BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from	)	WC Docket No. 05-65
AT&T CORP., **Transferor**	)	
to	)	
SBC COMMUNICATIONS INC., **Transferee**	)	

RESPONSE OF SBC COMMUNICATIONS INC. TO INFORMATION AND DOCUMENT REQUEST DATED APRIL 18, 2005

May 9, 2005

In connection with the proposed transaction, SBC intends to file a registration statement, including a proxy statement of AT&T Corp., and other materials with the Securities and Exchange Commission (the "SEC"). Investors are urged to read the registration statement and other materials when they are available because they contain important information. Investors will be able to obtain free copies of the registration statement and proxy statement, when they become available, as well as other filings containing information about SBC and AT&T Corp., without charge, at the SEC's Internet site (www.sec.gov). These documents may also be obtained for free from SBC's Investor Relations web site (www.sbc.com/investor_relations) or by directing a request to SBC Communications Inc., Stockholder Services, 175 E. Houston, San Antonio, Texas 78205. Free copies of AT&T Corp.'s filings may be accessed and downloaded for free at the AT&T Relations Web Site (www.att.com/ir/sec) or by directing a request to AT&T Corp., Investor Relations, One AT&T Way, Bedminster, New Jersey 07921.

SBC, AT&T Corp. and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from AT&T shareholders in respect of the proposed transaction. Information regarding SBC's directors and executive officers is available in SBC's proxy statement for its 2004 annual meeting of stockholders, dated March 11, 2004, and information regarding AT&T Corp.'s directors and executive officers is available in AT&T Corp.'s proxy statement for its 2004 annual meeting of shareholders, dated March 25, 2004. Additional information regarding the interests of such potential participants will be included in the registration and proxy statement and the other relevant documents filed with the SEC when they become available.

Certain matters discussed in this statement, including the appendices attached, are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, without limitation, the information concerning possible or assumed future revenues and results of operations of SBC and AT&T, projected benefits of the proposed SBC/AT&T merger and possible or assumed developments in the telecommunications industry. Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by SBC with the Securities and Exchange Commission, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of SBC and AT&T or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of AT&T shareholders to approve the merger; (3) the risks that the businesses of SBC and AT&T will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that Cingular Wireless LLC could fail to achieve, in the amount and within the timeframe expected, the synergies and other benefits expected from its

acquisition of AT&T Wireless; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which SBC and AT&T operate.

The cites to webpages in this document are for information only and are not intended to be active links or to incorporate herein any information on the websites, except the specific information for which the webpages have been cited.

SBC COMMUNICATION INC.'S RESPONSE TO
INITIAL INFORMATION AND DOCUMENT REQUEST

May 9, 2005

In response to the letter dated April 18, 2005 from Michelle M. Carey, then Deputy Chief of the Wireline Competition Bureau of the Commission and the attached Initial Information and Document Request also dated April 18, 2005, SBC Communications Inc. ("SBC") hereby provides narrative answers to each specification applicable to SBC, requested data both within the applicable text and as identified exhibits, and responsive documents. As noted where applicable in the narrative, SBC's submission reflects agreements with Commission staff as to the scope and meaning of individual specifications. SBC has provided responsive, non-privileged information, data and documents. As requested, SBC has also provided a master index of the specifications and responses.

In light of the information, data and documents sought by the Commission, much of the narrative, appendices and submitted documents contain material that is extremely sensitive, from a commercial, competitive and financial perspective, that SBC would not, in the normal course of its business, reveal to the public or its competitors. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the existing First Protective Order in this proceeding,[1] and the anticipated Second

[1] *In re Applications of SBC Communications Inc. & AT&T Corp.*, WC Dkt No. 05-65, Order Adopting Protective Order, DA 05-635 (rel. Mar. 10, 2005).

Protective Order.[2] The confidential, unredacted submission is marked "*CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NO. 05-65 before the Federal Communications Commission – Copying Prohibited [in part]"* and *"HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NO. 05-65 before the Federal Communications Commission – Copying Prohibited."* A version redacting the confidential information and available to the public is being filed electronically in the Commission's ECFS system.

Consistent with the Protective Orders, SBC expects prompt notification of any "Acknowledgment of Confidentiality" submitted by any person seeking access to the confidential, unredacted material. SBC also requests the return of all confidential material at the conclusion of this proceeding.

Initial Information Request Regarding Material Contained in Application

A. Enterprise Services

1. On page 97 of the Public Interest Statement, SBC states that it considers any business that spends more than $48,000 per year to be an enterprise customer, while AT&T considers any business that is expected to spend more than $1 million per year to be an enterprise customer. In addition, throughout the Public Interest Statement's discussion of enterprise services, the applicants refer to different classes of business customers, including small business customers, medium-sized business customers, and large business customers.

a. Define "enterprise market" and "mass market," as well as "small business customer," "medium-sized business customer," and "large business customer." Explain the specific characteristics that distinguish each class of business

[2] See letter requesting such an order dated May 2, 2005 to Thomas J. Navin, Acting Chief, Wireline Competition Bureau, from Patrick J. Grant, Arnold & Porter LLP, Counsel for SBC Communications Inc. and David L. Lawson, Sidley Austin Brown & Wood LLP, counsel for AT&T Corp.

customers from the others (*e.g.*, revenue size; employee size; telecom needs; other criteria).

RESPONSE:

As used by the Commission in prior proceedings, "enterprise market" (not a term used by SBC and AT&T in the Public Interest Statement) loosely refers to the marketplace for the sale of telecommunications services to business customers, with the exception of the smallest businesses. As the Commission has noted, "The enterprise market is a business customer market of typically medium to large businesses with a high demand for a variety of sophisticated telecommunications services."[3]

There is no firmly established meaning of the term "enterprise," as used by SBC, AT&T, and others in the telecommunications industry. As explained in the Public Interest Statement, SBC and AT&T themselves use the term differently in the ordinary courses of their business: SBC classifies as "enterprise" customers businesses that are expected to spend over $48,000, but less than $1 million, per year on telecommunications services; AT&T classifies "enterprise" customers as businesses that are expected to spend $1-30 million per year on telecommunications services.

"Mass market" generally refers to the marketplace for the sale of telecommunications services to residential customers and small businesses, and SBC uses the term in this general sense in the ordinary course of business. In the case of neither "enterprise market" nor "mass market" does SBC attribute any particular economic or

[3] In re Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carries, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd. 19020 ¶ 197 n.624 (2003), *rev'd in part on other grounds*, *United States Telecom Ass'n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) ("Triennial Review Order").

technical meaning to the term "market." Moreover, SBC's business organizations, as discussed below, do not neatly conform to distinctions between these terms.

Similarly, the terms "small business customer," "medium sized business customer," and "large business customer" are general groupings that do not necessarily correspond to the manner in which SBC organizes its sales efforts. At the most general level, SBC divides most business customers into two organizational segments: (1) Global and Enterprise Markets, and (2) Business Communications Services (BCS). (Other business units may also have business customers, but do not categorize such customers by business type.)[4] These organizations correspond in part to customer size: in general, Global and Enterprise Markets handles larger business customers, and BCS handles smaller business customers. However, the distinction is not categorical. For example, large educational and medical institution customers are handled by BCS. BCS sales personnel reside in SBC's various regional operations, and handle all customers within SBC's regions that are not assigned to Global and Enterprise Markets.

Within Global and Enterprise Markets, there are several sub-categories of customers: Global, Enterprise, Entertainment/Hospitality, Service Providers, and

[4] For financial purposes, SBC also maintains several other customer classifications that do not strictly conform to business size. These are as follows: (a) *ISP* — SBC classifies accounts that have a significant portion of their annual spend on Internet services as "ISP" customers; (b) *Affiliates* — for financial and accounting purposes, SBC separately maintains revenue information for SBC affiliate businesses that use SBC telecommunications (telco) services to operate their business; (c) *In-Region, Out-of-Franchise Customers (SPORT, Nevada)* — SBC maintains revenue information separately for small numbers of business customers located wholly or predominantly in certain geographic areas adjacent to SBC's traditional franchise territory. In Texas, such customers are referred to as "SPORT" customers; in Nevada (and to a limited extent in California), they are coded for financial reporting purposes as "Nevada" customers. The "Nevada" category also includes Nevada Enterprise and Federal customers that are serviced (for historical or other reasons) by the BCS organization rather than Global and Enterprise Markets.

Federal. As with the organizational distinction between Global and Enterprise Markets and BCS, some but not all of these sub-categories correspond to customer size. Descriptions of each sub-category, and the customers handled by each, are as follows:

Global. SBC generally defines Global customers — which generally fit the description of "large businesses" — as customers that are expected to spend at least $1 million per year on telecommunications services, and that generally have locations in multiple regions (*i.e.*, Southwest, West, Midwest, and Northeast) of SBC's franchised territory. Such customers typically have at least 5000 employees. For some purposes, SBC sometimes divides Global customers into "Traditional" and "National." These classifications refer to the point in time at which customers were brought into the Global and Enterprise Markets organization for sales purposes (*i.e.*, the "Traditional" customers were the original Global and Enterprise Markets customers, whereas the "National" customers were moved to the organization in January 2004), not to unique characteristics of each set of customers.

Enterprise. As discussed above, SBC generally defines Enterprise customers — which generally fit the description of "large businesses" or "medium businesses" — as customers expected to spend over $48,000, but less than $1 million, on telecommunications services on an annual basis. Such customers typically have at least 250 employees. "Enterprise" customers were moved to the Global and Enterprise Markets organization in January 2005.

Entertainment/Hospitality. Within the Global and Enterprise Markets business organization, SBC separately maintains a classification of Entertainment/Hospitality

customers. Unlike the case for Global customers or Enterprise customers, Entertainment/Hospitality customers are defined, not by size of customer, but rather by their business type.

