

### Improved Service Quality

96. The quality of service has been maintained and improved, new services and products have been introduced and prices for local service have remained unchanged in California since the SBC-PacTel merger closed. A review of available indicators of service quality demonstrates that the quality of service has been maintained and improved during that period. For example, for the second year in a row, J.D. Power and Associates has recognized Pacific Bell as one of the top (ranked second) residential local telephone companies in the country with regard to customer satisfaction.

97. Reports submitted to the California Public Utilities Commission ("CPUC") document improvements in almost every "service quality" standard tracked by the CPUC since the SBC-PacTel merger closed. For example:

- Repair times at Pacific Bell have been reduced by an average of 60%, from as much as 4-7 days to 1-2 days.
- Service installation times have been reduced by an average of 80%, from as much as 2 to 3 weeks to about 3 to 4 days.
- Attached D compares service quality measures for Pacific Bell for the month before the merger closed (March 1997) compared to the month one year after the merger closed (March 1998). This Chart demonstrates that service quality one year after the merger closed improved for 6 of the 8 service measures, remained the same for one measure and declined for only one measure compared to one month before the merger closed.
- Attachment E compares the 12-month averages for service quality before and after the merger. This chart demonstrates that service improved for 6 categories

of service and remained the same for 2 categories in the 12 months after the merger closed.

- Attachment F identifies the percentage of months that Pacific Bell met or exceeded the service goals established by the California PUC in the 12 months after the merger closed. This Chart demonstrates that for 6 of the 7 service quality measures, Pacific Bell met the CPUC's service goal in each and every one of the 12 months after the merger closed.
- In summary, as a subsidiary of SBC, Pacific Bell's service quality and customer satisfaction are now among the best in the industry. These service improvements have occurred despite the effects of El Nino and the record demand for new telephone lines in California.

98. Not only has service been maintained or improved in California since the SBC-PacTel merger, but a variety of new products and services have been introduced. Examples of some of the new products include: Caller ID with name delivery; on-demand features such as pay-per-use Three-Way Calling; enhanced Internet service with lower ISDN fees and extra e-mail boxes; home packs with ISDN/Internet service; managed frame relay service; web hosting and an ADSL rollout announced in more than 200 California communities (the broadest rollout of this high-speed Internet service anywhere in the country). Finally, rates for basic residential and business local service have remained unchanged since the merger.

#### Increased Investment

99. Investment in Pacific Bell and California has increased since the SBC-PacTel merger. Contrary to the predictions of some critics, SBC has continued to invest in and

improve the Pacific Bell network since the SBC-PacTel merger closed. For example, between 1996 and 1997, spending increased for network capital expenditures from \$1.9 billion to \$2.05 billion (an 8% increase); and outside plant capital expenditures from \$413 million to \$523 million (a 27% increase). Moreover, between 1996 and 1997, digital switches increased by 8%; SONET fiber rings increased by 150%; miles of fiber strands increased by 84%; ISDN lines increased by 66% and frame relay ports in service increased by 91%.

100. An examination of spending in Pacific Bell in the 12 months before and after the merger also demonstrates that investment in California increased after the SBC-PacTel merger. For example, Pacific Bell actually increased operating and capital spending by \$283 million (a 4.4% increase from \$6.87 billion to \$7.16 billion) in the post-merger period.

101. SBC's investment in California's communities and its support of minority vendors also increased after the merger. To illustrate, total corporate giving in California has continued to increase (i.e., 1996 giving: \$7.6 million; 1997: \$9 million; 1998: \$5.8 million in the first quarter of 1998 alone). Pacific Bell has continued its ambitious goals for contracting with vendor business owned by minorities, women and disabled veterans, and in 1997 25% of its procurement dollars went to these firms.

#### Local Competition has Continued to Grow

102. Since the merger, Pacific Bell has continued to open its local markets to competition – and competitors are actively competing with, and taking customers from Pacific Bell. For example, as of the end of May 1998, 117 carriers were certified to provide competitive local service in California; 46 CLECs were operational and passed

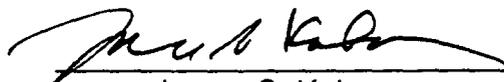
local orders in California in 1998; and Pacific Bell has entered 35 interconnection agreements with CLECs. Moreover, in California alone, Pacific Bell has provisioned approximately 200,000 trunks to CLECs; it has processed more than 700,000 service orders from CLECs, and it has exchanged more than 3.4 billion minutes of local traffic with CLEC networks. Finally, Pacific Bell has lost more than 635,000 access lines to local competitors, losing more than 254,000 customer lines to resale competitors and more than 380,000 lines to facilities-based competitors. More Pacific Bell resale and facilities-based lines have been lost to competitors in California than in any other state. The evidence is clear that competition in California has been promoted, not impeded, since SBC merged with PacTel.

103. The facts clearly demonstrate that as a result of the SBC-PacTel merger, consumers have benefited, employees have benefited, California has benefited and competition has benefited. Based on SBC's experience with the SBC-PacTel merger, there is every reason to believe that the same positive, procompetitive benefits will result from the SBC-Ameritech merger. SBC lived up to the commitments and promises it made related to the SBC-PacTel merger and this positive track record bodes well for the commitments and promises SBC has made regarding the SBC-Ameritech merger.

**Conclusion**

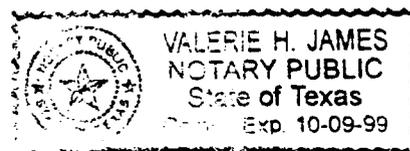
104. The telecommunications industry today is no place for those who are faint of heart. In the midst of wrenching technological, regulatory and economic change, the industry offers both dazzling rewards and daunting risks. The placid environment of a regulated monopoly is gone forever.

