

operations, both in terms of increased revenues and reduced costs. These synergies result from three factors. First, there will be increased intra-region traffic over our own network thus reducing costs. Second, through larger scale purchases due to anticipated increased volumes of traffic, we assumed that wholesale interexchange services purchased for out of region operations would result in larger wholesale purchase discounts. Third, with more large business customer volume resulting from combining the existing customer base of SBC and Ameritech along with our National Local Strategy, we expect to generate increased market share for our business market, thus, increasing long distance revenue compared to what either SBC or Ameritech could obtain on their own.

National-Local Strategy

27. The approximately \$2.5 billion in estimated synergies described above (\$1.43 billion in expense and capital savings, \$778 million in revenue synergies and \$300 million from long distance) does not include any potential additional synergies from the implementation of the National-Local Strategy. SBC will be able to combine the best practices of the entire SBC family of companies and apply new skills to customer service delivery, network design and deployment, operations, and sales and marketing. SBC will realize even greater benefits of economies of scale, given our very large purchasing base. All of this will benefit customers by enhancing our ability to more quickly provide the most robust set of high quality voice and data products and services at competitive prices.

28. As discussed in the affidavit of James Kahan, the combination of the companies is critical to the successful implementation of the National-Local Strategy. The merger will provide the scale and scope necessary to pursue such a strategy. The combined company will likely start with about 190,000 employees. SBC, SNET and Ameritech currently provide wireline service in 13 states and wireless service in 17 states with a presence in 11 of the top 20 markets. The new SBC's combined service areas will include the headquarters of almost 50% of the Fortune 500 Companies. As discussed in the affidavit of James Kahan, without the merger, neither SBC nor Ameritech would have the scale, scope, resources, employees, or customer base to expand into the top 30 U.S. out-of-region markets.

Benefits to Consumers

29. The realization of the National-Local Strategy will benefit customers inside and outside Ameritech's states and fulfill the goals of the Telecommunications Act of 1996 to foster competition.
30. With the merger, the combined company will be a more effective entrant into the long distance market. The application of best practices, elimination of duplicate functions and increase in purchasing efficiencies will enable the company to better serve customers and to reduce the cost of long distance carriage. As a

result, the company will be able to offer lower priced long distance prices, making it a more effective competitor in the market.

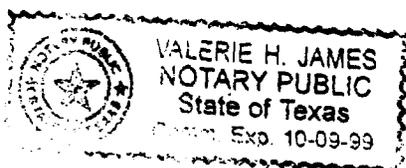
31. After the merger, local exchange customers of the combined company, including in the top 50 MSAs in the United States will benefit from an expanded product line and improved services. By combining our applied R&D, technology and network investment capabilities, the combined company can benefit from TRI to share funding for technical consulting in domestic and international operations. By spreading costs and network investments across a larger base of customers, such improvements will be less costly. By sharing best practices, and having the resources to build and maintain an integrated 21st century network, consumers will benefit in all aspects of product offerings, customer care, installation and repair services and network performances and reliability.

Conclusion

32. The merger of SBC and Ameritech has the potential for significant cost savings and revenue enhancements. These benefits in turn offer the potential for significant consumer benefits which can be derived from the availability of new and improved innovative product services and packages of products and services being made available to marketplace faster and more cheaply. Significant revenue opportunities exist as well. This too will bring significant consumer benefits to the customers of Ameritech as revenue enhancements can only be derived as a result of Ameritech offering services and features that its customers want at competitive prices. In addition to providing substantial benefits to Ameritech's customers in its five states, the synergies will benefit SBC's other customers and help provide the financial base to support the investments required to implement the National-Local Strategy.


Martin A. Kaplan

Subscribed and sworn to before me this 20th day of July, 1998.




Notary

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

AFFIDAVIT OF STAN SIGMAN

STATE OF TEXAS)
) SS
COUNTY OF BEXAR)

STAN SIGMAN, being duly sworn, deposes and says:

1. My name is Stan Sigman. I am President and CEO of SBC Wireless, Inc. ("SBCW"). In that capacity, I am responsible for managing all of the wireless services of SBC Communications Inc. These services include the cellular services offered within SBC's traditional five-state territory (which are marketed under the Southwestern Bell brand name), the PCS services offered in California (which are marketed under the Pacific Bell Mobile Services brand name), and cellular services offered in other parts of the country (which are operated under the Cellular One brand name).

