEMBER	4,948,605	763,235	5,711,840	1,998,160
1995	JANUARY	5,096,646	807,294	5,903,940	1,806,060
	FEBRUARY	5,278,800	811,221	6,090,021	1,619,979
	MARCH	5,528,723	793,771	6,322,494	1,387,506
	APRIL	5,741,780	797,902	6,539,682	1,170,318
	MAY	5,980,848	843,093	6,823,941	886,059
	JUNE	6,340,534	481,633	6,822,167	887,833
	JULY	6,402,785	443,717	6,846,502	863,498
	AUGUST	6,428,120	442,270	6,870,390	839,610
	SEPTEMBER	6,503,018	437,215	6,940,233	769,767
	OCTOBER	6,583,344	396,605	6,979,949	730,051
	NOVEMBER	6,647,880	310,043	6,957,923	752,077
	DECEMBER	6,700,576	286,487	6,987,063	722,937
1996	JANUARY	6,766,607	297,001	7,063,608	646,392
	FEBRUARY	6,861,093	335,557	7,196,650	513,350
	MARCH	6,907,098	293,244	7,200,342	509,658
	APRIL	6,934,085	280,927	7,215,012	494,988
	MAY	6,943,620	333,140	7,276,760	433,240
	JUNE	6,986,821	324,899	7,311,720	398,280
	JULY	7,022,309	339,900	7,362,209	347,791
	AUGUST	7,074,772	311,273	7,386,045	323,955
	SEPTEMBER	7,119,167	310,562	7,429,729	280,271
	OCTOBER	7,185,135	325,088	7,510,223	199,777
	NOVEMBER	7,242,377	337,502	7,579,879	130,121
	DECEMBER	7,272,819	343,905	7,616,724	93,276
1997	JANUARY	7,333,632	323,804	7,657,436	52,564
	FEBRUARY	7,388,696	318,571	7,707,267	2,733
	MARCH	7,402,769	305,362	7,708,131	1,869
	APRIL	7,411,118	296,925	7,708,043	1,957
	MAY	7,411,291	294,320	7,705,611	4,389
	JUNE	7,415,591	293,802	7,709,393	607
	JULY	7,421,288	283,794	7,705,082	4,918
	AUGUST	7,430,733	276,024	7,706,757	3,243
	SEPTEMBER	7,427,717	280,668	7,708,385	1,615
	OCTOBER	7,433,483	276,490	7,709,973	27
	NOVEMBER	7,423,662	276,576	7,700,238	9,762
	DECEMBER	7,429,160	267,429	7,696,589	13,411

* MISCELLANEOUS NUMBERS INCLUDE THOSE IN THE 800 SERVICE MANAGEMENT SYSTEM MAINTAINED BY DATA SERVICE MANAGEMENT, INC., AND CATEGORIZED AS RESERVED, ASSIGNED BUT NOT YET ACTIVATED, RECENTLY DISCONNECTED, OR SUSPENDED.