105. Despite the challenges, at SBC we are unreservedly enthusiastic about the prospects for the industry and our company. We want to be at the head of the pack in bringing local exchange competition to domestic markets, and we aspire to become one of America's flagship carriers worldwide. The foundation of our business plan and of our proposed merger with Ameritech is our conviction that the future holds nearly boundless opportunities to better serve our customers, expand our business, and create value for our shareholders. As we implement this plan, the competitive forces unleashed by our efforts will be overwhelmingly beneficial to the public interest.

  
James S. Kahan

Subscribed and sworn to before me this 20<sup>th</sup> 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.

## ATTACHMENT A

### *New Markets for the New SBC*

*Below are the markets where the new SBC plans to compete under the "National-Local" strategy, ranked by size.*

1. New York
2. Philadelphia
3. Boston
4. Washington
5. Miami-Ft. Lauderdale
6. Atlanta
7. Minneapolis - St. Paul
8. Phoenix
9. Baltimore
10. Seattle-Everett
11. Denver - Boulder
12. Pittsburgh
13. Tampa - St. Petersburg
14. Portland
15. Cincinnati
16. Salt Lake City - Ogden
17. Orlando
18. Buffalo
19. New Orleans
20. Nashville - Davidson
21. Memphis
22. Las Vegas
23. Norfolk - Virginia Beach
24. Rochester
25. Greensboro - Winston -Salem
26. Louisville
27. Birmingham
28. Honolulu
29. Providence - Warwick
30. Albany - Schenectady - Troy

*Below are the markets in which SBC and Ameritech currently offer services, ranked by size:*

- |                          |       |
|--------------------------|-------|
| 1. Los Angeles           | (SBC) |
| 2. Chicago               | (AIT) |
| 3. Detroit               | (AIT) |
| 4. Dallas-Ft. Worth      | (SBC) |
| 5. Houston               | (SBC) |
| 6. San Francisco/Oakland | (SBC) |
| 7. San Diego             | (SBC) |
| 8. St. Louis             | (SBC) |
| 9. Cleveland             | (AIT) |
| 10. San Jose             | (SBC) |
| 11. Kansas City          | (SBC) |
| 12. Sacramento           | (SBC) |
| 13. Milwaukee            | (AIT) |
| 14. San Antonio          | (SBC) |
| 15. Indianapolis         | (AIT) |
| 16. Columbus, OH         | (AIT) |
| 17. Hartford/New Britain | (SBC) |
| 18. Oklahoma City        | (SBC) |
| 19. Austin               | (SBC) |
| 20. Dayton               | (AIT) |

## INTERNATIONAL ACTIVITIES

◀ 1/3 ▶

Over the past few years, Tele Danmark's activities abroad have been an important growth area. International activities are targeted at selected countries in the Nordic region, continental Western Europe as well as Central and Eastern Europe. The business potential in these areas must be seen in the light of the gradual liberalization and internationalization of the telecommunications industry, which creates considerable growth potential.



**1 Belgium**  
Belgacom

**5 Austria**  
Connect Austria

**9 Lithuania**  
Bité GSM  
Comliet  
Transmissionsforbindelser

**2 Germany**  
Talkline  
MiniRuf

**6 Hungary**  
Pannon GSM  
HTCC

**10 Czech Republic**  
Ceske Radiokomunikace

**3 Sweden**  
Telenordia  
InterNordia  
NSAB

**7 Poland**  
Polkomtel GSM  
North-South Link

**11 East-West Link**  
Danmark-Rusland-kablet  
Moskva-Khabarovsk  
Rusland-Japan-Korea-  
kablet (RJK)

**4 Switzerland**  
Newtelco (Sunrise)

**8 Ukraine**  
UMC

The international activities are concentrated in the following business areas:

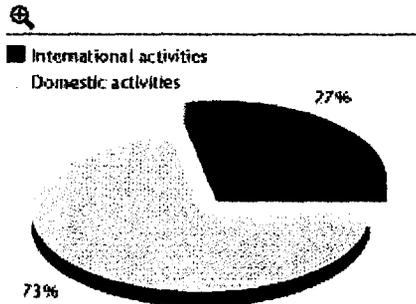
- Establishment and operation of both landline and cellular services.
- Sale and service of terminal equipment and Internet activities.

- Satellite transmission of television programs.
- Transmission installations (submarine cables, land cables or radio links) related to the Danish infrastructure and to other transmission links in which Tele Danmark is involved.
- Construction work in connection with planning, establishment and maintenance of submarine cable installations.
- International consultancy services.

Tele Danmark manages its foreign investments through board memberships as well as through employees seconded to the companies in question.

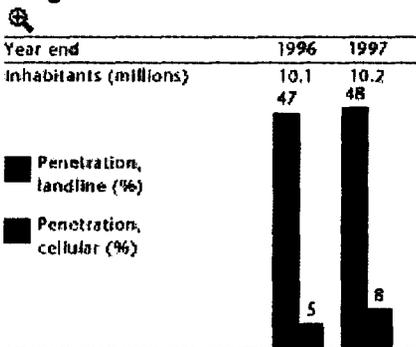
In 1997, net revenues from international activities amounted to DKK 7,931m, corresponding to approximately 27% of Tele Danmark's total net revenues. In 1996 and 1995, net revenues aggregated DKK 3,713m and DKK 224m, respectively, corresponding to 16% in 1996 and 1% in 1995 of Tele Danmark's total net revenues.

**Net revenues 1997**



At the end of 1997, Tele Danmark's total investments in international landline and cellular activities, exclusive of transmission systems, aggregated approximately DKK 9,902m, of which approximately 88% was invested in Western Europe and 12% in Central and Eastern Europe.

**Belgium**



Through the company ADSB Telecommunications B.V., Tele Danmark, Ameritech (USA) and Singapore Telecom (Singapore) together own a 50% stake (i.e. half of the shares but one) in the national Belgian telecommunications company, Belgacom S.A.

