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EX PARTE OR LATE FILED

May 3, 1999

NOTICE OF EX PARTE PRESENTATION

RECEIVED
MAY 3 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *In the Matter of Applications for Transfer of Control to SBC
Communications Inc. of Licenses and Authorizations Held by Ameritech
Corporation, CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that, on Friday, April 30, 1999, Paul K. Mancini, SBC Communications Inc., James Smith, Ameritech-Ohio, Richard Hetke, Ameritech Corp., Martin E. Grambow, SBC Telecommunications, Inc., Elizabeth Ham, SBC, and Glen R. Sirles, SBC, met with Robert C. Atkinson, Carol E. Matthey, Michael H. Pryor, Jake E. Jennings and William Dever of the Commission's staff in connection with the above-referenced transfer of control applications. In connection with Chairman Kennard's April 1, 1999 letter to Messrs. Whitacre and Notebaert, we discussed several potential conditions concerning opening local markets to competition (including access to and testing of operations support systems and performance measurements).

In addition, SBC representatives briefly discussed the decision of the Public Utility Commission of Texas regarding Southwestern Bell's application for authority to offer in-region interLATA telecommunications services. The attached press materials were provided to staff. SBC representatives also provided staff the attached document entitled "The SBC-Pacific Telesis Merger - The First Two Years". The booklet outlines the tangible pro-competitive and economic benefits that have flowed to California consumers following SBC's merger with Pacific Telesis in 1997.

In accordance with the Commission's rules concerning ex parte presentations, one copy of this notice is provided herewith. Please call me if you have any questions.

Respectfully submitted,

No. of Copies rec'd 011
List ABCDE

Attachments

cc: Mr. Atkinson, Ms. Matthey, Mr. Pryor, Mr. Jennings, Mr. Dever

HOME		PUCT 	
Public Utility Commission of Texas			
Office of Customer Protection, Information and Education, 1701 N. Congress, Austin, TX 78701 Fax 512-936-7003			
Contact: Margaret Wilson 512-936-7143 Drew Douglas 512-936-7131		News Release April 29, 1999	

PUC Endorses SWB's Long Distance Bid

Only Computer Operating Systems Test and Performance Data Remain

(Austin, TX, April 29, 1999) – The Public Utility Commission (PUC) of Texas agreed today to support the Southwestern Bell (SWB) bid to enter the long distance market. The PUC found that SWB has made sufficient local market-opening commitments to advance its bid for federal long distance authority. In concluding its nine-month industry-wide collaborative process, the PUC agreed, with two conditions, that SWB's commitments, when implemented, would open the Texas local telephone markets to competition.

The federal Telecommunications Act of 1996 requires SWB and other regional Bell telephone companies to prove that competition exists to provide local telephone service in their service areas before they can enter into the long distance market. That proof must be accepted by state regulators, and then approved by the Federal Communications Commission (FCC). To date, no regional Bell company has received FCC approval to provide long distance service to its own local customers.

PUC Chairman Pat Wood, III acknowledged the staff and industry participants in the collaborative process and recognized Gov. George W. Bush saying, "Without his strong support of a truly competitive market in Texas, this day would have never come."

"Our action today will ultimately lead to more choice for Texas' local and long distance phone customers," Commissioner Judy Walsh said.

Commissioner Brett A. Perlman added, "This action will also assure Texas' position as a world leader in developing a premier telecommunications infrastructure for the next century."

In today's action, the PUC found that SWB has satisfied the requirements of a 14-point checklist, with two important conditions, to determine whether the climate for local phone competition exists in Texas.

First, SWB must complete the testing of its operations support systems (OSS). The OSS testing, currently being conducted by an independent consultant, is necessary to make sure that SWB's computer operating systems are compatible with its competitors' systems, to let customers switch to competitive local carriers without any service interruptions or inconvenience.

As a second condition of today's action, the PUC will review three months of actual performance data across the board, for all measures relevant to local service competition. This will ensure that SWB is actually delivering on the commitments the PUC accepted today.

Southwestern Bell petitioned the PUC in March 1998 for permission to enter the long distance market, under the requirements of section 271 of the federal act. Following a hearing last Spring, Commissioners identified 130 specific issues that SWB needed to address. Rather than denying the petition, Commissioners established a collaborative process for Commission staff, SWB and its competitors to resolve these issues. Through the nine-month collaborative process, these issues that affect competitors' ability to do business with and compete against SWB were explored and resolved.