Service Providers. As with Entertainment/Hospitality customers, SBC's Global and Enterprise Markets organization classifies wireless and wireline communications customers separately, without respect to the size of their annual spend. These customers are denominated Service Providers.

Federal. Although not "business" customers, federal government agency customers are handled by SBC's Global and Enterprise Markets unit, which gives such customers the "Federal" label. As with Entertainment/Hospitality and Service Provider customers, Federal customers are not classified according to the magnitude of the SBC revenue they generate.

Within BCS, there are three basic customer sub-categories: Government/Educational/Medical (GEM), Signature, and Valued. As noted above, the GEM sub-category spans various customer sizes. Descriptions of these sales categories and the characteristics of customers in each are as follows:

GEM. Within the BCS organization, state and local governments, educational institutions, and medical institutions are classified as "Government, Education, and Medical" (GEM) customers. These customers represent a range of sizes, revenues, industry segments, and for-profit/non-profit status.

Signature. Apart from GEM customers, SBC's BCS organization divides business customers into two categories. The first is Signature, which includes customers

expected to spend between $7,000 and $48,000 on telecommunications services per year. Such customers typically have between 25 and 250 employees. Signature customers generally fit the description of "small businesses" or "medium businesses."

Valued. The second BCS non-GEM business customer classification is Valued, which includes business customers expected to spend less than $7,000 on telecommunications services per year. These companies typically have between 1 and 25 employees, and generally fit the description of "small businesses."

b. Explain whether there are similar distinctions among classes of wholesale customers based on particular characteristics (*e.g.*, size; type of wholesale services; other criteria). If so, define those classes of wholesale customers.

RESPONSE

SBC's Industry Markets group generally does not make a size or revenue distinction among classes of wholesale customers, but instead divides its business by product set or the service of the carrier customer. The group's three product segments are Special Access, Switched Access, and Local Services (UNE). Within Special Access, services to wireline and wireless carriers are sometimes viewed as separate categories, though the same customer may fall into both categories. For example, revenues from Sprint would be included in the Special Access, Switched Access, and Local Services segments from both a wireline and wireless perspective. In this way, the Industry Markets group does not create categories of customers that range across all three categories of services, but rather looks at products/services independently.

c. Separately for AT&T and SBC, list the number of your customers to which you provided $5 million or more in services during 2004 and the percentage of your revenues accounted for by these customers, and the number of your customers to

which you provided $1 million - $4,999,999 in services during 2004 and the percentage of your revenues accounted for by these customers.

RESPONSE:

The number of SBC retail business and government customers, and aggregate 2004 SBC revenues from those customers, for the requested categories is set forth in the following chart. All of these customers are served by SBC's Global and Enterprise Markets or BCS-GEM organizations.

[REDACTED]

2. The Public Interest Statement, at pages 71-88, identifies a variety of types of domestic services that can be provided to various types of enterprise and wholesale customers, including: (1) local voice; (2) local data; (3) interexchange voice; (4) interexchange data; (5) converged voice and data; (6) systems integration/managed services; and (7) equipment (including, but not limited to, value-added resellers). The application appears to claim that providers of these services are all competitive alternatives for business and wholesale customers to varying extents, but does not clearly demonstrate which services are in the same product market.

a. Using the Merger Guidelines methodology for defining product markets, explain which of these services are in the same product market as one another (*i.e.*, which services are reasonable substitutes for one another in the eyes of customers).

RESPONSE:

In our Public Interest Statement, the parties relied on product market definitions from prior Commission proceedings, namely telecommunications services offered to enterprise and mass market customers. We listed the types of services that are typically purchased, individually or in various combinations, by enterprise customers. We pointed out that business customers of all sizes have "a wide variety of choices," while noting

that "not all competitors offer all services to all customers in all locations." *See* SBC Comm. Inc. and AT&T Corp. Public Interest Statement, WC Dkt. No. 05-65 at 72 ("Public Interest Statement").

The Merger Guidelines focus initially on demand substitution as a criterion for market definition, although production substitution is also relevant in identifying market participants. 1992 Horizontal Merger Guidelines, 57 Fed. Reg. 41552, 41556-57 (Sept. 10 1992) ("Merger Guidelines") (section 1.32); s*ee also in re Application of Worldcom, Inc. and MCI Comm. Corp. for Transfer of Control of MCI Comm. Corp. to WorldCom, Inc.*, Memorandum of Opinion and Order, 13 FCC Rcd. 18025 ¶ 70 (Sept. 14, 1998) ("MCI-WorldCom Merger Order") (unnecessary to determine whether narrower product markets could be defined within broad markets for mass market and business long distance services "because owners of transmission capacity provide all the same services, and production substitution among these services is 'nearly universal.'") While we have not undertaken a formal economic analysis, it is reasonable to consider some of the types of services listed in Specification 2 as being substitutes for one another. For example, converged voice and data can replace various local and interexchange voice and data services. Others appear to be complements (for example, there is not perfect substitution between voice and data services). But the practical approach to market definition that the Commission has taken in the past focuses on the actual behavior of sellers and buyers in the marketplace rather than on a granular, service-by-service approach.

For example, business customers typically purchase, at least, local and inter-exchange voice and data services, either individually or in bundles including some or all of those services and, often, other services. Systems integrators offer these telecommunications services as part of integrated offerings to business customers. Equipment manufacturers are adding functionality to their switches, utilizing extensive networks of value added resellers and now bidding to provide such services in competition with carriers and other traditional providers. The on-going and rapid changes in the telecom industry — including for example the increasing demand by business customers for "all distance" voice service, the convergence of voice and data services onto IP networks and the enhanced functionality of equipment— all argue for the common sense approach of continuing to look at the broader market for telecom services offered to business customers.

Even were the Commission to view some of the enumerated services as separate product markets, the result would not be different. In each case, business customers have numerous alternatives to SBC and AT&T today. And technology developments will continue to create even more alternatives in the near future. Since this information request is limited to market definition, the parties will address the competitive analysis in their reply comments.

3. The Public Interest Statement, at pages 73-88, cites a number of companies that the applicants contend compete for enterprise customers in various geographic regions with respect to some or all of the services listed in Specification 2.

a. Provide the revenues and number of customers, separately for AT&T and SBC, separately for each type of service identified in Specification 2, separately for each class of business and wholesale customers as defined in response to Specifications

1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within SBC's region.

RESPONSE:

Business. Total SBC revenues by service and MSA for each "class of business" described in response to Specification 1(a) are set forth in Exhibits 3(a)(1).

This revenue information is subject to the following definitions and limitations:

- For the purposes of responding to Specification 3(a), SBC has attributed revenue to each MSA based on the service address (*i.e.*, the address where services are delivered to the customer) associated with that revenue. Some or all of the service corresponding to that revenue may have been provided in other MSAs. SBC, however, does not track revenues in this manner, and therefore cannot provide revenue information corresponding to the services actually provided within each MSA.
- As discussed above in response to Specification 1(a), SBC does not track its millions of business customers strictly in terms of distinctions between "large," "medium," and "small" businesses. Inasmuch as there are no black-and-white distinctions between these classifications, SBC cannot report revenues according to them. However, as also discussed above, the reporting of revenues according to SBC's business organizations generally tracks these classifications as follows: each organizational sub-category of Global and Enterprise Markets, as well as the GEM sub-category of BCS, generally contains

"large" and "medium" businesses; the Signature sub-category of BCS can be assumed to contain "medium" and "small" businesses; and the Valued sub-category of BCS can be assumed to contain mostly "small" businesses.

- SBC has provided revenue information in service categories as kept in the ordinary course of business. To the extent that some of these categories do not precisely match the categories set forth by Specification 2, SBC is unable to reclassify revenue information to precisely accomplish this result.
- Except as set forth below, the "revenue" information set forth in the response to Specification 3(a) consists of "financial revenue" data (*i.e.*, data maintained by SBC for financial and accounting purposes of attributing revenue to different services). In many cases, such data is incomplete for any given service. Actual "billed revenues" (*i.e.*, the amounts that actually appear on customer bills) cannot be used for the purposes of responding to Specification 3(a) because such revenues are not broken down by service type except in very general service categories insufficient to respond to Specification 3(a).
- The revenue information for services within SBC's "CPE/Integration" category must be drawn from a database that does not enable SBC to report on all adjustments and deferrals of revenue from these services.

Accordingly, the revenue information for these services may be higher than actual revenues.

- The revenue information for services within SBC's "long distance" category must be drawn from a database that contains customer "billed revenues." SBC maintains only thirteen months of data in this database. Accordingly, the long distance revenue reported for the first quarter of 2004 includes *only* revenue for the month of March 2004.
- Dial-up (Internet) and SMDS (Data Transport) detail is not available at an MSA level by business segment.
- For the purpose of categorizing revenues as in or out of SBC's region, SBC included revenue as within SBC region if all or any part of the applicable MSA is located in SBC's traditional ILEC service territory.

Data on the number of customers are set forth in Exhibit 3(a)(2). This file contains counts of customers obtaining local exchange service from SBC in the United States as a whole, SBC's out-of-region MSAs (SBC Telecom), SBC ILEC territory, and each in-region MSA, for each of the business organizations described in response to Specification 1(a), for each month from March 2004 through March 2005. This customer count information is subject to the following definitions and limitations:

- As discussed above with respect to revenue data, SBC does not track its millions of business customers strictly in terms of distinctions between "large," "medium," and "small" businesses. Inasmuch as there are no black-and-white distinctions between these classifications,

SBC cannot report customer counts according to them. However, as also discussed above, the reporting of customers according to business organization generally tracks these classifications as follows: each organizational sub-category of Global and Enterprise Markets, as well as the GEM sub-category of BCS, generally contains "large" and "medium" businesses; the Signature sub-category of BCS can be assumed to contain "medium" and "small" businesses; and the Valued sub-category of BCS can be assumed to contain mostly "small" businesses.