**Key figures for the Belgacom group**



		1995	1996	1997
Revenues	BEFm	127,652	139,079	153,310
Operating Income	BEFm	20,541	26,721	27,650
Financial Items	BEFm	( 4,486 )	( 5,073 )	( 4,123 )
Net Income	BEFm	16,055	21,648	23,527
Investments	BEFm	24,046	34,109	26,589
Total assets	BEFm	217,069	225,631	241,555
Shareholders' equity	BEFm	63,542	70,750	78,695
Profit ratio	%	16.1	19.2	18.0
Solvency ratio	%	29.2	31.4	32.6
Number of customers ('000, year end)				
- Public telephone services (lines)		4,632	4,728	4,999
- Cellular services (subscribers)		235	410	691
Number of employees (year end)		26,012	26,141	24,912
DKK/BEF exchange rate (year end)		18.83	18.57	18.86
USD/BEF exchange rate (year end)		3.40	3.12	2.79

The information stated has been published by Belgacom and is based on Belgacom's accounting policies. Therefore, the information differs from the amounts included in Tele Danmark's Consolidated Financial Statements.

At the end of 1997, Belgacom's shareholders' equity amounted to BEF 78.7bn, stated in accordance with Belgian accounting principles. The pension fund's assets cover BEF 81.4bn of the company's total pension obligations of about BEF 171.8bn. Hence, the pension obligation is not fully funded, but Belgacom will expense the remaining obligations over a number of years together with the current annual pension expenses.

In accordance with Tele Danmark's accounting policies, provision has been made in Tele Danmark's Consolidated Financial Statements for Tele Danmark's share of the unfunded part of the pension obligation.

In 1997, more than 6,000 employees accepted early retirement, which was compensated by pension and severance pay. The retirement schemes took effect from mid-1997 to the end of 1998.

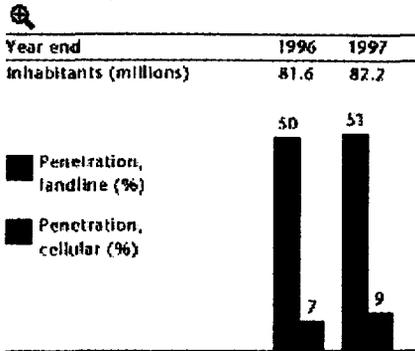
The present value of the cost of the total retirement plan is BEF 25bn, which is included in Belgacom's balance sheets. The amount will be amortized over five years. In accordance with Tele Danmark's accounting policies, provision has been made for Tele Danmark's share of the obligations resulting from Belgacom's retirement plan. The provision amounts to DKK 873m, which has reduced net income in Tele Danmark's Consolidated Financial Statements by DKK 522m after tax.

Belgacom's 1997 revenues amounted to BEF 153bn against BEF 139bn in 1996. Net income aggregated BEF 14.8bn in 1997, an increase of BEF 1.9bn or 15% compared to 1996. Belgacom's 1997 revenues stem from the following business activities: Telephone services 71.5%, cellular services 12.3%, telecommunications equipment 4.5%, and other activities 11.7%. Belgacom had 24,912 employees at the end of 1997.

Belgacom handles large business-related national and international traffic volumes, especially to and from surrounding countries. The company's activities are not confined to Belgium. An international strategy has been developed focusing on the neighbouring countries. In France, Belgacom has established Belgacom Téléport, which offers telephone services and holds an 80% equity share of Espadon Télécommunications, which operates within long-distance reselling of leased line capacity.

Belgacom owns 75% of Belgacom Mobile, and AirTouch Communications (USA) owns the remaining 25%. Belgacom Mobile operates the GSM service Proximus and the MOB-2 system, which is based on analog technology. At the end of 1997, the total number of subscribers was 691,100, which is an increase of 281,000 subscribers during the year. 1997 revenues totaled approximately BEF 23.3bn.

**Germany**



Germany is the largest country in Western Europe, and the liberalization of the European telephone market therefore opens up one of the most interesting markets in the world.

In 1997, Tele Danmark acquired the Talkline Group consisting of Talkline PS PhoneService GmbH, Unicom Direkt GmbH, Talkline International GmbH, and Talkline InfoDienste GmbH.

Until now, Talkline's business foundation has mainly been the provision of cellular services. Following Tele Danmark's takeover, the business strategy has been changed so that the product portfolio is expanded with landline products for small and large businesses and residential customers, as well as Internet products. With the purchase of Talkline, Tele Danmark has gained access to a sales and distribution channel skilled in handling customers and in invoicing telecommunications services. These skills provide Tele Danmark with the opportunity of expansion on the German market. Talkline has activities in the Netherlands, Belgium and France as well.

Following the acquisition of Talkline, the wholly-owned subsidiary Tele Danmark Internetz GmbH, which supplies landline services, will be merged with Talkline in 1998. Prior to the acquisition, Talkline had already sold Internetz' products to a limited extent. On the sales side, the integration will have a positive effect as Talkline has a considerable sales staff at its disposal, which has until now mainly sold the services of other cellular operators.

At the end of 1997, Talkline had approximately 637,500 cellular and 825 landline subscribers. The company had 1,043 employees at the end of 1997, and for the second half of 1997, net revenues amounted to DEM 601.6m.

Tele Danmark also owns 20% of the company MiniRuf GmbH, which offers paging services. The German partner, o.tel.o., holds 80% of the shares in MiniRuf. State-of-the-art technology, including satellite communications, is applied to connect more than 830 base stations. Apart from being an alternative to cellular phones, especially for young people, pagers also have unique applications, such as distribution of information, monitoring and modification of technical installations, etc.

The system covers all of Germany. At the end of 1997, MiniRuf had around 121,600 subscribers and 171 employees, and 1997 revenues amounted to DEM 27.8m.