2. The purpose of this affidavit is to explain that SBC does not plan, and at the time of the merger agreement with Ameritech Corporation had no plans, to provide local exchange service in Chicago or any other location in Ameritech's traditional five-state territory through the wireless platform or otherwise. SBC had looked at the possibility of such entry but decided in mid-1997 not to pursue it.

Consideration of Potential Local Exchange Entry Through Wireless Platforms

3. In late 1995, SBC began to consider the possibility of offering local exchange service in the areas in which Cellular One operates. Those areas include

Boston, Chicago, Washington/Baltimore, and upstate New York including the "Rochester" area). We had successfully developed and marketed cellular service in those areas and thought selling additional services to our wireless customers would be a profitable business strategy. Specifically, we had long sought relief from the Modification of Final Judgment ("MFJ") to permit us to offer our customers long distance services, and thought that packaging wireless, long distance, and local exchange services would be a powerful service offering. We thought this offering would be useful in attracting new wireless customers and in reducing churn among existing customers. We also thought that customer acquisition costs could effectively be reduced, as those costs would be allocable to multiple services. This was in line with SBC's long established corporate strategy of expanding out-of-region only where we have facilities, name recognition and customer base.

4. Regulatory developments were also permitting us to consider this type of service offering. Many states, including New York and Illinois, were reducing local exchange entry barriers even prior to enactment of the Telecommunications Act of 1996.

5. Thus, senior SBC management asked us in 1996 to examine the possibility of offering local exchange services through our wireless business in the four major out-of-region territories we serve (Boston, Chicago, Rochester, and Washington/Baltimore). We decided that the best way to see whether this strategy would work was to try it.

6. Rochester was chosen as the test market for two main reasons. First, Rochester was the smallest of our out-of-region markets. We did not want to try this untested strategy in our larger markets. We wanted to learn whatever lessons we could in Rochester before deciding whether and how to deploy the strategy in our larger markets. Second, regulatory developments favoring entry were further along there than in any of our other out-of-region markets, (for example, resale rates were established in tariffs which eliminated the need to engage in time consuming efforts to negotiate an interconnection agreement and order flows) so we expected that entry would be easier in Rochester at that time than it would be in the other out-of-region markets.

The Rochester Experience

7. We began reselling local exchange service from the ILEC, Frontier in Rochester in early 1997. As a part of our Rochester entry efforts, we hired and trained installation personnel and purchased two vans to allow SBC personnel to make customer premise visits. We established an internal order flow process and trained our internal sales and other personnel on how to interact with both the customers and the ILEC to activate customers and undertook all other efforts necessary to enter the local exchange business in Rochester. Even with all of this effort, the results were not what we anticipated. Although we marketed our local exchange services only to our existing or new cellular customers, most of our local exchange customers were neither existing Cellular One customers nor were they new customers signing up for both our cellular and local exchange services. We therefore did not achieve the critical objective of our

plan: selling more services to our wireless customers. This development meant that local exchange entry had no measurable effect on reducing our wireless churn rate and did not help us in attracting new wireless customers. It also meant that customer acquisition costs were not effectively reduced because those costs were not being allocated among multiple services per customer.

8. There were many other disappointments. Many of our customers were individuals who had been disconnected from or unable to obtain service from the incumbent local exchange carrier because of non-payment or bad debt histories. We, too, had difficulty collecting payments from these customers. Moreover, the customers we attracted were not generating the long distance and vertical service revenues that we had forecasted.

9. For these reasons, we determined that local exchange entry in Rochester was not profitable. Although we expected that local exchange entry would not be profitable in the short-run, we had expected it to become profitable within a few years. Our actual experience, however, led us to believe that local exchange service in Rochester would not become profitable in the foreseeable future.

Other Lessons Learned from Rochester and Other Studies

10. While the experiment in Rochester was on-going, SBCW staff in our other out-of-region markets were studying local exchange entry in their areas. These efforts

never reached the point of being approved business plans and were quite embryonic. For example, although SBCW obtained local exchange certifications from the Illinois regulatory commission, SBCW never commenced interconnection negotiations with Ameritech or took any other concrete steps toward entry.