Key issues resolved in today's action include the "co-location" of competitors' equipment in SWB's facilities, the "unbundling" and pricing of infrastructure network elements and whether competitors can use SWB's high-speed digital subscriber line or "DSL" service. In addition, the companies agreed to performance measures that SWB must meet to assure that it deals fairly with its competitors and a remedy plan for assessing penalties if the performance measures are not satisfied.

Texas and federal laws attempted to create competition for local telephone service, which has been historically provided by the large Bell operating companies and other local providers. Both laws made it possible for competitors to enter the Texas market. By setting rules for how the incumbent phone company should treat its new competitors, the federal law linked the promise of entry into the lucrative long distance market to the development of the conditions for local competition.

Once it gains FCC approval, SWB will be a full-fledged competitor in Texas' long distance market. The PUC has been working closely with the FCC and the Department of Justice (which will consult in the FCC's decision) since the start of SWB's 271 process.

In 1997, SWB provided service to 9.3 million access lines, or about 76 percent of the state's local telephone customers. Texas local telephone service generated \$5.9 billion in revenues in 1997, of which \$1.1 billion comes from access fees paid by long distance carriers to local phone companies. The total Texas long distance market generated about \$6 billion the same year (including access fees charged to customers). The long distance market was opened to competition in 1984 with the break-up of the AT&T-Bell system.

Some 1,341 long distance companies now compete in Texas. AT&T serves about 64 percent of the Texas long distance market. MCI WorldCom serves about 14 percent, while Sprint ranks third with about 6 percent.

Following today's action, SWB will file a model contract which is based on the 1997 comprehensive AT&T original interconnection agreement and incorporates all of the commitments made in the collaborative process. Once the PUC approves the model contract, any SWB local phone competitor can sign the agreement to do business with the company.

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**Statement of Brett A. Perlman
Regarding Public Utility Commission of Texas'
Approval of Southwestern Bell Telephone Company's
Memorandum of Understanding**

The Public Utility Commission of Texas has taken a significant first step today in opening local telecommunications markets to competition and in creating a more competitive long distance market. By approving this Memorandum of Understanding, the Commission is certifying that Southwestern Bell has met the terms of Section 271 of the Federal Telecommunications Act of 1996, which requires that Southwestern Bell open its network to competitors. Today's action will also lead to more competition in long distance if the Federal Communications Commission allows Southwestern Bell to enter the long distance market.

Texas now has an opportunity to become the first state in the nation to offer its citizens competition in all telecommunications services. Permitting Southwestern Bell to enter the long distance market will provide the impetus for long distance and other companies to enter the local residential market and offer a competitive package of services. As a result, Texas consumers will ultimately be able to purchase new telecommunication services from a single provider, including packages of local and long distance services, a service unavailable since the breakup of AT&T.

This action will also assure Texas' position as a world leader in developing a premier telecommunications infrastructure for the next century. This decision guarantees that the new local competitive companies can use the Southwestern Bell infrastructure to provide innovative services, such as high-speed data services. Such services will provide the broadband infrastructure for Texas' continued economic development.

While local telecommunications competition has been long in coming, our decision will help competitors move into the marketplace by assuring that the market is irreversibly open to competition. This is, however, only the first step in opening markets to competition. The Commission will continue to demonstrate its commitment to real, sustainable competition by completing the pending back office systems test and by continually monitoring the market in order to assure that Southwestern Bell maintains its commitments to provide outstanding service to its wholesale customers.

Although I have been involved with this proceeding for only a short time, I would like to applaud the Commission staff and the parties for a tremendous effort that will have a major positive impact on the future of our state.

FOR IMMEDIATE RELEASE**April 29, 1999****Contact: Bill Maddox (512) 870-3448
Kelly Curbow (512) 870-1106****Southwestern Bell-Texas Reaction
to Texas PUC Decision on Long Distance Process**

AUSTIN – Thursday's action by the Public Utility Commission of Texas (PUC) verifies that Southwestern Bell has opened the state's local telephone market to competition, said Jim Shelley, president-regulatory, Southwestern Bell-Texas.