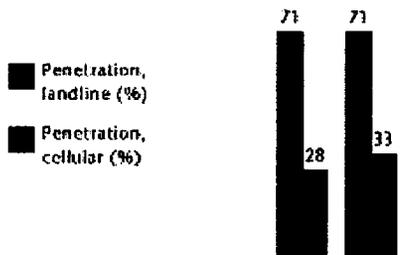
## INTERNATIONAL ACTIVITIES

◀ 2/3 ▶

### Sweden



Year end	1996	1997
Inhabitants (millions)	8.9	9.0



In cooperation with Telenor (Norway) and BT (United Kingdom), Tele Danmark has founded the telecommunications operator Telenordia AB. Each of the three partners holds one third of the shares. Telenordia provides national and international telecommunications services primarily for medium-sized business customers. A wide range of voice and data services, including international telecommunications services, are provided through the Concert cooperation and NordiCom services. Telenordia experienced substantial growth in Internet activities in 1997. The number of subscribers was 115,400 at the end of 1997, compared with 33,500 a year ago. At year-end 1997, the company had 382 employees, and 1997 net revenues amounted to SEK 681.4m, which is an increase of 240% compared to the 1996 revenues.

Additional funds were invested in Telenordia in 1997 and, at year end, Tele Danmark's share of the total capital investment amounted to DKK 419.4m.

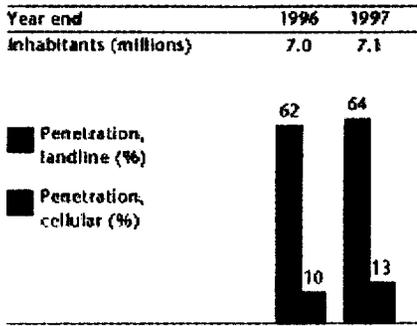
In 1997, Telenordia AB acquired the company Tele 8 Kontakt AB from Tele 8 AB, whereby Telenordia took over the license to build and operate a GSM 1800 cellular communications system in Sweden.

The company InterNordia Communications AB, which is owned on an equal basis by Tele Danmark and Telenor, provides equipment for voice and data communications. 1997 revenues amounted to SEK 98.6m, and the company had 61 employees at year end.

Tele Danmark holds a 25% stake in the Swedish satellite company Nordiska Satellitaktiebolaget (NSAB). The state-owned Swedish companies Teracom Svensk Rundradio and Svenska Rymdaktiebolaget own the remaining 75% of the shares. NSAB owns and operates the Tele-X and Sirius I satellites at the position 5° East. Successfully launched in November 1997, Sirius II became operational in December 1997. Participation in NSAB should be seen as part of Tele Danmark's efforts to obtain a significant position in the Nordic market for distribution of television programs and to establish a Nordic satellite platform at the positions 5° East and 1° West. 1997 revenues amounted to SEK 185.8m.

### Switzerland





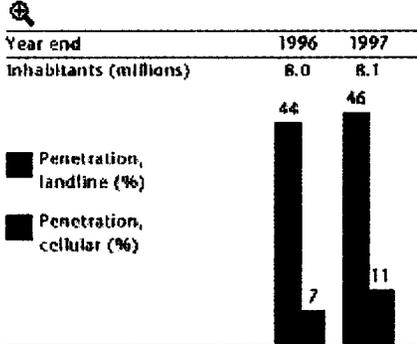
Switzerland has the highest per capita demand for telecommunications services in Europe.

Tele Danmark and BT are the strategic partners of the Swiss telecommunications company Newtelco S.A. (Sunrise). The company is jointly owned with SBB (the Swiss federal railways), Migros (the largest retailer in Switzerland) and the Union Bank of Switzerland. Sunrise was founded in early 1996 with a view to seeking a license to operate in Switzerland as a second operator in the market for landline services. The license will be awarded in the first half of 1998. Tele Danmark has a 27.61% ownership share in Sunrise.

Sunrise is expected to gain a strong foothold on the Swiss telecommunications market within a short period of time.

Sunrise is bidding for a cellular license, which will be granted by the Swiss Government in the first half of 1998.

**Austria**

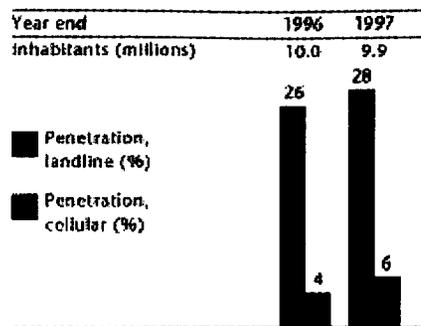


In 1997, Tele Danmark entered into the consortium Connect Austria, which was subsequently awarded a GSM 1800 license in Austria. Tele Danmark holds 15% of the shares in the consortium. The other shareholders are the German VIAG group (RHI, VIAG and Constantia) with 50.1%, and Telenor and the British cellular operator Orange with 17.45% each.

Network construction has begun with the aim of starting commercial operation of the cellular networks by mid-1998. Even though the company is currently focused on fast expansion of the cellular activities, opportunities for increasing the activities with other telecommunications products are constantly being considered.

**Hungary**



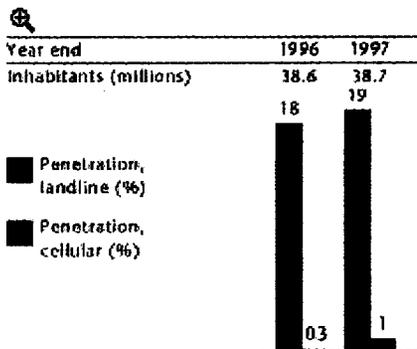


The Hungarian market for telecommunications services represents significant opportunities due to low penetration and a rapidly developing economy.