TABLE 19.3

TELEPHONE NUMBERS ASSIGNED FOR 888 SERVICE

YEAR	MONTH	WORKING 888 NUMBERS	MISC* 888 NUMBERS	TOTAL 888 NUMBERS ASSIGNED	SPARE 888 NUMBERS STILL AVAILABLE
1996	FEBRUARY	67,399	560,598	627,997	7,352,003
	MARCH	267,874	568,574	836,448	7,143,552
	APRIL	442,005	565,402	1,007,407	6,972,593
	MAY	707,374	542,428	1,249,802	6,730,198
	JUNE	922,849	544,079	1,466,928	6,513,072
	JULY	1,157,770	549,845	1,707,615	6,272,385
	AUGUST	1,437,660	576,399	2,014,059	5,965,941
	SEPTEMBER	1,641,519	590,345	2,231,864	5,748,136
	OCTOBER	1,886,663	629,365	2,516,028	5,463,972
	NOVEMBER	2,074,600	622,375	2,696,975	5,283,025
	DECEMBER	2,255,163	601,766	2,856,929	5,123,071
1997	JANUARY	2,457,250	591,533	3,048,783	4,931,217
	FEBRUARY	2,654,984	629,997	3,284,981	4,695,019
	MARCH	2,857,608	661,164	3,518,772	4,461,228
	APRIL	3,097,015	646,709	3,743,724	4,236,276
	MAY	3,399,856	657,615	4,057,471	3,922,529
	JUNE	3,660,984	681,981	4,342,965	3,637,035
	JULY	3,990,769	696,331	4,687,100	3,292,900
	AUGUST	4,345,910	742,755	5,088,665	2,891,335
	SEPTEMBER	4,776,688	774,431	5,551,119	2,428,881
	OCTOBER	5,139,455	726,515	5,865,970	2,114,030
	NOVEMBER	5,353,989	699,223	6,053,212	1,926,788
	DECEMBER	5,551,554	729,020	6,280,574	1,699,426

* MISCELLANEOUS NUMBERS INCLUDE THOSE IN THE 888 SERVICE MANAGEMENT SYSTEM MAINTAINED BY DATA SERVICE MANAGEMENT INC., AND CATEGORIZED AS RESERVED, ASSIGNED BUT NOT YET ACTIVATED, RECENTLY DISCONNECTED, OR SUSPENDED.

APPENDIX

The information in this report and, in many cases, more detailed information can be downloaded from the **FCC-State Link** internet site at http://www.fcc.gov/ccb/stats on the World Wide Web. The report can also be downloaded from the **FCC-State Link** electronic bulletin board by calling 202-418-0241.

Printed copies of statistical reports are available for reference in the Common Carrier Bureau's Public Reference Room (Room 575 at 2000 M Street, N.W.) and from the Commission's duplicating contractor (International Transcription Services, Inc. (ITS), 202-857-3800).

Additional information on regulated carriers, including investments, revenues, expenses, and earnings, is contained in the annual *Statistics of Communications Common Carriers*, available from the U.S. Government Printing Office (202-512-1800).

FCC rules require carriers to provide more detailed traffic data about international telephone service than about domestic service. Because of delays in international settlements, such information is typically received by the commission much later than domestic data and is usually published separately. Detailed international data is available from *International Telecommunications Data* and *Trends in the International Telecommunications Industry*, both of which are published by the Industry Analysis Division.

The information on cellular telephone service shown in Tables 2.1 and 2.2 was prepared from a publication of the Cellular Telecommunications Industry Association (1133 21st Street N.W., Washington, D.C. 20036, 202-785-0081). They can be found on the internet at http://www.ctia.org on the World Wide Web.

The United States Telephone Association represents virtually all local telephone companies (1401 H Street N.W., Washington D.C. 20005, 202-326-7300). Like many trade associations, it collects information from each of its members. Annually, it publishes and sells statistical publications such as *Statistics of the Local Exchange Carriers*. They can be found on the internet at http://www.usta.org on the World Wide Web.

Infomation on numbering issues, including area codes and carrier identification codes, can be found on the internet at http://www.nanpa.com on the World Wide Web.

The names, addresses and telephone numbers for companies in the telephone industry are in the Industry Analysis Division's *Carrier Locator*.

For more information on the following subjects, the following individuals may be contacted at 202-418-0940:

Access Charges	Tracy Waldon or Jim Lande
Complaints	Craig Stroup
Consumer Expenditures	Tracy Waldon
Employment	Katie Rangos or Jim Zolnierek
Equal Access	Jim Eisner
International Statistics	Linda Blake or Jim Lande
Lifeline Assistance Programs	Larry Povich
Lines	Alex Belinfante or Jim Eisner
Local Competition	Ellen Burton
Market Shares	Jim Zolnierek or Katie Rangos
Minutes	Alex Belinfante or Adrianne Brent
Prices and Rates	Tracy Waldon
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of Application of AT&T Corporation and Teleport Communications Group, Inc. for Transfer of Control	))))	CC Docket No. 98-24