- For the purposes of providing the "number of customers," SBC has used the number of "billing telephone numbers" (or "BTNs") shown in its ordinary course of business databases.
- SBC maintains the data needed to provide these customer counts for a period of only thirteen months and therefore is unable to provide customer count data for January and February 2004.
- SBC does not maintain counts of customers by service type at the level of geographic granularity requested by Specification 3(a).

Wholesale. SBC's wholesale revenues and number of customers by certain wholesale services, organized by MSA, are set forth in the attached files at Exhibits 3(a)(3)-(5). The data were compiled by taking a "snapshot" of the billing databases during the second month of each quarter, from the first quarter of 2004 through the first quarter of 2005. All geographic areas identified in this response are within SBC's region.

Exhibit 3(a)(3) provides revenues and the number of customers for many of the wholesale data services by MSA and state. Exhibit 3(a)(4) provides revenues and the number of customers for UNE-P, UNE-P DS1 PRI, and UNE-L by MSA and state. Exhibit 3(a)(5) provides revenues and number of customers for resale for twelve states only; historical resale revenues for Connecticut were not readily available. Resale revenue records are provided by state because they are not kept in the normal course of business by MSA or at a level from which MSA estimates could be calculated.

For the purposes of responding to Specification 3(a), data for Exhibits 3(a)(3) and (4) initially were collected by common language location identifier (CLLI) and converted to MSA. Because SBC does not track such revenues by MSA in the normal course of business, it cannot verify that all revenues indicated are actually provided within a particular MSA.

Revenues have been provided for categories of wholesale services as kept in the ordinary course of business. To the extent that some of these categories do not precisely match the categories set forth by Specification 2, SBC is unable to reclassify revenue information to precisely accomplish this result.

b. Provide the number of DS0 equivalent lines, separately for AT&T and SBC, separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within SBC's region.

RESPONSE:

Business. DSO equivalent lines for business customers, separately for each class of business customers identified in response to Specification 1.a is provided at Exhibit 3(b)(1). The classes of business customers for which data are reported are as follows:

AFF	Affiliate
GEM	State and Local Gov't, Education and Medical
GLC	Global Communications
GLE	Global Enterprise
GLF	Global Federal
GLH	Global Entertainment
GLN	Global National
GLT	Global Traditional
GLW	Global Wireless
ISP	ISP
NVE	Nevada Enterprise
NVF	Nevada Federal
SIG	Signature
SPT	Out-of-footprint customers in Dallas, TX area
UNK	Unassigned
VAL	Valued

Data are provided on an ILEC franchise area (state) and MSA basis. The requested data were compiled from the SBC Wireline Integrated Forecasting and Tracking System (SWIFTS) database and show the total number of business retail lines, in terms of channels, on the last day of each calendar quarter, from the first quarter of 2004 to the first quarter of 2005. SWIFTS contains data only for geographic areas within SBC's ILEC franchise areas. Therefore, all geographic areas identified in this response are within SBC's region. Data were collected by CLLI and converted to MSA. SBC does not track such lines by MSA in the normal course of business, and cannot verify that all lines indicated are actually provided within a particular MSA. Line counts have been provided for categories of business customers as kept in the ordinary course of business.

Wholesale. SBC's wholesale DS0 equivalent lines are set forth in the attached file at Exhibit 3(b)(2). Circuit counts are not kept by MSA in the normal course of business, and therefore, are provided by state. Subtotals for residential and business lines are included. All geographic areas identified in this response are within SBC's region. Line counts have been provided for categories of wholesale services as kept in the ordinary course of business.

As set forth above in response to Specification 1.b, SBC does not maintain data with respect to different classes of wholesale customers.

c. Provide the number of data lines by capacity, separately for AT&T and SBC, separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within SBC's region.

RESPONSE:

Business. Information on data lines by capacity for each calendar quarter of 2004 and the first quarter of 2005 is provided in Exhibit 3(c)(1).

Information on business lines by capacity is obtained from SBC's Trunks Integrated Record Keeping (TIRKs) database, a network inventory system. That system is "live," however, and therefore cannot be queried to generate reports for historical data. Available historical data are volumes by circuit type that were previously extracted from TIRKs and stored on a "market area" basis. These market areas do not correspond to MSAs. The historical volumes were not recorded separately for different types of customers (either classes of business customers or even wholesale as compared to retail customers). Therefore, SBC is unable to provide historical information responsive to this

request on either an MSA basis or a category of customer basis. Thus, the historical information provided here from TIRKs includes lines regardless of whether the customer is a wholesale or retail business customer and without distinguishing which or how many lines are used by either type of customer. In the TIRKs information, circuits that cross market area boundaries are reported in both market areas.

Information on data lines separated by wholesale and business customers and disaggregated geographically is available from TIRKs only on a current "snapshot" basis. Therefore, in addition to providing the available information for the previous five calendar quarters, SBC is also providing "snapshot" information as of April 30, 2005. The snapshot information was gathered on a wire center by wire center basis. The available data do not show the category of business customer for these lines. Wire center counts identify each CLLI in which a circuit terminates. Data are then aggregated on a MSA and state by state basis. This snapshot information is provided at Exhibit 3(c)(2). Current snapshot data are also provided on a market area basis for both business and wholesale lines in Exhibit 3(c)(1).

Wholesale. SBC's Industry Markets (wholesale) operation maintains its own billing database, and from that database information on wholesale high-capacity lines can be obtained by capacity and location. This information, organized by MSA and state, is set forth in the attached file at Exhibit 3(c)(3). SBC is unable to distinguish wholesale lines that are provisioned for data services; thus all applicable lines are included. All areas identified in this response are within SBC's region.

For the purposes of responding to Specification 3(c), data initially were collected by CLLI and converted to MSA. SBC does not track such lines by MSA in the normal course of business, and cannot verify that all revenues indicated are actually provided within a particular MSA. As set forth above in response to Specification 1.b, SBC does not maintain data with respect to different classes of wholesale customers.

d. Provide the market shares analyzed by any appropriate metric separately for AT&T, SBC, and each of the competitors cited in pages 73-88 of the Public Interest Statement, separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA.

RESPONSE:

As noted with respect to Specification 1(a), no consistent definition of the classes of business customers is used industry-wide. Accordingly, it is not possible to provide information on the basis requested by Specification 3(d). As agreed by Commission staff, SBC is responding to this request by providing market share reports maintained in the ordinary course of business. SBC is attaching three reports: Exhibit 3(d)(1), Exhibit 3(d)(2) and Exhibit 3(d)(3) relating to different permutations of market shares. Additional reports or data responsive to Specification 3(d) may be included in the documents being provided in response to Specification 3(e).

Wholesale. See response to 5b. Additional reports or data included in the documents being provided in response to Specification 3(e) also may be responsive to Specification 3(d).

e. Provide all competitive analyses or studies prepared expressly for AT&T or SBC (whether prepared internally or by outside advisors) that discuss competition between AT&T and SBC for

business or wholesale customers in the possession of … SBC custodians William McCullough, Susan Johnson, Jose Gutierrez, Scott Helbing, Christine Urbanek, James Carter, Greg D'Anna, Jon Ramsey, Amy Bruns, Hunt Kingsbury, Edward Cholerton, Donna Harrison, Steven Mitchell, Debra Moore, Yno Gonzalez, Norma Buss, Daniel T. Walsh, John Nordberg, Thomas Wilson, Margaret Moschetto, Randall Porter, Mark Fishler, Howard Irgang, Randy Tomlin, Rick Moore and Brad Bridges.

RESPONSE:

In response to Specification 3(e) and pursuant to agreement with Commission staff, SBC reviewed all documents submitted to the Department of Justice ("DOJ") from the above-named custodians in response to DOJ's Specification for Additional Information and Documentary Material issued to SBC Communications, Inc. on March 24, 2005. Pursuant to this request, Instruction 20(b), and agreement with Commission staff, SBC attempted to limit its response to final versions of high-level analyses and studies prepared expressly for AT&T and SBC that discuss business and wholesale competition between AT&T and SBC. In accordance with Instruction 21(d), the following custodians are most likely to have documents responsive to Specification 3(e): Christine Urbanek, James Carter, Greg D'Anna, and Jon Ramsey.

4. According to page 91 of the Public Interest Statement, "[m]any business telecommunications customers (and particularly large businesses) . . . employ rigorous competitive bidding processes." For situations since October 1, 2004 in which AT&T or SBC has submitted a proposal to provide any service to a business customer and in which AT&T or SBC is aware or believes that the other applicant also submitted a proposal identify:

a. The service(s) which was or were the subject of the proposal;

b. The month the proposal was submitted;

c. The class of customer as defined in response to Specifications l.a and l.b;

d. The revenues that would have been generated, separately within SBC's region and outside SBC's region, under the proposal;

e. Any other person which your company is aware or believes also submitted a proposal;

f. The location(s) in which the service was or is scheduled to be provided; and

g. The person awarded the contract to provide the relevant service(s).

RESPONSE:

As agreed by Commission staff, SBC's response to Specification 4 is limited to data maintained in the ordinary course of business in the SBC ICB and Horizon databases, and does not include the names of the applicable customers. The data requested by Specification 4 is set forth in Exhibits 4(i) and 4(ii).