Since 1993, Tele Danmark has been a partner in the cellular company Pannon GSM Rt., in which Tele Danmark has an ownership share of 23.21%. The other partners are KPN (Netherlands) with 23.21%, Telenor (Norway) with 20.29%, Telecom Finland with 18.11% and three Hungarian investors with a total ownership share of 15.18%. Tele Danmark's total investment in Pannon at year-end 1997 amounted to DKK 236.7m. Following an expansion of the GSM network, practically the entire population of Hungary is now covered. At the end of 1997, the company had approximately 264,900 subscribers, corresponding to 42.4% of the GSM market, compared to around 158,000 subscribers at the end of 1996. The company had 579 employees at the end of 1997, and 1997 revenues amounted to HUF 33.4bn.

Tele Danmark owned 20% of the two regional telephone companies Rába-Com and Kelet-Nógrád-Com until mid-1997, when these ownership shares were converted into a 19% stake in Hungarian Telephone & Cable Corp. (HTCC). HTCC, which is listed in the United States, has five subsidiaries. They supply landline services in different regions of Hungary. 1997 revenues amounted to USD 21.4m, and the number of employees was 709 at year end.

### Poland



The Polish market for telecommunications services continues to experience sizable demand for basic telephone services.

Tele Danmark owns the company Polkomtel S.A. together with the American cellular company AirTouch Communications and a number of Polish partners, of which Petrochemia Plock and KGHM Polska Miedz are the most significant ones. Each of these four partners holds 19.25% of the company's shares, and other Polish partners hold the remaining 23% of the shares. Tele Danmark's investment in Polkomtel amounted to DKK 448.7m at the end of 1997.

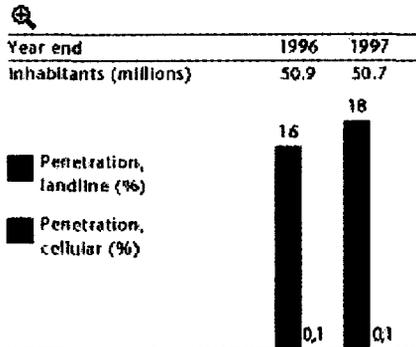
Polkomtel started commercial operation in October 1996. The intake of subscribers has been successful and the company is rapidly expanding its

activities. By the end of 1997, the company had 305,000 subscribers and 1,334 employees.

Rapid expansion of the GSM network has been carried out, thus, at the end of 1997, 95% of the population and 75% of the geographical area was covered, including the largest cities and major highways. 1997 revenues amounted to PLN 734.4m.

Tele Danmark has been involved in the planning, establishment and financing of the North-South Link across Poland via the partnership I/S DPTG (Danish Polish Telecommunications Group), in which Tele Danmark holds a 25% stake.

### Ukraine



Tele Danmark owns a 16.33% stake in the cellular company Ukrainian Mobile Communications (UMC). Other partners are UKR-TELECOM (Ukrainian State) holding 51.0%, and Deutsche Telekom (Germany) and KPN (Netherlands) each holding 16.33%. Since 1993, the company has provided NMT cellular services, which cover major cities and the main roads and highways. However, coverage is continuously being expanded. A GSM service was opened in the capital, Kiev, in September 1997. The expansion plan for the GSM network will be concentrated around the major cities, leaving national coverage to the NMT network. At the end of 1997, there were approximately 50,700 NMT subscribers and 4,300 GSM subscribers compared to about 29,000 NMT subscribers at the end of the previous year. The company had 559 employees at the end of 1997, and 1997 revenues amounted to USD 106.1m.

Competition was introduced in 1997 as new cellular providers emerged in the Ukrainian market.

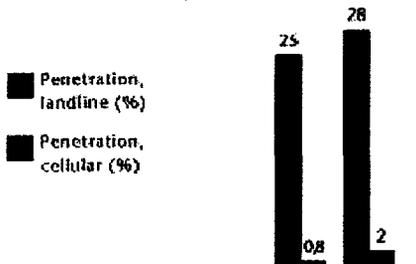
## INTERNATIONAL ACTIVITIES

◀ 3/3 ▶

### Lithuania



Year end	1996	1997
Inhabitants (millions)	3.6	3.6



Since 1995, Tele Danmark has been a partner in the cellular company Mobilios Telekomunikacijos (Bité GSM), which operates a GSM system in Lithuania for subscribers in, for example, Vilnius and Kaunas. At the end of 1997, the company had approximately 46,500 subscribers compared to 14,000 one year prior to this. Tele Danmark holds 35.82% of the share capital. Other partners are Millicom International Cellular (Luxembourg) holding 35.8% and Lintel (Lithuania) holding 28.38%. At the end of 1997, the company had 159 employees.

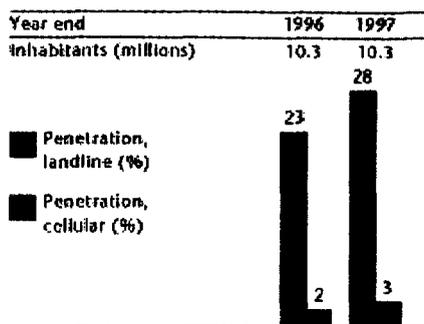
In 1992, Tele Danmark became a partner in the company Comliet UAB, which operates a nationwide NMT cellular system.

Tele Danmark holds a 24.5% stake in Comliet UAB. Other partners are Lietuvos Telekomas (Lithuanian State) holding 41.0%, Millicom International Cellular (Luxembourg) with 24.5% and Antenna UAB (Lithuania) with 10.0%. With its 102 employees, the company had approximately 12,350 subscribers at the end of 1997 against approximately 11,000 at year-end 1996.

Tele Danmark has been involved in the planning, establishment and financing of the link between Lithuania and Poland via the partnership I/S DBTG (Danish Baltic Telecommunications Group), in which Tele Danmark holds a 50% stake.