To: The Commission

PETITION FOR APPROVAL WITH CONDITIONS TO PROTECT THE PUBLIC INTEREST

AT&T's Application for Commission approval of license transfers involved in its proposed acquisition of Teleport Communications Group, Inc. ("Teleport") does not meet the public interest requirements of the Communications Act. As BellSouth's Motion to Dismiss demonstrated, that Application made no real attempt to meet its burden of showing that the proposed transfers are in the public interest, and should be dismissed.

The proposed acquisition does underscore several major changes wrought by the Telecommunications Act of 1996. The fact that AT&T is willing to pay over $11 billion dollars for a competitive local exchange carrier shows that local markets are open. The proposed acquisition also highlights the value of providing bundled service offerings, at least to business customers. Regulatory barriers to Bell Operating Company (BOC) entry into the long distance market mean that the stimulus of market demand for packages of telecommunications services is effectively limited to the business side of the market, as carriers such as AT&T and WorldCom focus their dealmaking exclusively on the business customer. This is leading to the creation of a two-tiered telecommunications infrastructure. A broadband business network providing end-to-end service is emerging

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now, while the development of a similar residential network is hobbled by regulatory disincentives. AT&T's acquisition of Teleport may accelerate the emergence of this broadband business network, but it will further handicap the development of a residential counterpart.

AT&T's proposed acquisition will also place in AT&T's hands the long distance traffic and facilities of Teleport and ACC Corp. Given the "growing body of evidence that suggests that the nation's largest long distance companies are raising rates when their costs of providing service are decreasing," AT&T's acquisition of two competing long distance carriers raises substantial public interest concerns.[1]

I. AT&T'S APPLICATION DOES NOT CARRY ITS PUBLIC INTEREST BURDEN

BellSouth's Motion to Dismiss highlighted the inadequacy of AT&T's public interest showing. The page and a half the Application devotes to addressing the public interest is nothing more than platitudes and cannot be taken as a serious effort to even address the public interest.

The burden of proof is squarely on AT&T and Teleport to demonstrate that the proposed acquisition will "enhance competition" and benefit the public interest.[2] In recent merger cases, the Commission clarified that its public interest examination

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[1] Letter from Chairman Kennard to Bert Roberts, CEO MCI, WC. Michael Armstrong, Chairman and CEO AT&T and William T. Esrey, Chairman and CEO Sprint, Feb. 26, 1998, at p.1.

[2] Memorandum Opinion and Order, *Applications of NYNEX Corporation and Bell Atlantic Corporation For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries*, File No. NSD-L-96-10 (rel. Aug. 14, 1997) (*Bell Atlantic/NYNEX Order*) at ¶ 36.

includes whether a transaction furthers Commission policies encouraging competition, as well as its effects on preserving and enhancing universal service and accelerating private sector deployment of advanced telecommunications and information technologies and services.[3] Parties seeking to justify an acquisition because it creates efficiencies must quantify merger-specific savings, demonstrate that they will be passed on to consumers and that these efficiencies will outweigh any anticompetitive harm.[4]

Applicants must provide factual information to carry their burden of proof on the public interest issues. Applications in merger cases must provide information regarding the product and geographic markets involved, the identity of competitors, efficiencies, and affects on competition and the public.[5]

AT&T and Teleport have chosen to ignore these Commission requirements. They have not provided the factual information necessary for informed public comment and Commission evaluation. Nevertheless, there are areas in which the proposed transaction raises substantial public interest questions. Several of these areas are set out below.

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3 *Bell Atlantic/NYNEX Order* at ¶ 2; Memorandum Opinion & Order, *MCI Communications Corp. and British Telecommunications plc*, GN Dkt. No. 96-245, FCC 97-302 (rel. September 24, 1997)("*BT/MCI Order*").