Because there is no non-burdensome method of "mapping" proposals listed in the ICB and Horizon databases to each other (*i.e.*, the two systems do not include a reliable common indicator of what are identical customers or competitive opportunities for those customers' business), SBC is producing responsive information from the two databases separately. Many of the proposals listed in the two files may be the same. However, information about the proposals may be inconsistent between the sources, as they are maintained by separate people and organizations within SBC.

Both data sources are subject to significant limitations, as the contents of the databases are not systematically maintained. For example, identification of the competitors on any given proposal depends on incomplete and sometimes inaccurate information available to sales or other personnel involved in the proposal. The identity of the bidders is not usually public information, and even when the issuer of the RFP

chooses to reveal information regarding bidders, that information is often limited and imcomplete. For example, it may reveal the identity only of one or two bidders among many. Employees who recognize such inherent limitations may not devote adequate time to pursuing information or maintaining the accuracy of the databases. Accordingly, the competitors listed in the databases are likely to be incomplete, substantially undercounted, and in some cases incorrect. SBC is aware of many situations in which the ICB and/or Horizon databases may list only one competitor (such as AT&T) on a proposal, when in fact there are or were numerous other competitors bidding on those accounts. Similarly, SBC is aware of situations in which the ICB and/or Horizon databases list AT&T as the competitor when in fact SBC has subsequently learned that AT&T either did not compete or was not a finalist in the customer's RFP process. Furthermore, the ICB and Horizon databases include entries for many proposals on which no competitor is listed at all, even though many of them were competitive and involved numerous bidders.

Accordingly, the databases are simultaneously underinclusive, inaccurate, and overinclusive with respect to the identification of competitors on proposals in which SBC has participated. It would be extremely time consuming and, as a practical matter, virtually impossible for SBC to ascertain with any reasonable degree of accuracy the identity of competitors on the thousands of proposals in which SBC has been involved since October 1, 2004.

In compiling proposal data from the ICB and Horizon databases, SBC has applied the following methods and procedures:

- To identify the proposals on which the databases indicate that AT&T also competed, SBC has searched for "AT&T" in all "Competitor" fields of ICB and Horizon. To the extent that "Comments" fields of the databases sometimes include references to competitors not listed in the "Competitor" fields, it is possible that these searches have not yielded some opportunities on which AT&T competed.
- Similarly, references to competitors other than AT&T (on proposals for which the "Competitor" fields indicate that AT&T also competed) may be found in "Comments" fields (which we have included) as well as the "Competitor" and "Competitor Name" fields. Indeed, in most cases the latter fields contain the name of only a single competitor (AT&T, in the data extract requested by the Commission), even though, as noted above, it is highly likely that there were other competitors on many of these cases.
- When multiple competitors are listed on a proposal, there is no reliable means of determining whether they are competing for the same services included in the customer's RFP or other competitive bidding process. As noted in the attached files, many customer RFPs include requests for bids on multiple different services, and competitors on some may differ from competitors on others. Indeed, SBC often competes on only parts of customer RFPs, whether geographically, with respect to different services, or both.
- In many cases, some or much of the information requested by the Commission about a proposal – for example, the services covered by the proposal, the

locations at which services were requested, or the identity of bidders and winners – is now partly or completely unknown to or not tracked by SBC. Where maintained in either the Horizon or ICB databases, as agreed by the Commission staff, all such information is provided in the attached files.

B. Special Access and Private Line Services

5. Pages 102-03 of the Public Interest Statement assert, in general terms, that SBC faces growing competition in the special access market.

a. For each incumbent LEC franchise area and MSA where AT&T or SBC provide special access service, provide the special access revenues billed and number of circuits for AT&T and SBC, separately for each type of special access service, and separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b. Provide definitions for each type of special access service (which, cumulatively, should encompass all special access services offered by the company).

RESPONSE:

Revenues inclusive of all special access and number of circuits by service, organized by MSA and/or state, are set forth in two attached files at Exhibits 5(a)(1) and 5(a)(2).

The data at Exhibit 5(a)(1) represent special access services billed through the Industry Markets group and provided by MSA and state. Revenues provided reflect quarterly revenues aggregated for each month from billing databases; circuit counts were compiled by taking a "snapshot" of the billing databases during the second month of each quarter, from the first quarter of 2004 to the first quarter of 2005. All geographic areas identified in this response are within SBC's region.

For the purposes of responding to Specification 5(a), data initially were collected by CLLI and converted to MSA. SBC does not track such revenues by MSA in the normal course of business, and cannot verify that all revenues indicated are actually provided within a particular MSA.

Revenues and circuit counts have been provided for categories of wholesale services as kept in the ordinary course of business.

The data at Exhibit 5(a)(2) represents both special access and private line services billed through retail. These special access and private line records are not distinguished in the database maintained in the ordinary course and could not be readily or reliably split for the purpose of this request. In addition, this data is not kept by class of business customer or by MSA in the ordinary course of business, and is instead provided by class of business customer where available and by state. Revenues, except for SONET, are reflected on a quarterly basis. Circuit counts and revenues for SONET were compiled by taking a "snapshot" of the billing databases during the second month of each quarter, from the first quarter of 2004 to the first quarter of 2005.

Definitions.

The following definitions are typically used by SBC for these services.

DS0 Services

A dedicated point-to-point or multipoint digital service that provides data transmission at standard synchronous speeds of 2.4 to 64 Kbps. Information travels between a customer's premises and the serving central office. From there, the digital

circuit connects to another customer location or to another carrier's POP. DS0 services use four-wire, full-duplex, synchronous circuits.

Primary uses of DS0 services include voice communications, voice/data aggregation, online database access, image transfer, and electronic data interchange.

DS1 Services

Offer more capacity than DS0 Services. DS1 offers four-wire duplex transmission of 1.544 Mbps serial data. It can be provided from customer premises to customer premises, customer premises to telco hub, or between network reconfiguration service/ customer network reconfiguration hubs. DS1 service provides twenty-four 64 Kbps (DS0) channels for transmitting voice, data, or video. DS1 services are offered with DS1 to DS0 multiplexing as an optional feature at selected telco hub offices. This feature allows the conversion of one DS1 (1.544 Mbps) to 23 DS0 (64 Kbps) channels, or 24 channels for use with voice grade services, utilizing digital time division multiplexing. DS1 is also offered with DS0 to subrate multiplexing as an optional feature, which converts a 64 Kbps channel to subspeeds of up to twenty 2.4 Kbps, ten 4.8 Kbps, or five 9.6 Kbps channels using digital time division multiplexing.

Primary uses of DS1 services include videoconferencing, voice communications, voice/data aggregation, online database access, image transfer, electronic data interchange, and high-speed fax.

DS3 Services

Transmit video, data, and voice at speeds of 44.736 Mbps over a fiber optic network. DS3 is provided between two customer premises or between a customer

premises and a telco hub office. DS3 service is offered with DS3 to DS1 multiplexing as an optional feature at selected telco hub offices. This feature allows the conversion of one DS3 (44.736 Mbps) channel to 28 DS1 (1.544 Mbps) channels using digital time division multiplexing.

Primary uses of DS3 services include videoconferencing, voice communications, voice/data aggregation, online database access, image transfer, electronic data interchange, and high-speed fax.

Digital Data Services / MegaLink® Data Services

Are used by customers who need bandwidth above 64 Kbps but less than a full T1 facility. Digital Data Service (also known as MegaLink® Data) provides high-quality digital point-to-point and multipoint channels for duplex four-wire transmission of synchronous serial data at speeds up to 384 Kbps. This service is not available in the SBC midwest region.

Available speeds include 2.4 Kbps, 4.8 Kbps, 9.6 Kbps, 19.2 Kbps, 56 Kbps, 64 Kbps (Clear Channel), 128 Kbps, 256 Kbps, and 384 Kbps.

ReliaNet

Is one of a family of Synchronous Broadband Network Services (SBNS) offered by SBC. The basic structure of the ReliaNet service revolves around the SBC interoffice facilities (IOF). The network consists of central offices (called nodes), that are equipped with the SONET transmission equipment necessary to produce the bandwidth to transport a variety of access services. A ring network service connects two customer-designated premises or a customer-designated premises and a hub office. If traffic is blocked in one

direction of the ring (e.g., due to facility failure), it is automatically rerouted in the other direction.

OPT-E-MAN

Is a metro ethernet product that provides customers with flexible bandwidth options from 5 Mbps to 1 Gbps. OPT-E-MAN[sm] will support various data transport configurations – including point to point, point to multi-point, or multi-point to multi-point – using physical and virtual connections to meet specific business needs.

OPT-E-MAN[sm] service is available in two standard interfaces: (1) 10/100 Mbps Base T, a copper handoff with a bandwidth limitation of 100 Mbps; and (2) 1 Gbps Ethernet, a fiber handoff with a bandwidth limitation of 1 Gbps.

Ethernet Over SONET

Allows new SONET Ring and Access Service (SRAS) customers the ability to connect to their SONET transport in native Ethernet formats by mapping directly to an STS, with traditional SONET protection. Both 100 Mbps and 1Gbps cards will be available to ring customers mapping to the appropriate STS level to meet the customer's demand.

SONET Xpress

Runs on a shared transport architecture that brings SONET performance and reliability standards to SBC end-to-end DS1 and DS3 transport services. With SONET Xpress customers realize SONET-based performance without experiencing hubbing, aggregation and DS1 volume crossover points. SONET Xpress is a scalable SONET ring

service that utilizes the SONET fiber overlay networks currently being deployed in major serving markets throughout the SBC Midwest region.