### Czech Republic





In August 1997, Tele Danmark acquired 20.8% of the shares in Ceske Radiokomunikace (CRK). The National Property Fund owns 70.55% of CRK and is thereby the largest shareholder. CRK is the leading company in the Czech Republic within its core business areas, which mainly concern distribution and transmission of television and radio signals, satellite services as well as wireless transmission of telephone and data traffic.

### East-West Link

Since the first half of 1996, it has been possible to transmit telecommunications traffic between Western Europe and the Far East via the East-West Link, a digital transmission system. This forms an unbroken telecommunications link between Western Europe and Japan/Korea. The link consists of three parts: The Denmark-Russia submarine and radio link, the Moscow-Khabarovsk radio link and the Russia-Japan-Korea (RJK) land and submarine cable link.

Tele Danmark has been involved in the planning, establishment and financing of the East-West Link via the partnership I/S DRTG (Danish Russian Telecommunications Group), in which Tele Danmark holds a 50% stake.

### Transmission projects

In recent years, Tele Danmark has participated in the establishment and financing of a range of international cable installations with connection to the Danish telecommunications infrastructure. One of the objectives is to strengthen Denmark's position as an international telecommunications hub.

The following recent projects should be highlighted:

- CANTAT-3: Link between Canada and Europe, including a direct link to Denmark (1994)
- CANUS: Canada - United States (1995)
- ODIN: Sweden - Norway - Denmark - Netherlands (1995)
- TAT-12/13: United Kingdom - United States (1995)
- RIOJA: Netherlands - Belgium - United Kingdom - Spain (1995)
- TRAGIDE-2: France - Portugal (1996)
- ITUR: Italy - Turkey - Ukraine - Russia (1996)
- BALTICA: Poland - Denmark - Sweden (1997)
- FLAG: Fibre link around the Globe (1997)

Baltica, linking Poland-Denmark-Sweden, went into service in the first quarter of 1997. Furthermore, it has been decided to upgrade Odin, linking Sweden-Norway- Denmark, Rioja, linking the Netherlands-Belgium-United Kingdom-Spain and TAT-12/13 linking the United Kingdom-United States.

### Submarine cable projects

Tele Danmark's activities within the submarine area include three cable ships, two subsea cable plows and one remotely operated subsea vehicle. The activities involve both installation of Tele Danmark's own cables as well as

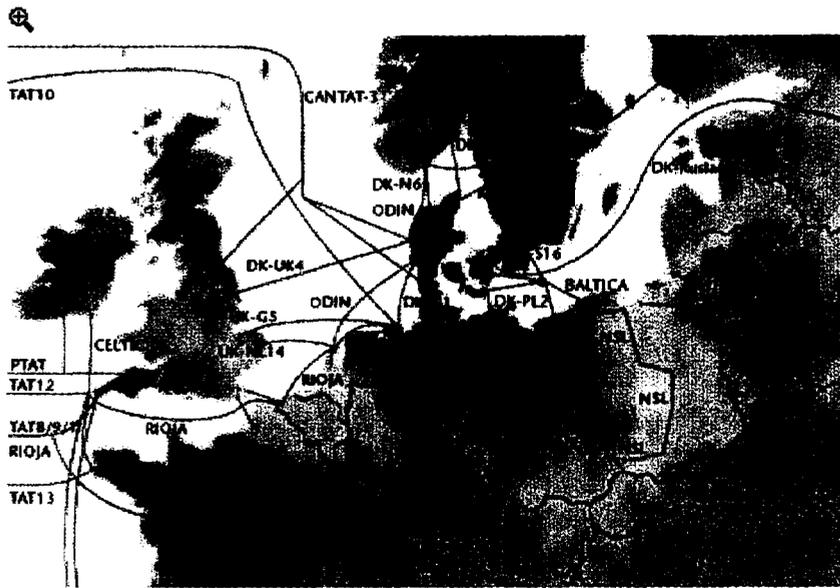
work for other parties and customers as a subcontractor, including foreign telecommunications companies and power supply companies on a worldwide basis. The activities employed more than 100 people at the end of 1997 as well as a number of specialist subcontractors.

At the beginning of 1997, the new cable ship Maersk Defender completed the installation of the Baltica Submarine Cable System between Poland, Sweden and Denmark, followed by a number of small cable operations in and around Denmark. During the early summer, the vessel was busy with activities in the offshore business north of Scotland. Later on, the installation of two cables between England and the Continent for Hermes and Post Lay Operations on two Ulysses Submarine Cables took place.

In the spring of 1997, the cable ship Maersk Fighter installed two short cable sections for the Flag Submarine Cable System in Japan, and during the late summer/fall the ship carried out five repairs on power cables in the Philippines and a power cable in Malaysia.

At the end of the year, the ship was on passage from Singapore to Alaska for the installation of a segment of the Northstar Submarine Cable System. Finally, cable ship Peter Faber has been busy, mainly with maintenance of cables in the North Sea area.

In January 1997, a consortium consisting of Tele Danmark and DSC Communications A/S (Denmark), won a turnkey contract for two submarine cable systems with ancillary land cables between the Netherlands and the United Kingdom and between Belgium and the United Kingdom, respectively (the Hermes system). The system was delivered to the customer in October 1997, ahead of schedule.



# SBC Communications Inc.

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## International Operations

SBC Communications Inc. is one of the world's leading diversified telecommunications companies, with operations spanning five continents. Through strategic acquisitions and joint ventures, SBC is entering high-growth territories and positioning itself for continued expansion in international markets:

### Chile

SBC owns a 49.3 percent equity stake in VTR S.A., a privately owned telecommunications holding company.