11. As a result of these experiences, we learned that the wireline and wireless businesses are very different. For starters, the networks are configured differently. Our wireless networks are configured for wireless traffic patterns, not the very different traffic patterns of local exchange service. While we had never contemplated using our cellular spectrum for local exchange purposes, we did anticipate using the backbone network to carry local exchange calls. The local exchange networks carry many more calls and calls of much longer duration than wireless networks, even on a per subscriber basis. As a result, we found that our wireless backbone networks (such as our microwave and leased facilities) simply did not have the excess capacity necessary to handle the greater volume and call length of local exchange traffic.

12. We also learned that the sales distribution channels were entirely different. The sales agents used in the wireless business (for example, car audio equipment dealers) are well situated to sell mobile service; they are not well situated to sell basic local exchange service.

13. We discovered that our wireless brand name, which we thought would be a strength, did not help in selling wireline service. People associated Cellular One with

mobile service, and not with wireline local exchange service. While our market research conducted in connection with our Rochester experiment indicated that at least a third of our own customers would consider buying local exchange service from us, the results did not substantiate this. Given our plan to market local exchange service only to these customers, these results were devastating.

14. These differences between wireline and wireless service and the nontransferability of our cellular brand name had important consequences for management. Entering the local exchange through the wireless business would not be easy, and the people running our local wireless businesses were experts in the wireless business. The differences we were recognizing meant that the wireless managers were not necessarily the right people for this task. What was even of greater concern to me, their performance of this task would distract them from what they do best – running what we view as the premier wireless business in the country.

15. Moreover, it was not a good time for this type of distraction. With PCS coming on board, our cellular businesses were under new competitive attacks. Our local wireless management needed to stay focused on the core wireless business.

16. These same considerations led SBC management in late 1997 to reverse a decision made a year earlier about the organizational structure for SBC's wireless operations. In the fall of 1996, SBC decided to put the in-region cellular operations in the same corporate chain of command as SBC's wireline operations. (The in-region properties were then taken out of SBCW.) At the time, SBC thought that this step would

improve sales and marketing of both wireline and wireless services to in-region customers. During the following year, SBC noticed that the relative performance of SBC's in-region cellular operations deteriorated as compared to SBC's out-of-region operations. SBC management concluded that combining the in-region wireless and wireline operations in the same corporate chain distracted the focus of the in-region wireless business. The decision was made in late 1997, therefore, to reverse the prior decision and to place all of SBC's wireless operations in the same business unit, that is, SBCW.

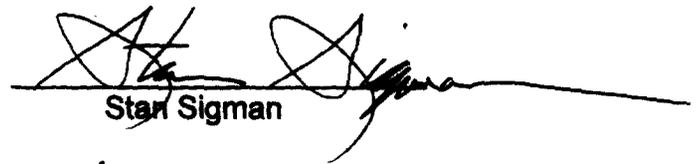
Decision Not To Pursue Local Exchange Entry Through Wireless

17. The experience in Rochester and the additional considerations set forth above led me to decide in the Summer of 1997 not to pursue local exchange entry in the other out-of-region areas, including Chicago, through our wireless operations. All efforts in Chicago and in the other out-of-region areas analyzing possible entry stopped at that time and have never been resumed. As the 1998 budget for the wireless operations of SBC was assembled in the summer and approved in the fall of 1997, funds for the deployment of local exchange service in out-of-region areas other than Rochester were not budgeted.

18. With respect to Rochester, I decided later in 1997 to take steps to reduce our exposure. To protect the goodwill in our brand name, we will, at least for now, continue to provide service to our current local exchange customers. We have,

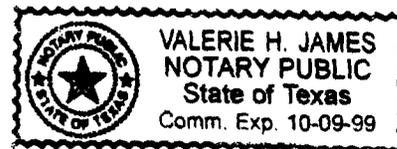
however, taken steps to minimize the likelihood of attracting any new customers. For example, we have stopped paying commissions to our employees and our sales agents for attracting local exchange customers. It is our experience that such a step effectively curtails marketing and sales activity and, consequently, new enrollments. We have also amended our local exchange tariff to provide that we will offer this service only to cellular customers.

19. The lessons we learned in Rochester and in our other studies are reflected in SBC's "National-Local" entry strategy. Even in markets in which SBC has out-of-region wireless operations (such as Boston and Washington), SBC's National-Local Strategy will not be implemented through the wireless platform. Wireless service may be included in packages offered to potential customers, but the local exchange and wireless businesses in these areas will be entirely different. They will have different management, assets, and employees. In my view, this confirms the correctness of my decision not to enter local exchange markets through the wireless platform.