PUC Chairman Pat Wood and Commissioners Judy Walsh and Brett Perlman voted 3-0 to approve Southwestern Bell's Memorandum of Understanding (MOU), filed with the commission on Monday. The approval of the MOU is an important step in Southwestern Bell's effort to gain permission to compete in the full long-distance (InterLATA) market.

"Approval of the Memorandum of Understanding demonstrates we have met the federal 14-point checklist requirements to enter the InterLATA market," Shelley said. "Today is the result of many months of negotiations and hard work by the commissioners and staff of the PUC, Southwestern Bell and new local service providers such as AT&T, MCI, Sage Telecom and Allegiance Telecom. Chairman Wood has provided insightful leadership. The contributions by Commissioners Walsh and Perlman, and former Commissioner Pat Curran, have been instrumental in helping Southwestern Bell open this state's local market to competition."

"Our quest to enter the long-distance market has included one of the most rigorous and unprecedented processes yet to face the telecommunications industry in America," Shelley said. "Texas now has the opportunity to become the first state in the nation to offer its citizens full and open competition for all telecommunications services – making Texas a world leader in successfully opening the telecommunications market to all providers."

Shelley noted the commission vote is one significant step in a continuing process. "Our long-distance application still has a way to go," Shelley said, "but we're encouraged because we have made tremendous progress and we're on the right track."

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Approval of the MOU puts into motion a series of activities that could result in Southwestern Bell applying to the Federal Communications Commission (FCC) for InterLATA entry. No regional Bell company has yet gained FCC approval to compete in the long-distance market.

The MOU acknowledges that a final InterLATA recommendation by the PUC is dependent on the results of a testing procedure currently under way to validate the ability of Southwestern Bell's network to accept and process service requests placed by competitors. Completion of testing is the final major requirement before the PUC acts on Southwestern Bell's application to provide full long-distance service.

"We hope to be competing in the long distance business before the end of this year," Shelley said. "We have worked very hard, as have the new local companies and especially the PUC commissioners and staff, to reach this point. A lot of work remains, but we are committed to staying the course."

Following enactment of the Federal Telecommunications Act of 1996, which set forth requirements to fully open the telecommunications market, Southwestern Bell began successfully negotiating agreements with companies wanting to use Bell's network to provide local service. Then in March 1998, Southwestern Bell requested the PUC review its applications to enter the long-distance market. That led to a collaborative process established in June 1998 whereby Southwestern Bell was required to meet the conditions of 130 recommendations.

Even as negotiations with the PUC were ongoing, Southwestern Bell's efforts to qualify as a full long-distance company have included:

- Dedicating 1,800 employees and spending \$400 million to meet federal and state requirements to open the local telephone market in Texas.
- Successfully negotiating interconnection agreements with 185 companies.
- Successfully processing almost 2.3 million service orders requested by competitors.

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(See attached inventory demonstrating "The Local Telephone Marketplace is Open in Texas.")

The Local Telephone Marketplace is Open in Texas

- Southwestern Bell has been working to foster competition in the local telephone market since 1996 when the Federal Telecommunications Act was passed. The 271 process in Texas has been one of the most thorough and rigorous regulatory proceedings in the country. Now that the proceeding is nearing a conclusion, Texans can be even more confident that Southwestern Bell and the Public Utility Commission of Texas (PUC) have been and are committed to local competition.
- Southwestern Bell has dedicated 1,800 employees and spent \$400 million to meet federal and state requirements to open the local telephone market in Texas.
- The PUC has certified 250 companies to provide local telephone service in Texas. 185 companies have negotiated agreements to either connect their networks with Southwestern Bell's or resell Southwestern Bell's service in order to provide competing local service.
- As of the end of March, Southwestern Bell's competitors had more than 820,000 lines in service, of which 448,417 are facilities-based and 371,776 are resold. As of the end of March, Southwestern Bell had sold 14,000 UNE loops to competitors. Southwestern Bell has processed almost 2,260,000 service orders for competitive local service providers. As of the end of March, Southwestern Bell's white pages contained approximately 310,000 listings of competitors' customers.
- AT&T, MCI and other competitors have been closely involved in the collaborative process with Southwestern Bell and the PUC. They have actively participated in the process and played a major role in the resolution of the issues.