SBC plays a significant operational role in the VTR S.A. family of companies:

- VTR S.A.'s subsidiary CNT-Telefonica del Sur operates two telephone companies, providing local, national and international long-distance service in direct competition with the former monopoly operator. CNT-Telefonica del Sur has more than 118,000 access lines.
- VTR Telecable serves the emerging cable market in Chile, operating in 24 cities, including Santiago. The company now has 354,000 cable TV customers and a 30 percent penetration rate.
- In 1996, VTR merged its cellular properties with CTC, the owner of Santiago's "A" band cellular license. The combined entity has the only nationwide cellular network in Chile. The new venture, Startel, now serves more than 221,000 customers with a potential customer base of 7 million.

### China

On March 30, 1997, SBC signed a memorandum of understanding with China Telecom and 12 other major international telecommunications companies to provide a direct undersea cable telecommunications link



between the U.S. and China.

The China-U.S. cable network is planned to be the most technologically advanced of its kind in the world, employing a state-of-the-art fiber-optic submarine cable system between participating nations through the year 2015. The cable system is expected to be completed by the year 2000 at a cost of more than \$1 billion.

This network will provide SBC with low-cost capacity for international long-distance traffic to China and other fast-growing Asian markets.

### **France**

In 1994, SBC Communications entered into a strategic partnership with Compagnie Generale des Eaux (CGE), following a competitive review of potential partners for one of France's two national GSM wireless companies. SBC invested approximately \$626 million to gain an effective 10 percent equity stake in Societe Francaise de Radiotelephone (SFR).



Under SBC's guidance, SFR completed the most aggressive cellular capital investment program in Europe, adding 1,200 new base station sites in one year alone. As a result, SFR has doubled its market share from 20 percent to 40 percent and signs up more than 3,000 new customers each day. As of June 1997, SFR had more than 1.4 million subscribers.

SBC has now expanded its joint venture with CGE to become a broad-based provider of telecommunications services when the French market opens up to competition in 1998. The new company, Cegetel, includes SBC (15 percent stake); CGE (44 percent stake); Mannesmann (15 percent stake); and British Telecom (26 percent stake).

### **Israel**

SBC's joint venture with the Aurec Group is its longest-standing international partnership, beginning in 1985. SBC has a 50 percent stake in Aurec, which has interests in cable TV, directory publishing and software development. SBC also owns a 41.7 percent interest in Amdocs Limited, a software development company providing services throughout the world.



**Mexico**

Through a consortium formed in 1990 with France Telecom and Grupo Carso, SBC International, a subsidiary of SBC Communications Inc., acquired an interest in Telefonos de Mexico - Telmex - one of the world's fastest growing telecommunications companies. SBC retains a 9.57 percent stake in Telmex. Currently, Telmex serves more than 8.9 million access lines and 900,000 wireless customers in Mexico.

With SBC's assistance, since 1990 access lines have increased more than 60 percent; cellular customers have increased from 35,000 to 900,000; and more than 10,000 urban and rural areas have telephone service for the first time.

More than 50 percent of all telecommunications traffic between the U.S. and Mexico originates in SBC's markets.

**South Africa**

In March 1997, the South African government finalized an agreement with the consortium of SBC Communications and Telekom Malaysia Berhad for the consortium to purchase a 30 percent stake in Telkom South Africa, the state-owned telecommunications company of South Africa. The consortium will conduct a major expansion and liberalization of South Africa's telephone network. With more than 4 million access lines, Telkom South Africa has a countrywide franchise to provide local service and domestic and international long distance. In addition, it owns a 50 percent stake in Vodacom, one of two national cellular service providers, with 900,000 customers.

SBC's 18 percent stake in Telkom South Africa represents an investment of \$757 million, the company's second largest international investment, after Telmex in Mexico.

In August 1995, SBC Communications became the first former Bell system company to make an investment in the continent of Africa when it invested \$90 million in MTN of South Africa, the country's second GSM wireless company.

**South Korea**

SBC owns a 7.8 percent stake in Shinsegi Mobile Communications Company Ltd., which is designing, building and operating the second nationwide digital cellular network in the Republic of Korea. Operations began in April 1996 with service initially to Seoul and surrounding areas. During the second half of 1996 alone, 230,000 subscribers were added. Shinsegi now has more than 840,000 customers. SBC is the lead foreign partner for Shinsegi consortium in the areas of marketing and services.



With one of Asia's most rapidly growing economies and a wireless penetration of less than four percent, South Korea represents a very attractive growth market for SBC.

**Switzerland**

SBC has an approximate 40 percent ownership stake in Diax, a partnership between SBC and the six largest electric utilities in Switzerland. SBC is the telecommunications operating partner in the venture.



Upon the liberalization of the Swiss market in 1998, Diax will begin providing a full range of communications services to residential and business customers. Diax also plans to bid on wireless licenses when they become available.

Switzerland represents an excellent market for SBC. The Swiss telecommunications market is the world's twelfth largest, and Switzerland's annual revenues per telephone line of \$1,700 are the highest in the world.

**Taiwan**

SBC International, in partnership with Formosa Plastics Group and the Goldsun Group, was awarded a GSM cellular license from the government of Taiwan in January 1997 covering the southern region of the country, a market of nearly 7 million people. The consortium partners have formed a new company called TransAsia Telecommunications, in which SBC has an approximate 20 percent ownership. Service is scheduled



to begin in late 1997.

SBC believes Taiwan represents an exciting growth opportunity because of its high population density, strong local economy and a cellular penetration rate of less than 4 percent.

### **United Kingdom**

In October 1995, SBC merged its United Kingdom cable television and telephony operations (jointly owned with Cox Communications Inc.) with TeleWest, the leading U.K. cable operator and a publicly held joint venture between TCI and US West. The merger created the largest cable television operator in the U.K., with expanded interest in 31 franchises covering 4.1 million homes.