Optical Carrier Network Point-to-Point Service (OCN-PTP)

A point-to-point access service that can support various transmissions at speeds from OC-3 to OC-192. Customers can configure OCN-PTP to fit a variety of point-to-point transport needs. OCN-PTP supports OC-3, OC-3c, OC-12, OC-12c, OC-48, OC48c, OC-192 and OC-192c transmission speeds.

SONET Ring Service

Delivers the high-bandwidth, high-speed and high-reliability performance to build a dedicated network between multiple sites. The service allows communications providers to aggregate voice, video, data, Internet, ATM and other advanced broadband traffic onto one common platform connecting 2 to 16 sites where facilities and equipment are available.

This service supports four levels: OC-3, OC-12, OC-48 and OC-192.

Flexible Configuration Options offer providers the ability to configure capacity and bandwidth with Dedicated SONET Ring Service.

OC-3 Rings	
DS1 ports	Up to 84 per node
DS3 ports	Up to 3 per node
STS -1/EC -1 ports	Up to 3 per node
OC-12 Rings	

DS1 ports	Up to 84 per available OC -3 port
DS3 ports	Up to 12 per node
STS -1/EC -1 ports	Up to 12 per node
OC -3 ports	Up to 4 per node (concatenated or nonconcatenated service*)†
OC- **48 Rings**	
DS1 ports	Up to 84 per available OC -3 port
DS3 ports	Up to 48 per node
STS -1/EC -1 ports	Up to 48 per node
OC -3 ports	Up to 16 per node (concatenated or nonconcatenated service)
OC -12 ports	Up to 4 per node (concatenated or nonconcatenated service)
OC- **192 Rings**	
DS3 ports	Up to 192 per node
OC -3 ports	Up to 64 per node (concatenated or nonconcatenated service)
OC -12 ports	Up to 16 per node (concatenated or nonconcatenated service)
OC -48 ports	Up to 64 per node (concatenated or nonconcatenated service)

b. For each incumbent LEC franchise area and MSA within SBC's region where AT&T or SBC provide special access service, identify the five major special access competitors (based on market share), and provide an estimate of the special access revenues billed and number of circuits for each competitor, separately for each type of special access service

identified in response to Specification 5.a. Provide an explanation of how this estimate was determined, and provide supporting documentation.

RESPONSE:

SBC does not track revenues, circuit counts, or estimated market shares of alternative special access providers in the normal course of business. It does engage in market research and analysis that looks more broadly at activities of alternative providers with which SBC competes, without attempting to categorize competing providers' services as "special access" differentiated from "private line," and which contain information that may be similar to or indicative of the information sought by this Specification. Four such studies are attached as Exhibits 5(b)(1) – 5(b)(4), consisting of two studies from 2003 and two from 2004. In addition, from time-to-time SBC obtains third-party reports that contain share estimates for competing providers. SBC cannot vouch for the accuracy of the data in such third-party reports, nor can SBC vouch for the applicability or accuracy of the attempts by such third parties to differentiate between "special access" and "private line" services and/or revenues of competing providers. The most recent third-party report of competitor activity in this general area of services is a Yankee Group survey on special access services conducted in November 2004. This study is attached at Exhibit 5(b)(5). SBC cannot confirm the reliability of the estimates of other suppliers' revenue or shares. Indeed, the Yankee Group data for AT&T appears to considerably overstate its position in the wholesale business as reflected in actual data filed in this proceeding by AT&T. The data in this report also are inconsistent with SBC's data in the Microsoft Excel spreadsheet that SBC has used since Winter 2004 to track the outcome of over 200 Price Flex and Individual Case Basis ("ICB") special

access competitive opportunities, and which it calls "AdVAN." This spreadsheet is provided herein at Exhibit 5(b)(6), and AT&T only appears twice as a competitor of SBC. The best source for SBC and AT&T special access and other revenue and circuit data will be their own data submissions.

c. For each incumbent LEC franchise area where AT&T or SBC provide private line service, provide the private line revenues billed and number of circuits for AT&T and SBC, separately for each type of private line service, and separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b. Provide definitions for each type of private line service (which, cumulatively, should encompass all private line services offered by the company).

RESPONSE:

As explained in the response to 5(a), SBC's retail operation does not maintain records that distinguish between special access and private line services, and therefore the data at Exhibit 5(a)(2) represent both special access and private line services billed through retail. In addition, this data is not kept by class of business customer or by MSA in the ordinary course of business, and is instead provided by class of business customer where available and by state.

SBC classifies wholesale private line services as access services, and does not maintain information separately for "wholesale private line" service.

Definitions.

The following definitions are typically used by SBC for these services.

Analog Private Line is a dedicated circuit that transmits information between two or more points. It uses analog transmission signals and is engineered for 300 to

3,000 Hz with a net maximum loss of 16dB. Varieties of Analog Private Line include Metallic, Telegraph, and Voice Grade.

DS0 Service is a dedicated digital service that provides four-wire full-duplex, synchronous, serial transmission at rates of 2.4, 4.8, 9.6, 19.2, 56 and 64 Kbps.

DS1 Service is a two-point dedicated digital service that provides a bulk transport facility at DS1 speed (1.544 Mbps) for any combination of voice, data, or video channels. This service provides full-duplex (simultaneous two-way) transmission of serial, asynchronous digital signals.

DS3 Service is a two-point dedicated service that provides for simultaneous two way transmission of serial, isochronous digital signals at a terminating bit rate of 44.736 Megabits per second (Mbps).

SONET (Synchronous Optical Network) is a standard for connecting fiber-optic transmission systems. The standard defines a hierarchy of interface rates that allow data streams at different rates to be multiplexed. SONET transports optical carrier (OC) levels from 51.8 Mbps (VT1.5) to 10 Gbps and is the underlying transport service that allows high volumes of information to be transmitted between customer premises. SONET networks are ideal for customers seeking to aggregate voice, video, and data traffic among customer premises and the local central office on a single fail-safe platform. By connecting multiple customer premises, SONET can create wide area networks (WANs) that can transport voice, video, and data in such high volumes (up to 10 Gbps) that customers can run all of their applications across a single SONET service. SONET

services are generally used to carry multiple smaller bandwidth service interfaces, such as DS1, DS3, OC-3, or OC-12, to support these multiple applications.

Dedicated Ring Service is a dedicated fiber-based transport service that connects multiple sites with high bandwidth from 155MB (OC-3) up to (OC192) 10 gigabits per second while ensuring complete survivability. Dedicated Ring Service has at least one central office node on the ring and cannot have more than 16 nodes including regenerators. The service is intraLATA and is regulated.

OC-N Point-to-Point Service is a dedicated fiber-based transport service that can be used to transport lower-speed digital private line service. OC-N is sold as a fiber handoff between two customer locations. Customers provide the appropriate fiber optic termination equipment such as a multiplexer, switch, or router. OC-N has the capacity to transmit high volumes of information at speeds from 155MB (OC-3) up to (OC192) 10 gigabits.

GigaMAN® Service is a dedicated, fiber-optic, point-to-point gigabit Ethernet service that links local area networks (LANs) within a metropolitan or regional area. GigaMAN service transmits data at a rate of up to 1.0 gigabits per second--22 times faster than DS3 service--across the street or across town.

GigaMAN service uses the same transmission protocol as a LAN. With GigaMAN service, customers can achieve enterprise LAN speeds while transmitting data between sites.

FibreMAN℠ Service is a fully managed, network-based data storage connection solution that uses Fibre Channel, a highly reliable interconnection protocol, which allows

concurrent communications among workstations, mainframes, servers, data storage systems, and other peripherals. FibreMAN Service provides a dedicated, point-to-point, full duplex private line connection over optic fiber.

Multi-service Optical Network Ring (MON Ring) Service provides high volume optical transport utilizing multiplexing technology in a ring configuration. Multiple data signals are transmitted over fiber-optic cable using different wavelengths of light. Each of these wavelengths represents a transmission channel in the MON system and is protocol-independent of every other channel in the system.

SBC MON Ring Service is only available within the Local Access and Transport Areas (LATAs) served by and within the service territories of the Company.

This service allows customers to combine their multiple data signals so that they can be amplified and transported over one network. MON Ring Service provides dedicated capacity over a single pair of fiber in two directions that increases capacity without limiting customer-required data interfaces.

MON Point-to-Point: SBC Multi-service Optical Network (MON) Service provides high volume optical transport utilizing multiplexing technology in a point to point configuration. Multiple data signals are transmitted over fiber optic cable using different wavelengths of light. Each of these wavelengths represents a transmission channel in the MON system and is protocol-independent of every other channel in the system.

SBC MON Ring Service is only available within the Local Access and Transport Areas (LATAs) served by and within the service territories of the Company.

Broadcast Video Service is high-speed fiber transport for real-time broadcast-quality video that meets National Television Systems Committee (NTSC) Requests. Broadcast Video Service use fiber optic facilites to provide live feeds for late-breaking news, sporting events, and broadcast-quality post-production work. Broadcast Video Service is used for telemedicine, high-resolution security monitoring, interactive video meetings, distribution of programming content, and editing masters.

d. For each incumbent LEC franchise area within SBC's region where AT&T or SBC provide private line service, identify the five major private line competitors (based on market share), and provide an estimate of the private line revenues billed and number of circuits for each competitor, separately for each type of private line service identified in response to Specification 5.c. Provide an explanation of how this estimate was determined, and provide supporting documentation.