- MORE -

- Southwestern Bell has committed to more than 100 performance measures that ensure new competitors have a meaningful opportunity to compete by assessing financial penalties to Southwestern Bell if objectives are not met.
- Southwestern Bell has committed to have its performance measures and OSS computer systems validated by third-party testing overseen by the PUC.
- Unlike its competitors who are allowed to pick and choose which customers they serve, Southwestern Bell is still required to be the service provider of last resort for most Texans.
- Southwestern Bell has complied with ever-changing requirements (271 relief has been a moving target) as the Federal Communications Commission (FCC) issues new orders and the courts make rulings that affect its business.
- Southwestern Bell's telephone directories inform consumers of available choices in local services providers. The front of the SWB White Pages contains this information under the heading "Local Service Alternatives." The Austin directory, for example, lists 26 companies who are providing local telephone service in the area.
- Competitive local service providers are operating in 299 of Southwestern Bell's 300 local calling areas in Texas. The lone exception is an exchange in far South Texas that serves 130 lines.
- Competitive local service providers have concentrated their efforts on the business and high end residential market. These are the most lucrative segments of the local telephone market.
- Since April 1998, Southwestern Bell's competitors have captured more than 83 percent of the growth in business lines. Competitors have focused on lucrative business customers in metropolitan areas. Local competitors have more than 22 percent of the business lines in Dallas, more than 20 percent in Austin, 19 percent in San Antonio and more than 14 percent in Houston.

The SBC-Pacific Telesis Merger The First Two Years

More People.

More Growth.

Better Service.

Brighter Future.



APRIL 1999

SBC and Pacific Telesis: The Benefits of a Merger

When SBC Communications merged in April of 1997 with Pacific Telesis, the parent company of Pacific Bell, there were questions. Would the merger be good for consumers? Would the merger result in higher prices and poorer service? Would the company still support communities? Would the company remain a technological leader, investing in its employees, its network and the California economy?

Two years later, the questions have been answered. The merger has created substantial positive benefits for Pacific Bell customers, employees and communities. In addition, the California experience can be viewed as a case study for considering the impact of the SBC-Ameritech merger.

- **More jobs.** More than 4,500 net new positions – four times SBC's original commitment – have been created in California since the merger closed.
- **Commitment to improved service.** Since the merger, installation times statewide have been reduced for both residential and business customers while Pacific Bell's repair times were relatively unaffected by record-breaking bad weather. Installation intervals decreased from 3.0 days in 1997 to 2.4 days in 1998. At the same time, installation orders increased significantly (37%) in 1998. Additionally, Pacific has met its CPUC service measurement targets 96% of the time since the merger compared to 74% of the time prior to the merger (Jan 96 – Mar 97).
- **Basic service prices have remained unchanged.** Pacific Bell basic rates have not increased in California since the merger. Overall reductions in tariffs in California since the merger total \$495 million, with residential flat rates close to 20% below the national average.
- **Competition has been promoted.** California is the most competitive telecommunications market in America. Local competitors have obtained an estimated 1.2 million lines in California, demonstrating that they have a meaningful opportunity to compete. Every significant measure of competition has improved since the merger.
- **Commitment to communities.** Post-merger (1997) Pacific's corporate charitable and community contributions was \$8.7 million dollars. 1998's contribution was \$11.8 million, \$4 million greater than 1996. Charitable contributions included an increase in Pacific Bell foundation grants of \$2.4 million since 1996.
- **Investment in facilities.** Pacific Bell has increased investment in its network since the merger, spending more than \$2 billion in 1998 (an 11% increase over 1996 levels) to expand and upgrade its telephone network.
- **Expanded products and services.** Pacific Bell's rollout of high speed data access capability-the country's largest such rollout to date-is being accelerated to bring ADSL service to more communities, sooner. By the end of 3Q 1999, ADSL will be available in 255 wire centers, serving 70% of Pacific's customers. A new, creative and flexible pricing structure recently allowed the company to cut monthly high speed access rates for its customers in California by over 40%.
- **Creative approaches to social issues.** Pacific Bell pledged to contribute \$50 million specifically to support technologically underserved communities. That program is under way, and Pacific Bell has already given \$10 million to this effort. Overall grant and contribution commitments are up as well.
- **Commitment to diversity.** Pacific Bell purchases 25 percent of all supplies and services from businesses owned by minorities, women or disabled veterans, an increase since the merger.