Stan Sigman

Subscribed and sworn to before me this 20th day of July, 1998.


Notary Public



Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

AFFIDAVIT OF STEPHEN M. CARTER

Stephen M. Carter, being of lawful age and duly sworn, hereby deposes and states:

I. INTRODUCTION AND QUALIFICATIONS

1. My name is Stephen M. Carter. Currently, I am President of SBC Telecommunications, Inc.'s Special Markets Group, a position I have held since May 1997. SBC Telecommunications, Inc. is a wholly owned subsidiary of SBC Communications Inc. In my position I am responsible for wholesale operations, including marketing, sales and operations for interexchange carriers and local wholesale carriers, as well as national accounts, operator services, and public communications for Southwestern Bell Telephone Company ("SWBT"), Pacific Bell, and Nevada Bell. I am also ultimately responsible for entering interconnection agreements with the wholesale customers of SBC's subsidiaries in compliance with Sections 251 and 252 of The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "1996 Act," or "Act"). Part of my responsibilities have been to put in place the people and the resources necessary to meet the needs of the local wholesale market segments. Prior to my current position, I was in charge of all marketing, sales and operations for SWBT's inter-industry customers and national

account customers, as well as operator services and public communications in the five-state SWBT region (Texas, Arkansas, Kansas, Oklahoma, and Missouri).

2. I have been employed by SBC since 1987, when I became Managing Director of its newly created United Kingdom subsidiary, Southwestern Bell Telecom, Ltd. In 1993, I was appointed President and Chief Executive Officer of Southwestern Bell Telecom, Ltd. I have a Master's Degree from the Business School at the City of London University in England and am a member of the Chartered Institute of Management Accountants in London.

3. The purpose of my affidavit is: 1) to establish that SBC is committed from the highest levels of our company to open our local exchange networks in compliance with the 1996 Act and thus facilitate market entry by other local service providers; 2) to explain the extraordinary measures SBC actually has undertaken to open its local networks, including some measures not even required by the Act; 3) to describe the resources we have deployed on an expedited basis to effectively serve our local wholesale customers; and, 4) to show that SBC's open market initiatives have enabled our local wholesale customers to avail themselves of our resold telecommunications services, unbundled network elements and interconnection to provide service to their end user customers representing more than one million access

lines in our operating areas. My testimony in these areas is further supported by the detailed information set forth in various attachments, which were prepared at my direction by employees in my organization.

II. SBC'S COMMITMENT TO OPEN ITS LOCAL NETWORKS

4. SBC is committed from the highest levels of the company to open its local networks to enable others to enter the local exchange telecommunications markets in which SBC operates. This commitment personally was demonstrated to me the very day the Act was signed into law. We knew in advance that the President of the United States was scheduled to sign the Act on February 8, 1996. Several days before the Act was signed, our Chairman, Ed Whitacre, called all SBC senior managers to attend a meeting on February 8, 1996, in San Antonio, Texas. At the meeting, Mr. Whitacre explained that the day was historic and that we should remember it well because our business would forever change with the President's signature. He emphasized our company was required to open its local networks to firms who desired to enter our markets and that the corporation and its managers from the highest levels should be committed to doing so. He personally charged every manager at that meeting, including me, with the responsibility of complying with the 1996 Act.

5. The seriousness of this effort was reflected in the fact that SBC was the first incumbent LEC to negotiate an interconnection and resale agreement under the 1996 Act. In fact, SBC has entered into over 370 agreements with local service providers in SBC's seven state operating region. The vast majority of these agreements has been entered into after successful, voluntary negotiations. We have only had the need for 26 arbitrations before state commissions after an impasse had been reached during negotiations. Details of these agreements are included in Attachment 1.

6. SBC's corporate commitment to open its local networks also is reflected in our experiences with Pacific Bell shortly after our merger. Due to its large telecommunications business and the actions of the California PUC, California has been a magnet for local service providers from an early date. At the time our merger closed, the large and unexpected volume of local wholesale customer orders had greatly strained Pacific Bell's operating ability to serve local wholesale customers, as reflected in complaints that were filed by these customers before the CPUC concerning ordering and provisioning. Consistent with SBC's dedication to open its local exchange markets and serve local wholesale customers, we committed significant SBC resources to helping Pacific Bell address its operating challenges. The newly merged SBC

organization worked diligently and has substantially resolved most, if not all, of the early operating problems that were being experienced. A more detailed narrative of these experiences is set forth in Attachment 2.