RESPONSE:

As explained in our response to 5(b) above, SBC does not track revenues, circuit counts, or estimated market shares of alternative special access providers in the normal course of business. It does engage in market research and analysis that looks more broadly at activities of alternative providers with which SBC competes, without attempting to categorize competing providers' services as "special access" differentiated from "private line," and which contain information that may be similar to or indicative of the information sought by this Request. Four such studies are attached as 5(b)(1) – 5(b)(4), consisting of two studies from 2003 and two from 2004. In addition, from time-to-time SBC obtains third-party reports that contain share estimates for competing providers. SBC cannot vouch for the accuracy of the data in such third-party reports, nor can SBC vouch for the applicability or accuracy of the attempts by such third parties to

differentiate between "special access" and "private line" services and/or revenues of competing providers. The most recent third-party report of competitor activity in this general area of services is a Yankee Group survey on special access services conducted in November 2004. This study is attached at Exhibit 5(b)(5). SBC cannot confirm the reliability of the estimates of other suppliers' revenue or shares. Indeed, the Yankee Group data for AT&T appear to considerably overstate its position in the wholesale business as reflected in actual data filed in this proceeding by AT&T. The data in this report also are inconsistent with SBC's data in the spreadsheet referred to as ADVAN that SBC has used since Winter 2004 to track the outcome of over 200 Price Flex and Individual Case Basis ("ICB") special access competitive opportunities. This spreadsheet is provided herein at Exhibit 5(b)(6), and AT&T only appears twice as a competitor of SBC. The best source for SBC and AT&T special access and other revenue and circuit data will be their own data submissions.

6. According to page 105 n.347 of the Public Interest Statement, AT&T owns only limited local facilities within SBC's region, which AT&T "uses primarily in connection with its own provision of retail business services." In addition, the Public Interest Statement states that competitors have deployed "comparable" facilities.

a. Separately for each MSA within SBC's franchised territory in which AT&T owns facilities used to provide telephone exchange or exchange access service, provide in the form of lists and network maps of sufficiently precise detail a description of AT&T's facilities, including the capacity of lit and number of strands of unlit fiber and the geographic area that practically can be reached by the network, via either (1) direct fiber connection or (2) special access loops or EELs. Request directed to AT&T only.

b. Describe the retail and wholesale services that AT&T provides using the facilities identified in response to Specification 6.a. Request directed to AT&T only.

c. Separately for each MSA identified in response to Specification 6.a and separately for each service identified in response to Specification 6.b, identify the types of customers to which AT&T offers any of the services described in response to Specification 6.b separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b.
Request directed to AT&T only.

d. With respect to AT&T, for each MSA identified in response to Specification 6.a, and with respect to SBC, for each MSA within SBC's franchise area where AT&T is collocated, identify and describe the facilities deployed by carriers that compete with SBC and/or AT&T. Describe the retail and wholesale services that each competing carrier provides using those facilities, and identify the types of customers to which each service is provided separately for each class of business and wholesale customers as defined in response to Specifications 1.a and 1.b.

RESPONSE:

Attached at Exhibits 6(d)(1)-(d)(2) are maps for a cross section of MSAs which show competitive fiber offerings as compared to those of AT&T. SBC does not maintain such maps in the ordinary course of business. In an effort to be responsive, however, SBC has undertaken to have a third-party research firm develop responsive maps based on available data. Exhibit 6(d)(1) contains maps prepared by GeoTel, a telecommunications research and geographic systems mapping firm, which were submitted by SBC to the Commission in August 2004. These maps depict competitive fiber networks in 22 MSAs in SBC's operating territory which are responsible for 70% of SBC's special access revenue. During the course of updating those maps for this proceeding, we discovered that GeoTel's data regarding AT&T fiber was incomplete or non-existent in several MSAs. Since AT&T was preparing data for submission that is

accurate, GeoTel deleted the AT&T information from its updated maps, and they are presented in Exhibit 6(d)(2) alongside the current AT&T maps.

Information indicating the presence of "lit" buildings was provided by GeoResults, a database marketing and consulting firm. Data regarding CLEC fiber was obtained from GeoTel**,** which uses several sources to compile and verify fiber deployment data. First, GeoTel acquires information from fiber owners themselves. Some fiber owners provide the information to GeoTel on their own so that GeoTel can help them locate buyers; others provide the information at GeoTel's request. Second, GeoTel traces fiber routes in large metropolitan areas by identifying fiber access manholes and using Global Positioning Systems to map the location of fiber facilities. Third, GeoTel searches public records, such as construction permits and information from companies that lay trenches for fiber to identify where fiber has been deployed. GeoTel uses each of these multiple sources not only to gather data, but also to serve as a cross-check on the other sources. GeoTel repeats the foregoing methodology approximately every six months to ensure that its information is accurate and up-to-date.

These maps provide a conservative representation of facilities deployed by carriers other than AT&T within SBC's region. No third party can be expected to identify all competitively deployed fiber. Moreover, high capacity transport and loop services and facilities provided by alternative technologies, such as fixed wireless and cable, are not depicted.

Additional information regarding competitive facilities and services offered is provided at Exhibit 6(d)(3).

e. Provide the address of each building within SBC's region that is "on net" for AT&T, *i.e.*, connected to AT&T's local network by facilities owned by AT&T. Provide the address of each additional building that AT&T plans to bring "on net" within the next two years (by May 1, 2007).
Request directed to AT&T only.

7. For each state in which SBC operates as an incumbent LEC, describe the state regulation, if any, that applies to special access and private line services.

RESPONSE:

Texas:

In Texas, intrastate special access and private line services have been classified as "nonbasic services," and both types of services are treated the same for regulatory purposes. SBC Texas can price these services at any level above either long run incremental cost or the price in effect for these services on September 1, 1999. SBC Texas can exercise pricing flexibility for these services, which means that it can sell these services in packages and customer-specific contracts ("CSCs"), as well as utilize volume, term, and discount pricing and other promotional pricing. Such pricing and pricing flexibility must be done in a manner that is not unreasonably preferential, prejudicial, discriminatory, predatory, or anticompetitive. In addition, all general regulatory consumer protection requirements, such as fairness in billing, cramming, and protection of customer information, continue to apply.

SBC Texas prices or exercises pricing flexibility for special access and private line services by filing "informational notices" and tariffs with the Public Utility Commission of Texas ("PUCT"). These informational notices and tariffs are served on the PUCT, the Texas Office of Public Utility Counsel, and on all competitive local exchange carriers operating in SBC Texas' territory. The informational notices and

tariffs also are available for public inspection, and they become effective ten days after being filed unless challenged by the Commission's Staff or an interested party, in which case a contested hearing would result. To the extent that SBC Texas enters into CSCs for these services, (a) the customers must sign an affidavit attesting that they are aware of the existence of competitive alternatives, and (b) the resulting CSCs are filed quarterly with the PUCT (under seal due to the competitive nature of these services).

Oklahoma:

SBC Oklahoma is currently operating under an alternative regulation plan ("Oklahoma Plan") pursuant to an Oklahoma Corporation Commission ("OCC") rule that was adopted in 1999 and became effective in 2000. Under the terms of the Oklahoma Plan, SBC Oklahoma agreed to freeze the rates for all Basket 2 services, including special access service, for five years. The price freeze expires June 15, 2005, after which SBC Oklahoma may file an application with the OCC to modify its special access rate.

Under the Oklahoma Plan, special access service is classified as a Basket 2-Access Service, and as a result is subject to traditional tariff requirements. As a Basket 2-Access Service, SBC Oklahoma must file an application and receive an OCC order prior to the effectiveness of any changes to its special access tariff. Special access service must be priced at least at or above its long run incremental cost; must be made available on a nondiscriminatory basis for both retail and wholesale customers; and is subject to the OCC's quality of service and consumer protection rules that include but are not limited to slamming, cramming and dispute resolution. SBC Oklahoma is also required to provide a copy of its tariff application, including a copy of the proposed tariff revisions, to all telecommunications service providers that have previously requested copies of SBC

Oklahoma's tariff filings and the State Attorney General's Office. Telecommunications service providers, the State Attorney General's Office and the Commission Staff have fifteen days to object to any proposed tariff revision. An individual consumer objection is handled through the State Attorney General's Office. There is no limitation on the timeframe in which the OCC must act upon an application to revise SBC Oklahoma's special access tariff.

Private line services are classified as Basket 3-Emerging Competitive Services. As an Emerging Competitive Service, private line services rates can be modified only once in any twelve month period, and the rates can be increased up to 5% unless an exchange has been declared competitive. If an exchange has been declared competitive, SBC Oklahoma can increase the rates up to 15% in any twelve-month period. The following exchanges have been declared competitive: Oklahoma City for both business and residential; Tulsa, business only; and Harrah, business only. Tariff modifications require the submission of a revised tariff to the Director of the Public Utilities Division and delivery of a copy of the proposed tariff revision to all telecommunications service providers that have previously requested copies of SBC Oklahoma's tariff revisions. Upon submission of revisions of private line tariffs to the Director of the Public Utility Division, the Commission Staff reviews the proposed tariff revision to determine that the proposed revision does not exceed the applicable price increase limitations. If the proposed revision exceed the applicable price increase cap, the Commission Staff may withhold approving the proposed tariff revisions. Private line services must be offered on a nondiscriminatory basis to both retail and wholesale customers and are subject to the

OCC's service quality and consumer protection rules that include but are not limited to slamming, cramming and dispute resolution. Objection to the proposed tariff revision may be filed by a CLEC, the State Attorney General's Office, and the Commission Staff. An individual consumer objection is handled through the State Attorney General's Office.

Kansas:

In Kansas, there is no separate regulation that applies to special access or private line services. Rather, all of the retail regulation of SWBT's intrastate telecommunications services apply. In particular:

First, special access and private line services are subject to SWBT's price cap plan, which places an overall ceiling on the total rates SWBT may charge all customers in the plan. S*ee* KAN. STAT. ANN. § 66-2005(k) ("A price cap is a maximum price for all services taken as a whole in a given basket. Prices for individual services may be changed within the service categories, if any, established by the commission within a basket."). Special access and private line services are subject to the cap in "Basket 3."