4 *Bell Atlantic/NYNEX Order* at ¶ 158.

5 *Bell Atlantic/NYNEX Order; BT/MCI Order;* Memorandum Opinion and Order, *Pacific Telesis Group and SBC Communications, Inc.*, Rpt. No. LB 96-32, FCC 97-28 (rel. Jan 31, 1997).

II. AT&T'S OFFERING $11 BILLION FOR TELEPORT SHOWS THAT THE LOCAL MARKET IS OPEN

AT&T has offered to pay $11 billion for Teleport, the "nation's largest competitive local exchange carrier."[6] An investment of this size in a competitive local exchange carrier suggests that when it comes to putting money where its mouth is, AT&T sees local markets as very open to profitable competition.

Teleport's current revenues are approximately $500 million dollars.[7] During the six months ended June 30, 1997, Teleport's revenues grew 72% over the year earlier. Substantially all of this growth was from Teleport's provision of local service.[8]

In the six months preceding AT&T's offer, Teleport stock nearly doubled, far exceeding growth in the S&P 500 index. AT&T's $11 billion offer for Teleport, which includes healthy premiums reflected in the run up in Teleport's stock, is based largely on AT&T's financial assessment that Teleport's local revenues are likely to continue to increase exponentially. Thus, AT&T sees an "immense" opportunity from the acquisition, and predicts that it will add $450 million dollars to what the projected sales of AT&T and Teleport would have been individually in local markets during the first year

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[6] AT&T - Teleport Application at 7.

[7] Teleport Press Release, "Teleport Communications Group Inc. (TCG) Reported Fourth Quarter 1997 Revenues Of $150.4 Million. Revenues For The Year 1997 Were $494.3 Million," dated February 2, 1998, available at <http://www.tcg.com/tcg/investor/quarterly.html>.

[8] Form S-3 Registration Statement of Teleport Communications Group, Inc., dated October 10, 1997, at 5 (Teleport Registration Statement).

after the deal closes.[9] Based on AT&T's announced schedule for closing, this would give the combined company local revenues of over $1 billion dollars in 1999 without including any of AT&T's current or projected local revenues.

AT&T's financial assessment of the opportunities for profit available in today's open local markets is shared by Wall Street and investors. As the attached chart highlights, $10,000 invested in CLEC stocks on January 1, 1996 would be worth over $65,000 as of March 6, 1998. The same amount invested in the stocks of the large local exchange companies would be worth not quite $16,000. AT&T's deal makers and accountants and Wall Street all come to the same conclusion: local markets are open and profits are there for the taking.[10] This unanimity should expose AT&T's regulatory posturing for what it is, a bald attempt to insulate its long distance business from full competition. AT&T's $11 billion dollar investment in a CLEC gives the lie to AT&T's public carping that local markets are closed.[11]

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[9] Business Week, "An $11 Billion Bargain," January 26, 1998 (quoting C. Michael Armstrong, Chairman and CEO of AT&T).

[10] CLECs have also been very successful in the financial markets, raising over $14 billion since the Telecommunications Act was passed. Telecommunications Reports, "CLECs Tell FCC of Success In Entering Local Markets," Feb. 2, 1998; Telecommunications Reports, "Upstart Telecom Carriers Seize Market Momentum To Raise Hundreds of Millions," Feb. 23, 1998.

[11] The proposed acquisition of Teleport may also put to rest AT&T's complaints regarding wholesale discounts. Teleport has suggested that the right benchmark for wholesale discounts is five percent. TCG Position Paper, "Effect of Resale on Facilities-Based Competition in the Local Exchange Market," undated, at 4, available at <http://www.tcg.com/tcg/regulate/whitePaper/ resaleILEC.html>. Meanwhile, AT&T complains that the average 22 percent discount set by state public service commissions under the Act's guidelines is inadequate. Telecommunications Reports, "AT&T's Armstrong Says Bells' Discounts Delay Competition," Feb. 16, 1998 at 11.