Pacific Bell Quadruples Employment Expectations

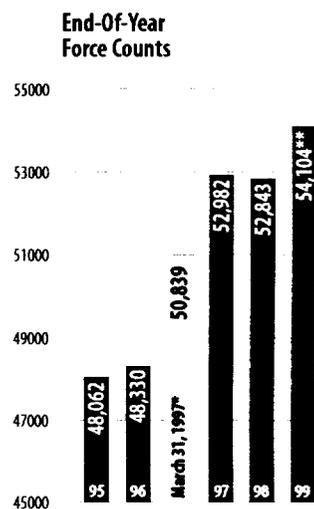
Prior to the merger, the Pacific Telesis family of companies, including Pacific Bell, was experiencing a trend of declining employment. Following the merger, the hiring picture shifted significantly. The number of jobs began to rapidly climb.

Pacific Telesis initially committed to creating 1,000 new positions. Since the merger, Pacific Bell and its affiliated companies have created more than 4,000 net new jobs in California. In 1997 alone, the year of the merger, the Pacific Bell companies created more new jobs than the five other largest employers in California combined, according to the state Employment Development Department. The company now employs more than 54,000 workers in the state.

Most importantly, SBC made the commitment to increase staff in areas most critical to maintaining and enhancing customer service. Anticipating severe winter weather because of the El Niño effect, Pacific Bell decided to hire and train an additional 300 field service technicians in advance of the storms. Altogether, more than 1,000 new technicians and borrowed employees from out of state were added. This investment in people paid off as Pacific Bell was able to meet record demands for service restoration caused by the storms.

Pacific Bell also has added hundreds of jobs in other critical positions such as customer service representatives, maintenance splicers and construction technicians in order to meet the growing demand for telecommunications products and services. The company has nearly doubled its construction-splicing workforce in the Silicon Valley area over the 1997-98 period.

In addition to the Pacific Bell jobs expansion, SBC is expanding its corporate operations in California. The company has delivered on its commitment to base its long-distance, Internet, and corporate and administrative services operations in the state. In addition, the company's directory, Asia/Pacific and Pacific Bell Mobile Services operations are also headquartered in California.



*SBC-Pacific Telesis merger effective April 1, 1997
 **1999 figure is through April, 1999

Major Service Improvements Despite Exploding Demand

The telecommunications revolution is driving the demand for new telephone lines to unprecedented levels. During 1997-98, Pacific Bell added almost 1.5 million new phone lines. In 1998 alone, Pacific Bell added nearly 690,000 new switched access lines. Furthermore, Pacific Bell has continued its commitment to help achieve phone penetration rates of 98 percent in underserved communities by setting up the Universal Service Task Force to boost telephone penetration.

The growth in lines is particularly strong in the Bay Area, where both business and residential customers are demanding more lines and faster data transmission speeds. It is not unusual for a home in the Silicon Valley to have two, three or even four phone lines to meet the work-at-home and recreation needs of consumers. It is estimated that more than 35 percent of all Internet traffic begins and ends in California.

The growth of business lines has been fueled by a strong economy that is driving usage well into double-digit annual growth rates. Businesses have a surging need for data trunks. Since the merger, Pacific Bell has responded to this demand by increasing the number of SONET fiber rings five-fold; ISDN lines by 117%; and frame relay ports in service by 94%. Ninety-five percent of Pacific's switches are now digital.