Second, all of SWBT's intrastate services must be tariffed and offered pursuant to tariffs or valid promotions. Moreover, the prices are subject to a price floor. S*ee* KAN. STAT. ANN. § 66-2005(k) ("Unless otherwise approved by the commission, no service shall be priced below the price floor which will be long-run incremental cost and imputed access charges".). For most services, LRIC is the floor, but for winback offers, the Commission now requires the use of TELRIC levels plus 21.6% (the resale discount).

Third, all of SWBT's intrastate services are subject to the Commission's general regulatory authority, and in particular, the requirement that services not be "unjust,

unreasonable, unjustly discriminatory or unduly preferential." See KAN. STAT. ANN. § 66-1,191.

Fourth, Kansas has billing rules that apply to all customer's bills.

Finally, the statute allows customers to file formal complaints with the Commission if SWBT has violated a law, or a rule or regulation of the Commission. This could include violations of SWBT's tariffs, including any quality of service guarantees within the special access or private line tariffs.

Arkansas:

In Arkansas, both special access and private line services provided by SBC are subjected to minimal regulation by the Arkansas Public Service Commission. SBC Arkansas is an Electing Company under Arkansas' Telecommunications Regulatory Reform Act of 1997. As an Electing Company, SBC Arkansas may increase or decrease its rates for telecommunications services such as special access and private line services by filing a tariff or price list with the Commission. The rates do not require Commission approval and they are deemed just and reasonable. SBC Arkansas' tariffs are effective on the date of filing. The Commission's complaint process is available to any customer regarding quality of service disputes.

Missouri:

Pursuant to an order issued by the Missouri PSC, in 1997, special access and private line services offered by SBC Missouri, the incumbent local exchange telephone company, were determined to be subject to price cap regulation. Also under price cap regulation, non-basic services like special access and private line services are subject to a cap of 8% per year in price increases. In practice, non-basic services are subject to

substantial competitive pressures and customer willingness to pay, such that SBC Missouri's prices do not increase by 8% per year for all of its non-basic services.

Applying the provisions of a statute which was in existence prior to the enactment of price cap legislation in 1996, the Missouri PSC declared private line and special access services to be competitive by operation of law on a statewide basis in an order issued in December 2001. On appeal, the Missouri Court of Appeals determined that the prior competitive classification statutory regime was not applicable to the services of a company which was subject to price cap regulation. The matter has been remanded to the Missouri PSC to determine whether these services are considered to be competitive under the provisions of the price cap statute. The matter is now pending before the Missouri PSC.

Non-discrimination standards contained in Section 392.200 of the statute continue to apply to special access and private line tariff filings under price cap regulation. Tariff changes, whether to price or to other terms and conditions of service, must be filed and are subject to review and approval by the Missouri PSC. The Commission also has jurisdiction over complaints brought by customers. Both formal and informal complaint procedures are available. Even if special access and private line services are determined to be competitive in a subsequent remand order, the non-discrimination, tariff review and complaint procedures would all continue to apply.

California:

Dedicated circuits, both private line and special access services, are available in SBC California's tariffs. Special access and digital private line services are offered in SBC California's intrastate tariff 175-T. Analog private line services are in a separate

"B" tariff. All special access and private line services are regulated as Category II services, other than Multi-service Optical Network Point-to-Point, Multi-service Optical Network Ring, and FiberMAN, which are regulated as Category III services. Price increases for Category II services can be made by an advice letter on 30 days notice and price decreases on 10 days notice, if the changed price is between the Commission-determined ceiling and Commission-determined cost-based price floor. To raise above the ceiling, a new ceiling has to be approved through an application process at the Commission. A new floor can be established via an advice letter supported by cost studies. Any advice letters to change prices or terms and conditions, except changes to the price of a Category III service below the established price maximum, can be protested at the CPUC by competitors or customers.

Prices of Category III services can be changed as follows: 1-day advice letter to change between the current rate and maximum rate, 5-day advice letter to increase a maximum rate by <5%, 30-day advice letter to increase a maximum rate by >5%.

Private line and special access can be provided under contracts filed with the Commission which are publicly available, though the identity of the customer is deleted.

The terms and conditions are tariffed and subject to Commission regulation and approval in order to change. Current terms and conditions for special access include rules on deposits, processes for disputing bills, release of customer information, termination of service, and itemization of services on bills. SBC California is also subject to the Business and Professions Code in California. Section 17200, for example, prohibits unfair competition. Unfair competition is defined to include "any unlawful,

unfair or fraudulent business act or practice." Actions to enforce these provisions may be brought by competitors as well as customers or the government. Service quality standards include number of trouble reports per 100 lines for SBC Calfornia services, including special access, as well as standards for call answer time to report trouble.

SBC California cannot unjustly discriminate in offering or providing its utility services. The complaint process is available at the Commission to any customer or competitor to claim a violation of law, commission decision, or tariff.

Nevada:

In Nevada, both special access and private line services are classified as "Essential Other Services" for local exchange carriers electing to be Plan of Alternative Regulation ("PAR") carriers. Such services are required to be offered pursuant to either intrastate or interstate tariffs. The intrastate tariffs must be filed with and approved by the Public Utilities Commission of Nevada ("PUCN").

With regard to special access services, the intrastate access prices charged by an electing PAR carrier must not exceed the interstate access prices charged by the electing PAR carrier as authorized by the Federal Communications Commission ("FCC") for corresponding elements. Any resulting reductions required by a drop in federal access prices must be offset on a revenue-neutral basis with increased prices for other essential retail services subject to regulation by the PUCN. NEV. REV. STAT. 704.6898

Subject to the obligations noted above that intrastate access prices cannot exceed interstate access services and that any rate changes to satisfy that requirement must be revenue neutral, the rate for an "Other Essential Service" may be changed during the term of the PAR carrier's term subject to the following terms and conditions:

- A rate may only be increased or decreased without a hearing by an amount not to exceed 5 percent in any year, to be effective 30 days after the submission of a tariff filing to change those rates.
- The rate for an individual service may not be increased by more than 20 percent over the 5-year term of the PAR or, if applicable, 10 percent over the 3-year term of the alternative plan of regulation. [SBC Nevada currently has a 5-year term.]
- Any tariff filing requesting a reduction in the rate of any individual service must be accompanied by a demonstration that the rate is not set below the service's total service long-run incremental cost.
- An increase in the rate for any other essential service must be offset with a decrease in the rate for any other essential service such that the PAR carrier does not experience a net increase in revenues for its essential services.

If a requested rate change exceeds the limits set forth above, the request must be accompanied by a showing that the resulting prices appropriately balance the interests of affected customers, competitors, and the PAR carrier. The PUCN may hold a hearing and will render a decision on such a filing within 90 days after the date on which the request is received. However, the requirements that (1) the new rate cannot be set below the total service long-run incremental cost of the service and (2) the rate changes cannot be revenue positive still apply. NEV. ADMIN. CODE ch. 704, § 68482.

As with other regulated services, special access and private line services must be available on non-discriminatory terms and conditions, must be available for resale by others, and at rates that are just and reasonable. Further, special access and private line services are subject to service quality standards which provide that the same quality of service commitments must apply to all wholesale as well as retail offerings of service. In addition, all general regulatory consumer protection requirements, such as fairness in billing, protection of customer information, reporting requirements, etc. continue to apply. The complaint process is available to any customer or competitor wishing to assert a violation of the applicable statutes and regulations.

In 2003, the state legislature passed Senate Bill 400 that deregulated "broadband services." NEV. REV. STAT. 704.684. Broadband service was defined as meaning "any two-way service that transmits information at a rate that is generally not less than 200 kilobits per second in at least one direction." Thus, high capacity services (including some high-cap private lines services) are not subject to traditional tariff regulation. However, the statute specifically provides that the PUCN can still: "[d]etermine the rates, terms and conditions of intrastate special access services." Further, even for broadband services, the PUCN still has jurisdiction to hear complaints that the rates for the services are unreasonable or unjustly discriminatory. NEV. REV. STAT. 704.684(2)(b), 703.310.

PAR carriers may offer term and volume discounts for regulated services. NEV. REV. STAT. 704.110(11). PAR carriers can also offer individual case based ("ICB") pricing in competitive situations. NEV. REV. STAT. 704.68964(2). And, they can offer

packages of services that include both regulated and non-regulated services. *Id*. Each type of flexible pricing is subject to the requirements specified in the referenced statute.

Michigan:

In Michigan, special access rates are set by the provider, but may not exceed the mirrored rates for the comparable interstate services. SBC Michigan generally applies intrastate rates mirroring the interstate rates for access, both switched and special. Special access may also be offered pursuant to individually negotiated contracts with the customer.

Rates for special access services must be just and reasonable, and if the LEC and the other providers cannot agree on a rate, a provider may apply to the MPSC for determination of the rate. Rates for special access service must cover the long run incremental cost of the service, and must be made available to all providers, without unreasonable discrimination, under the same rates, terms and conditions, including volume discounts. Any technical interconnection arrangements required for the identical interstate special access services, including collocation required by the federal government, must be made available for intrastate special access services.

The MPSC has not established any generally applicable service quality standards for special access, but in complaint cases brought by special access customers has addressed service quality issues. A provider of basic local exchange service such as SBC Michigan may not discriminate against another provider by refusing or delaying access service to the local exchange, refuse or delay interconnections or provide inferior connections to another provider, degrade the quality of access service provided to another provider, impair the speed, quality or efficiency of lines used by another provider,

develop new services to take advantage of planned but not publicly known changes in the underlying network, refuse or delay a request of another provider for information regarding the network, refuse or delay access service or be unreasonable in connecting another provider to the local exchange whose product or service requires novel or specialized access service requirements, upon request fail to fully disclose in a timely manner all available information for the design of equipment that will meet the Requests of the local exchange network, or refuse or delay access service by any person to another provider.