III. THE PROPOSED TRANSACTION IS LIKELY TO HARM RESIDENTIAL CUSTOMERS

Teleport focuses exclusively on business customers. AT&T apparently intends to use Teleport's facilities for the same limited purpose. Thus, AT&T claims that the deal "will accelerate its efforts to bring end-to-end communications services to American businesses ... and enable us to provide businesses the any-distance services they want."[12]

Congress intended the Telecommunications Act of 1996 to create conditions allowing all carriers to compete to provide packages of "any distance" service because Congress viewed such packages as providing significant benefits to all consumers of telecommunications services.[13] But, there is no hint in the Act or its history that Congress intended that those packages should be created only for business customers, as AT&T and others seem bent on doing. At the time the Teleport deal was announced, AT&T sought to imply that residential plans were coming. "We have every intention of unfolding strategies to deal with the residential market, but this is a business-focused merger."[14] No residential strategy has appeared.

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[12] AT&T Press release, "AT&T and TCG to Merge: TCG to become core of AT&T's local services unit," dated January 8, 1998, available at <http://www.att.com/press/0198/980108.cha. html>.

[13] See, e.g., 141 Cong. Rec. S713, S714 (daily ed. Feb. 1, 1996) (statement of Sen. Harkin).

[14] C. Michael Armstrong, Chairman and CEO, AT&T, quoted in Telecommunications Reports, "AT&T Advances Local Business Strategy With $11.3 Billion Teleport Merger," January 12, 1998, at 6.

AT&T's intent to provide packages including local and long distance service for the business market only will worsen the growing disparity between business and residential networks, to the further detriment of residential consumers.[15] To some extent, AT&T is responding to the natural market demand for packages of telecommunications services that Congress recognized. However, the incentive for providers to do this on the residential side has been minimized by artificial regulatory restrictions on BOC entry into long distance and the provision of service bundles. BOCs, natural providers of bundled local and long distance to residential customers, have been barred by the Commission's interpretation of section 271 from providing those bundles. Incumbent long distance providers like AT&T have every incentive to maintain this bar against BOC competition by avoiding residential subscribers.[16] AT&T's acquisition of a business only carrier like Teleport fits neatly into this strategy. By acquiring Teleport and continuing its business-only focus, AT&T reaps profits available in the open local market while keeping the door to BOC competition in long distance markets closed. This is hardly what Congress intended.

The proposed acquisition will further harm residential customers by siphoning off universal service funds. AT&T projects savings of $500 to $800 million in 1999 by

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[15] See, Petition of Bell Atlantic, *Petition of Bell Atlantic Corporation for Relief from Barriers To Deployment of Advanced Telecommunications Services*, CC Dkt. No. 98-11, filed January 26, 1998.

[16] By restricting facilities-based service to business customers, AT&T avoids qualifying as a competing provider under section 271(c)(1)(A), and thereby opening the door to BOC entry into in-region long distance markets.

transferring traffic from the public switched network to Teleport facilities.[17] This will significantly reduce funds available to support universal service.

The effect of the Commission's artificial regulatory obstacles to BOC entry into long distance is that the stimulus of market demand for seamless packages of telecommunications services is limited to the business side of the market. Residential consumers and full competition lose out. AT&T's proposed acquisition of Teleport, like WorldCom's proposed acquisition of MCI, will accelerate the emergence of the business network while further handicapping the development of a residential counterpart.

IV. THE PROPOSED ACQUISITION WOULD ELIMINATE COMPETITION BETWEEN AT&T AND TELEPORT IN LONG DISTANCE MARKET

Although AT&T's Application sweeps the overlap between it and Teleport under the rug, Teleport is a facilities-based provider of long distance services that competes directly with AT&T. In September, 1997, Teleport competed with AT&T to provide long distance service in 22 major metropolitan markets.[18] Much of Teleport's offering is provided over a regional network that stretches from northern Virginia to southern New Hampshire.[19] In addition, Teleport recently acquired ACC Corp., another facilities-based provider of long distance service which competes by undercutting AT&T's prices.[20]

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17 Business Week, "An $11 Billion Bargain," January 26, 1998.