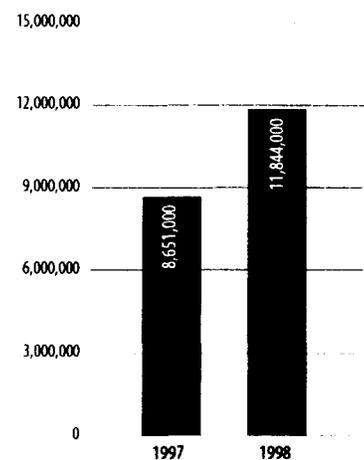
Despite this unprecedented demand, Pacific Bell has consistently provided high-quality service for its customers since the SBC merger. In fact, Pacific Bell has worked hard to meet its service quality performance measures as required by the California Public Utility Commission's order approving the merger. Among other things, the order required the company to:

- Maintain or improve its service quality over the five years following the merger.
- Demonstrate two months of compliance with the PUC's General Order 133-B within 90 days of the merger. The GO 133-B measures eight service quality areas that include installation, repair, operator assistance answer times, directory assistance answer times and more.
- Demonstrate two consecutive months of compliance with GO 133-B requirements for business office answering time and trouble report answering time. The company was also required to present a plan for ongoing compliance with this requirement.

Since the merger was completed, Pacific Bell has significantly improved its service quality performance. Based on the eight CPUC service quality measurements, the company met or exceeded standards nearly 96% of the time, compared to a 74% success rate for the fifteen months prior to the merger. These results reflect Pacific Bell's dedicated focus on customer service since the merger. Statewide service installation times improved in 1998 over the same period in 1997. Reductions in average installation intervals of 21% and 5% were achieved for residential and business customers respectively.

Rocketing Demand

This chart shows the increase in installation service orders for primary service



Advancing Competition in the Local Market

California is the most competitive telecommunications market in America. Since local competition began in California in August 1996, over 200 companies have been certified by the California Public Utilities Commission (CPUC) to enter into the state's local telephone service market. Pacific Bell's continued support of local competition in California is evidenced by the fact that CLECs are located in almost 30% of Pacific Bell's 755 CO/wire centers. These wire centers account for 75% of Pacific Bell's business revenues and 72% of Pacific Bell's residential revenues.

To date, Pacific Bell has spent more than \$715 million in capital and expenses to support local competition in California, including approximately \$295 million for local number portability and \$421 million to make it easier for companies to interconnect with Pacific Bell. During the first 16 months after the merger Pacific Bell invested more than \$59.4 million to develop and implement several state-of-the-art electronic systems for the CLECs, a 45-fold increase.

By the end of 1998, Pacific Bell had increased staff dedicated to supporting CLEC entry into the local market significantly. Following the merger, the number of interconnection products—including trunks, E911 and DA/OA—in service in California has increased every month to 347,652 as of December 1998, an increase of 1300%. Local competitors have obtained close to 1.2 million lines, including 259,083 resold lines.

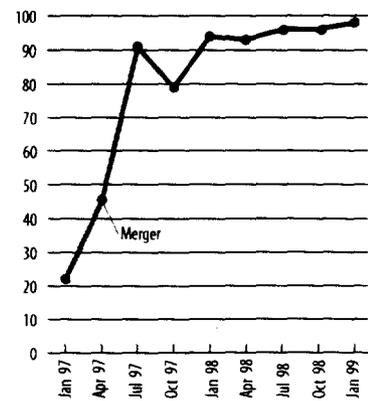
An Ongoing Commitment to Quality and Excellence

Both before and after the merger with SBC, Pacific Bell was able to maintain its commitment to provide top-quality service to its residential and business customers. For the second year in a row, Pacific Bell was recognized by J.D. Power and Associates as one of the top (ranked second) residential local telephone companies in customer satisfaction.

In 1998, AT&T stated that Pacific Bell is setting the standard against which other access providers will be measured. And Pacific Bell was singled out by Sprint, honored as the country's "Top Performer – Full Service Provider" for 1997. Sprint also noted that Pacific Bell has been consistently superior in all three years of its monitoring program, which tracks blocked calls and service restorations.

In fact, SBC has been recognized by *Fortune* magazine as the world's "most admired" telecommunications company in 1997 and 1998 and, most recently in *Business Week's* Top 50 List of the best overall performers among the Standard & Poor's 500 companies.

Resale Completion Notifications Sent Within 24 Hours



Building the Highest-Quality Network

Pacific Bell's investment in its network has increased since the merger, with the company investing more than \$2 billion per year to ensure both its reliability and capability to expand to meet the growing needs of customers.

In the 15 months after the merger closed, Pacific Bell's total capital additions and cash operating expenses increased by \$604 million (7.3%) compared to the 15 months prior to the merger. Pacific Bell expenditures for products and services rose by \$412 million (10.8%) over the same time period.