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ATTACHMENT D

**PACIFIC BELL SERVICE BEFORE AND AFTER SBC MERGER:**  
**MONTH BEFORE MERGER CLOSED AND MONTH ONE YEAR AFTER**

	<u>March 1997</u>	<u>March 1998</u>	<u>Service After Merger</u>
Held Orders - Primary	0	0	Same
Installation - % Commitments	98.8%	99.0%	Improved
Repair Reports - 100 Lines	1.3	1.8	Declined
Dial Service	98.4%	100%	Improved
Trouble Service Answer	81.7%	82.0%	Improved
OA Answer	91.9%	93.5%	Improved
DA Answer	93.4%	94.4%	Improved
Business Office Answer	76.4%	81.9%	Improved

Source: Monthly Service Reports submitted by Pacific Bell to the California PUC in response to General Order 133-B. See attached reports for a more detailed description of the individual measured service indicators and related reporting levels.

## ATTACHMENT E

PACIFIC BELL SERVICE BEFORE AND AFTER SBC MERGER:  
12 MONTHS BEFORE MERGER AND 12 MONTHS AFTER

	<u>12 Month Average Before Merger Closed</u>	<u>12 Month Average After Merger Closed</u>	<u>Service After Merger</u>
Held Orders - Primary	4.0	.08	Improved
Installation - % Commitments	99.2%	98.8%	About the same
Repair Reports - 100 Lines	1.42	1.54	About the same
Dial Service	98.9%	99.9%	Improved
Trouble Service Answer	65.2%	77.7%	Improved
OA Answer	91.8%	93.6%	Improved
DA Answer	92.0%	93.9%	Improved
Business Office Answer	72.7%	83.5%	Improved

Source: Monthly Service Reports submitted by Pacific Bell to the California PUC in response to General Order 133-B. See attached reports for a more detailed description of the individual measured service indicators and related reporting levels.

ATTACHMENT F

**PACIFIC BELL SUCCESS IN MEETING SERVICE GOALS FOR 12 MONTHS AFTER SBC MERGER CLOSED:**

<u>Service</u>	<u>PUC Goal</u>	<u>Number of Months PB Exceeded Goal</u>	<u>Percent of Months Goal Met</u>
Installation - % Commitments	95% Commitments Met	12	100%
Repair Reports	Less than 6	12	100%
Dial Service	98% Without Equipment Failure	12	100%
Trouble Serv. Ans.	80% Answered in 20 Seconds	9	75% <sup>12</sup>
OA Answer	85% Answered in 10 Seconds	12	100%
DA Answer	85% Answered in 12 Seconds	12	100%
Bus. Office Answer	80% Answered in 20 Seconds	12	100%

Source: Monthly Service Reports submitted by Pacific Bell to the California PUC in response to General Order 133-B. See attached reports for a more detailed description of the individual measured service indicators and related CPUC established goals..

<sup>12</sup> In the previous 12 months before the SBC merger, PacBell had only met the Trouble Service Answer goal in 7 of those 12 months (58%).



Economic Profile	1996 GDP growth	1996 GDP per Capita	5-year projected real GDP CAGR
------------------	-----------------	---------------------	--------------------------------

	1995	1996
Population (in thousands)	41,000	41,700
MTN wireless customers	168,000	337,400
MTN wireless penetration	4%	8%
Telkom South Africa access lines (in millions)	3.8	3.9
Telkom South Africa access line penetration	9%	9.3%

Wireless Network Technology GSM

Population data source: U.S. Bureau of the Census

18 percent stake in Telkom South Africa, South Africa's national telecommunications company, representing SBC's largest investment in a privatization effort

With this investment, SBC is likely to sell its 15.5% stake in MTN, South Africa's second cellular provider

Telekom Malaysia Berhad, Malaysia's national telecommunications provider

Local service and long distance

South Africa's population of 41.7 million is about equal to Texas, New York and Missouri combined. Only 10 percent of South Africa's non-white households – 87 percent of the population – have telephone service.

Build and greatly expand Telkom South Africa's network infrastructure and add to its management expertise.

The investment also positions SBC to pursue other opportunities on the African continent. SBC was the first regional Bell operating company to invest there. Telekom Malaysia has ties to projects in other African nations.

**Telkom South Africa.** With 30 percent ownership, the consortium leads Telkom's Operating Committee and is responsible for

business plans, training programs, management structure and network buildout. The consortium appoints key executives, including the chief operating officer, chief financial officer and chief technical officer.

**MTN.** SBC managers hold the roles of CEO and senior marketing and network manager in MTN's wireless operations.

Align the employee workforce more closely with South Africa's demographics.

Initiate network architecture development to add 340,000 access lines this year, primarily reaching underserved segments of the population.

Create detailed business and operational plans for adding more than 2.5 million access lines within five years.

Develop and initiate customer service and customer care programs.

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.

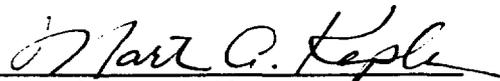
30. With the merger, the combined company will be a more effective entrant into the long distance market. The application of best practices, elimination of duplicate functions and increase in purchasing efficiencies will enable the company to better serve customers and to reduce the cost of long distance 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.

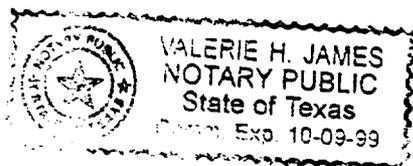
31. After the merger, local exchange customers of the combined company, including in the top 50 MSAs in the United States will benefit from an expanded product line and improved services. By combining our applied R&D, technology and network investment capabilities, the combined company can benefit from 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 21state century network, consumers will benefit in all aspects of product offerings, customer care, installation and repair services and network performances and reliability.

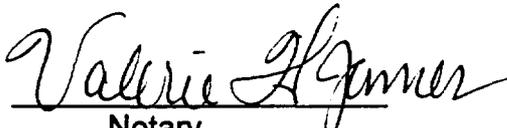
Conclusion

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 20<sup>th</sup> 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.