18 Teleport Registration Statement at 7.

19 *Id.* at 7.

20 ACC Corp. Form 10-K, filed March 27, 1997, at 2, 8.

AT&T intends to acquire Teleport's long distance business, including ACC Corp.[21] Given the history of tacit collusion in the long distance market, and the "growing body of evidence that suggests that the nation's largest long distance companies are raising rates when their costs of providing service are decreasing" recognized by Chairman Kennard,[22] allowing AT&T to acquire the long distance business controlled by Teleport poses real risks to consumers of long distance service. Given AT&T's record of not passing on access charge reductions, it is unlikely that any efficiencies from the deal will benefit consumers.[23]

V. BROAD SCALE BOC ENTRY WOULD REMEDY THE PROPOSED ACQUISITION'S ILL-EFFECTS ON THE PUBLIC

Conditioning approval of AT&T's Teleport acquisition on broad scale BOC entry into long distance markets would turn a public interest negative into a public interest positive. BOC entry into in-region long distance and competition to provide packages of telecommunication service will invigorate competition, bring consumers the benefits that Congress intended and avoid the harm this acquisition will inflict on consumers. To-date, the Commission's misinterpretations of section 271 have artificially closed the door to

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21 "ACC is part of this." Daniel E. Somers, Senior Executive VP and Chief Financial Officer, AT&T, quoted in Telecommunications Reports, "AT&T Advances Local Business Strategy With $11.3 Billion Teleport Merger," January 12, 1998, at 5.

22 Letter from Chairman Kennard to Bert Roberts, CEO MCI, Michael Armstrong, CEO AT&T and William T. Esrey, Chairman and CEO Sprint, Feb. 26, 1998, at p.1.

23 See Declaration of Professor Jerry A. Hausman, attached to Application by BellSouth for Provision of In-Region InterLATA Services in Louisiana, CC Dkt. No. 97-231 (FCC filed Nov. 6, 1997).

full competition that Congress opened. The current regulatory interpretation of the Act's provisions governing BOC long distance entry suggest no clear path or timeline to that entry. Through this acquisition, AT&T intends to exploit its ability to profit from the local market while foreclosing BOC competition in the long distance business. Thus, AT&T's new CEO hopes for an additional 18-24 months of regulatory protection so that "[we] can get our act together."[24]

BOCs will bring powerful new competitive forces to the broad market that will remedy the trend to serve only the business customer. BOC competition will benefit mass-market consumers. BOC competition will restore incentives to compete for residential customers and to invest in residential networks.

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[24] Report of Janney Montgomery Scott Inc. (prepared by Anna Marie Kovacs, Ph.D.), Meeting with AT&T's Top Management, December 19, 1997 at 1.

VI. CONCLUSION

AT&T's desire to invest over $11 billion in Teleport is real evidence that the local market is open to profitable competition. AT&T's proposed acquisition of Teleport poses a substantial threat to the public interest due to the artificial barriers that have been erected to BOC entry into long distance and the beginning of full-scale long distance competition. Any approval of this acquisition should be conditioned on broad scale BOC entry into in-region long distance markets.