III. SBC HAS TAKEN EXTRAORDINARY STEPS TO COMPLY WITH SECTION 251 AND OPEN ITS LOCAL NETWORKS

7. To date, SBC (including SWBT, Pacific Bell, and Nevada Bell) has spent more than \$1.1 billion to open its networks to local wholesale customers; and by the end of 1998, approximately \$1.5 billion will have been spent. More than 3,300 SBC employees have worked and continue to work to implement Sections 251 and 252 and the interconnection agreements which have been entered into pursuant to the 1996 Act. These implementation efforts address items such as customer service, operations support systems ("OSS"), number portability, interconnection, trunking, physical and virtual collocation arrangements, service ordering, and provisioning and maintenance centers. The success of these efforts is illustrated in Attachment 1.

8. SBC has made extraordinary progress in complying with Sections 251 and 251 and opening its local markets and implementing the local competition requirements of the 1996 Act throughout its seven states. SBC provides local service providers access to the same EASE and StarWriter interfaces used by customer service

representatives of SBC subsidiaries for pre-order and ordering functions. In addition, SBC subsidiaries have gone beyond the requirements of the Act providing additional new OSS interfaces, namely, DataGate and Verigate for pre-order, and EDI and LEX for ordering. SBC planned and implemented these additional interfaces to accommodate local service providers' needs, while also meeting regulatory expectations. To allow local wholesale customers and regulators to confirm the high level of service SBC is providing, we have developed and implemented more than 65 performance measurements covering the different aspects of our interactions with local wholesale customers.

**IV. SBC HAS EXPENDED ENORMOUS RESOURCES TO SERVE LOCAL
WHOLESALE CUSTOMERS**

A. Account Teams

9. Among SBC's first steps after the Act was enacted was establishment of teams to negotiate with companies interested in providing local services. SWBT, for instance, established a Competitive Provider Account Team ("CPAT"), with an Account Manager from the CPAT assigned to each local wholesale customer to act as a liaison throughout the negotiation process, and as an intermediary once agreements are implemented. In addition, for the largest interexchange carriers that were already served by a dedicated account team, we added local service to the

existing account team's responsibilities. The Account Manager generally serves as the primary interface with the local wholesale customer and is responsible for facilitating meetings between the wholesale customer and SWBT technical personnel, providing information to the wholesale customer, and assisting to implement signed agreements.

10. The CPAT is structured to grow as local wholesale activity increases, and SWBT has continually added personnel to accommodate its local wholesale customers' needs.

B. Operations Support Systems (OSS)

11. An important initiative has been developing the systems and procedures local wholesale customers use to order local facilities and services from SBC. In order to provide nondiscriminatory access to SBC's OSS, which local wholesale customers now use to place their own local service orders, SBC developed several new facilities and organizations. Since passage of the 1996 Act, SBC has spent more than \$50 million for such activities as acquiring new OSS hardware and increasing processing capacity, enhancing existing systems, and developing new applications. These expenditures are in addition to annual operating costs of more than \$80 million in 1997 to receive and process local wholesale customers' orders and service requests.

12. SBC provides its local wholesale customers access to state-of-the-art OSS capabilities, including the customer's choice of multiple electronic interfaces. Various government officials have acknowledged that the systems SBC has made available to local wholesale customers are models for the industry. More than 220 local wholesale customers have submitted orders via SBC's OSSs for ordering, provisioning, and billing of local exchange services. Since passage of the 1996 Act, SBC has processed more than 2.2 million service orders in its seven-state region. In June 1998 alone, SBC processed through its OSSs more than 173,000 competitive local exchange carrier (CLEC) orders in its seven states. SBC is, in fact, offering pre-order, and ordering interfaces that are used by SBC's own retail representatives. In addition, SBC has created new interfaces for the exclusive use of local wholesale customers so not only do the local wholesale customers have the same systems used by SBC retail service representatives, they have an even greater variety of interfaces than SBC's own retail employees. More detail concerning these efforts is included in Attachment 3.

C. SBC Local Wholesale Customer Support Centers

13. SBC has also ensured that local wholesale customers have access to ample numbers of highly trained personnel for transactions where human involvement is needed