Pacific Bell's 1998 budget included \$7.14 billion in operating and capital expenses, an increase of \$530 million (up 8 percent) over the pre-merger year of 1996. Between 1996 and 1998, the company increased by 20% its investment in outside plant and central office facilities and an 11% increase in total capital expenditures.

This investment ensures reliability (up to 99.99 percent of the time) and durability to protect against the effects of floods, fire and earthquakes. In fact, Pacific Bell is the nation's leader in switched network reliability. Pacific Bell is able to continuously monitor its network from its two state-of-the-art network operations centers (NOCs) in Sacramento and San Diego, providing unparalleled redundancy.

Expanding Choices for California Businesses and Consumers

Since the merger with SBC, Pacific Bell has rolled out a wide variety of new products and services for both residential and business customers. These offerings have included:

New consumer products:

- Caller ID with name delivery
- Digital PCS service
- On-demand features such as pay-per-use Three-Way Calling
- Enhanced Internet service with lower ISDN fees, extra e-mail boxes
- Home packs with ADSL/Internet service and ISDN/Internet service
- As a result of the broadest rollout of ADSL anywhere in the United States more than 250 California communities have access to this high speed Internet access service. Pacific Bell has tripled the pace of this rollout, estimating that a total of 5 million residential and nearly one million business customers will have access to the service by the end of 1999.

In March of 1999, SBC announced a partnership with American On Line (AOL) that will provide 5 million Pacific Bell customers with high speed Internet access, at prices below AOL's rates.

New business offerings:

- Managed frame relay service
- Web hosting
- Announced ADSL rollout to business customers

New services awaiting regulatory approval or launch

- Anonymous Call Rejection
- Long-distance
- AOL access

Increasing Contributions to the Community

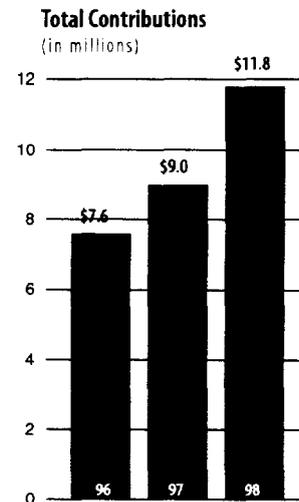
Pacific Bell traditionally has been a leader in California corporate philanthropy and community contributions. Since the merger with SBC, that commitment has been reinforced and amplified with additional financial resources.

Total giving has increased substantially, from \$7.8 million in 1996 (the year before the merger) to \$11.8 million in 1998. In addition, to date, Pacific has given \$10 million dollars to the Community Technology Fund, which was established as part of the Community Partnership Commitment.

Community benefits are also tangible. For example, Pacific Bell has more than 2,700 employees in Santa Clara County. Capital spending in the area has increased 34% since the merger to \$167 million in 1998. The county has experienced a 100% increase in the number of construction jobs since the merger. At the same time, charitable giving by Pacific Bell has increased 300 percent, to more than \$600,000 to local charities and community programs.

The story isn't just in the numbers, however. These contributions are invested in programs that bring real benefits to the lives of people who live in our service areas. Here are what some Californians are saying about SBC/Pacific Bell's participation:

- "I am so thankful for organizations like SBC and the Pacific Bell Foundation that help make [this program] available." *Marcario Ortiz, facilitator, SBC-Pacific Bell-supported Cada Cabeza Es Un Mundo (Each Mind is a World) program and teacher, Yerba Buena High School, San Jose.*
- "This Fund can make a real difference and set a model for the nation." *On the SBC-supported Pacific Bell Community Technology Fund, Hon. Gwen Moore, former Member of the California State Assembly; Chair, African-Americans for Telecommunications Equity, Los Angeles.*
- "Pacific Bell is more involved now than ever. Since the merger, they have increased their financial support for us." *Lou Dantzler, Challenger Boys and Girls Club, South Central Los Angeles.*
- "Pacific Bell's \$50,000 contribution is helping us target at-risk Latino youth to help keep them in school. I can't say enough about the strong effort that Pacific Bell and SBC have made." *Marine Dominguez, president, Hispanic Education and Media Group, San Jose.*
- "Their support has been constant. Through Pacific Bell's help, we've been able to help our clients achieve self-sufficiency." *Hilva Chan, executive director, Sacramento Chinese Community Center.*
- "After the merger with Pacific Bell and SBC, we began to see a lot more of them in the community. I believe the expanded role was possible thanks to SBC's commitment to improve the quality of life in the communities it serves." *Shirley Allen, executive director, Communities in Schools, South Bay (Los Angeles).*
- "Pacific Bell provided us with a strong helping hand. During the winter floods, we had more than 28,000 people in shelters. We needed all the help we could get and Pacific Bell came through." *Shari Barnes, disaster director, American Red Cross, Sacramento-Sierra area.*