Respectfully submitted,

BELLSOUTH CORPORATION

By: _____
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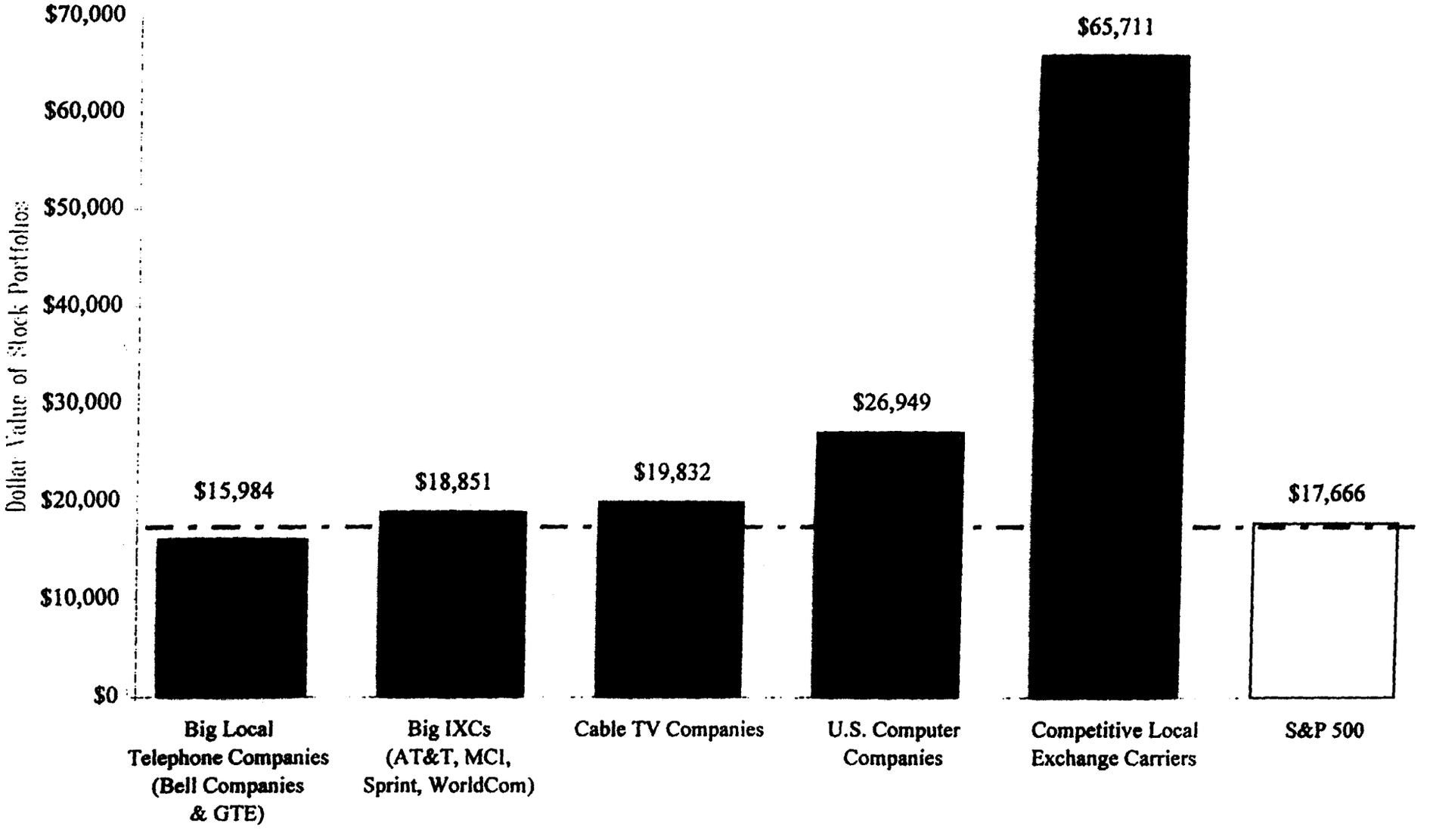
Date: March 31, 1998

Since Passage of the Telecom Act of 1996,
Only Local Telephone Company Stocks Have Underperformed the S&P 500

What $10,000 Invested on 1/1/96 Was Worth on 3/1/96



CERTIFICATE OF SERVICE

I hereby certify that I have this 31st day of March, 1998 served the following parties to this action with a copy of the foregoing **PETITION FOR APPROVAL WITH CONDITIONS TO PROTECT THE PUBLIC INTEREST** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties at the addresses listed below:

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