- “Pacific Bell and the Hispanic Association of Communications Employees of SBC are true to their word. Their members have helped our kids build academic skills and have served as role models.” *Julio Galindo, executive director, San Diego Barrio Logan Elementary School.*
- “Since the merger with SBC, I’ve seen a broader level of community participation by Pacific Bell.” *Carl Wayne, Southern California area director, United Negro College Fund.*

Exciting New Opportunities for Employees

Besides being good for consumers and the public at large, the SBC merger has also benefited Pacific Bell employees. Pacific Bell employees are now part of a stronger, growing company which offers employees increased career opportunities.

In 1998, Pacific Bell reached early contract agreement with its principal labor union, the Communications Workers of America. Working with the CWA and others, the company designed new and more lucrative incentive compensation plans for its customer service representatives.

Following the SBC merger, Pacific Bell increased the company match to the employee savings plan – from 67 percent to 80 percent.

In addition, more than 15,000 California employees have been offered stock options since the merger. Previously, only a very few had that opportunity.

Creative Approaches to Social Issues

As part of its merger commitment, SBC/Pacific Bell has pledged to contribute \$50 million to support technologically underserved communities. That program, called the “Community Partnership Agreement,” is under way, with the goal of bringing new technologies to all customers and to make sure that everyone has access to the information age. Pacific Bell has given \$10 million to the program.

Pacific Bell also has created a Universal Service Task Force. Over a seven year period, the task force will work toward a goal of increasing telephone penetration to 98 percent of disadvantaged populations. The program also includes a research element that will help track and guide the effort to achieve success.

Commitment to Diversity

Pacific Bell's mission is to meet its customers' needs for telecommunications service. Understanding the changing needs of customers is a priority.

Part of the solution is for the company's workforce to reflect the diversity of the people who live in its service territories. Pacific Bell's workforce is richly diverse.

But that commitment extends beyond the workforce, too. Today, 25 percent of Pacific Bell's procurement dollars go to vendor businesses owned by minorities, women and disabled veterans, an increase since the merger. Pacific Bell has been acclaimed as a corporate leader in supporting these firms through engaging in business relationships.

Delivering Superior Shareholder Value

The ultimate test of a merger is whether it enhances value for the shareholders. And SBC's earnings performance demonstrates that the SBC merger has rewarded shareholders.

Pacific Telesis shareholders have realized a significant return on their investment with the merger. They have joined all other SBC shareholders in experiencing a stock price appreciation of 104 percent since the merger (as of 4/21/99).

And because more than 90 percent of Pacific Telesis employees held stock, the company's financial performance since the merger has translated into gains for the vast majority of its workforce as well.

Conclusion

SBC's merger with Pacific Bell has been good for consumers, employees and the communities it serves. Pacific Bell has more than lived up to commitments it made at the time of the merger by expanding hiring and making contributions that exceed the original pledge.

Since the merger, Pacific Bell has provided quality customer service in critical areas of installation and repair and has invested heavily in California. Prices for basic local service have not increased. At the same time, competition in the local markets has increased. The company has taken a corporate leadership position in many areas that are important to its customers and their communities.

For more than 100 years, Pacific Bell has been California's "home team." Through its merger with SBC, Pacific Bell's resources have been strengthened and its commitment to California has been intensified.

SBC also believes that the merger can be indicative of how the company will implement future mergers, including the pending merger with Ameritech. As with the Pacific Telesis merger, SBC will apply the philosophy that these transactions don't have to create winners and losers. They can translate, rather, into more people, more growth, better service, and a brighter future for all of us.