Private line services (which are basically special access services made available to end users rather than to providers) are not subject to direct economic regulation in Michigan. Private line services are not required to be tariffed. Private line services are however, subject to the imputation requirements in the Michigan statute, which means that private line services cannot be priced below the higher of the total service long run incremental cost or the comparable special access services rate.

Both special access and private line service, depending on the configuration and use of the service, may come within the more general definition of telecommunications service in the Michigan statute and therefore may be subject to the MPSC's complaint jurisdiction over consumer protection issues such as misrepresentation, fraud, slamming, cramming, disparagement of another provider, privacy and protection of customer information. However, in complaint proceedings involving unregulated private line service, the MPSC has generally declined to exercise such jurisdiction.

Illinois:

In Illinois, both special access and private line services have been classified as competitive services. Special access and private line services must be available on non-discriminatory terms and conditions, must be available for resale by others, and must be offered at rates that are just and reasonable. Special access and retail private line are not subject to a price cap system. Resale private line services are subject to a price cap system.

Special access and private line services are required to be offered pursuant to filed tariffs. Service prices and price changes are filed on one day's notice and take effect automatically. However, pursuant to Section 9-250 of the Public Utilities Act, the Commission has the authority to investigate whether the rates are just, reasonable and nondiscriminatory. In addition, pursuant to Section 13-509 of Public Utilities Act, special access and retail private line services can be offered pursuant to contract, at off-tariff rates.

Special access and resale private line are considered wholesale services and are subject to specific wholesale service quality requirements, pursuant to 83 Illinois Administrative Code Part 731.

The Commission has adopted separate service quality rules that are applicable to all retail services, including private line services, provided by local exchange companies, pursuant to 83 Illinois Administrative Code Part 730. These rules cover installation intervals, repair intervals and other matters.

In addition, all general regulatory consumer protection requirements, such as fairness in billing, protection of customer information, etc. continue to apply. Complaints

may be brought by any customer, competitor, groups representing consumers or competitors, or governmental bodies.

Indiana:

Under SBC Indiana's Alternative Regulation Plan, SBC Indiana's intrastate tariff for special access services mirrors the SBC Ameritech FCC No. 2 interstate special access tariff, except certain specific provisions for which exceptions have been granted by the IURC for the intrastate jurisdiction. Intrastate exceptions to the Ameritech FCC No. 2 interstate special access tariff are identified in SBC Indiana Tariff No. 20, Part 21.

The Indiana Utility Regulatory Commission (IURC) maintains regulatory oversight of SBC Indiana intrastate special access services in accordance with the IURC's Third Order in Cause No. 39369. For every interstate access filing made by SBC with the FCC, SBC Indiana is required to submit a corresponding intrastate access filing with the IURC. Where the SBC Indiana filing does not mirror or takes exception to the SBC Ameritech FCC No. 2 interstate tariff changes, the filing of a petition for exception with the IURC is required and the expectation would be that a docketed proceeding would be initiated. Intrastate access filings, even if mirroring an FCC interstate filing, remain subject to the jurisdiction of the Indiana Utility Regulatory Commission.

Under SBC Indiana's Alternative Regulation Plan (ARP), Private Line service is considered a 'Tier 3' service, which is the category of services afforded the greatest amount of regulatory flexibility under the ARP. For all Tier 3 services, including Private Line service, price increases, price decreases (which include all promotions), and changes to terms and conditions become effective no earlier than on the day after the date upon which the Company provides written notice to the IURC of the change. The Company

may decrease prices at any time provided the lower price exceeds the TSLRIC of the service plus ten percent. In the case of service withdrawals and grandfathering, written notification must be provided to impacted customers at least fifteen days in advance. In the case of price increases, the Company must notify affected customers of the increase "in the first bill where the change is effective." IND. ADMIN. CODE tit. 170, 7-1.3-5(d).

Private Line services are generally offered via tariff, in the SBC Indiana Catalog, Part 15, Section 1. Private Line services are resold in accordance with the SBC Indiana Catalog, Part 22, Section 15. However, a Tier 3 service, Private Line service may be offered through a Customer Specific Offering, known in other venues as ICB [Individual Case Basis] pricing. Private Line service may also be included in packages, bundles, and promotions, including win-back offers. SBC Indiana may use target marketing, which allows the Company to introduce new services, service packages, bundles, promotions, or win-back offers that are designed to benefit particular customer segments and are not generally available to the public.

Service quality standards, penalties and reporting requirements, as defined in the tariffs and SBC Indiana Catalog, apply, where appropriate, to special access and private line services.

The Indiana Commission may open an investigation to review complaints with respect to SBC Indiana's compliance with the ARP as to these services. Such proceeding would involve notice and public hearing.

Wisconsin:

In Wisconsin, special access is classified as access service. WIS. STAT. § 196.01(1)(b). Such services are required to be offered pursuant to filed tariffs under

Wis. Stat. § 196.219(2m) and rates must be equal to or less than the rates in the interstate tariff, pursuant to Wis. Stat. § 196.196(2) and exceed the TSLRIC and any applicable floors set out in Wis. Stat. § 196.204(5) & (6). Pursuant to Wis. Stat. § 196.194(1), special access may also be provided pursuant to individual case basis (ICB) offerings (a) if the tariff permits such ICBs, (b) "if substitute telecommunications services are available to customers or potential customers," (c) if ICBs are necessary to prevent SBC Wisconsin from being "disadvantaged in competing for business," and (d) if the ICB rates are "compensatory" under Wis. Stat. § 196.204(5) & (6). There have been at least two special access ICBs for statewide educational networks provided to the State of Wisconsin. Within 20 days after execution of an ICB, notice of the general nature of the ICB must be filed with the PSCW. Such notices must include the name of the customer. Even where offered under ICB rates, special access must be available on non-discriminatory terms and conditions.

In Wisconsin, private line services have been classified as "other services" under Wis. Stat. §196.196(3). Such services are required to be offered pursuant to filed tariffs. Tariffed price changes can take effect one day after filing. Pursuant to Wis. Stat. § 196.194(1), local exchange carriers can offer private line services on an ICB basis "if substitute telecommunications services are available to customers or potential customers," if ICBs are necessary to prevent SBC Wisconsin from being "disadvantaged in competing for business," and if the ICB rates are "compensatory" under Wis. Stat. § 196.204(5) & (6). Within 20 days after execution of an ICB, notice of the general nature of the ICB must be filed with the PSCW. Such notices include the name of the

customer. Private line services are subject to the TSLRIC and imputation (if applicable) floors set out in Wis. Stat. § 196.204(5) & (6).

In addition, general regulatory consumer protection requirements (e.g., slamming, cramming, and discrimination) continue to apply pursuant to the terms of Wis. Stat. §196.219. The complaint process is available to any customer or competitor wishing to assert a violation of the applicable statutes and regulations.

Ohio:

In Ohio, by Commission order, special access charges mirror the federal CALLS rate caps and rate reductions. Special access is offered pursuant to a filed tariff that cites to the FCC tariff. Because the Ohio tariff mirrors the FCC tariff, these services are subject to standards that may apply on a federal level; they are not subject to state specific service standards.

Private line services have been classified as Tier 2 competitive services. The service tariffs must be filed with the Commission but do not require prior Commission approval. The services must be available for resale by others. While under the Tier 2 pricing rules, the services are not subject to price caps and may be priced at market-based rates, and the services are subject to the statutory mandate that "[n]o public utility shall furnish . . . service for less than actual cost for the purpose of destroying competition." OHIO REV. CODE ANN.§ 4905.33(B). The price floor does not need to appear in the tariff; only the actual rate needs to appear in the tariff. To demonstrate the cost of the service and price floor, the company must provide a LRSIC study upon request of the Commission's staff. The rate must recover the long run service incremental costs associated with the service plus a common cost allocation. Common costs may be

allocated by using a fixed allocator of 10 percent. Customers may purchase the services out of the tariffs with a confirmation of sale or through contracts filed on the public record, with the customers' name withheld.

Also, by statute, private line services must be available on non-discriminatory terms and conditions. While these services are subject to the Commission ordered service standards, they are also subject to a number of self-imposed tariffed service quality standards. In addition, all general regulatory consumer protection requirements, such as fairness in billing, protection of customer information, reporting requirements, etc. apply. A formal complaint process is available to any customer or competitor wishing to assert a violation of the applicable statutes or rules.

Connecticut:

In Connecticut, retail private line services (with the exception of Frame Relay and ATM[5]) have been reclassified as competitive services for SBC Connecticut.[6] Intrastate special access services, however, like switched access services continue to be classified as non-competitive.

Both private line and special access services are required to be offered pursuant to tariffs filed with the Connecticut Department of Public Utility Control ("DPUC"). (CONN. GEN. STAT. ANN. §§ 16-19, 16-247f(e). Both private line and special access services must be available on non-discriminatory terms and conditions. Both SBC

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[5] SBC Connecticut's Frame Relay and ATM services are grandfathered.

[6] As noted herein, Woodbury, a small rural LEC serving portions of five Connecticut towns which, like SBC Connecticut, is a wholly-owned subsidiary of Southern New England Telecommunications Corporation, also offers private line services through its general exchange tariff. Woodbury's private line services remain classified as non-competitive.

Connecticut and Woodbury offer retail private line services through their respective General Exchange Tariffs. SBC Connecticut offers intrastate special access services through its Connecticut Access Service Tariff.[7]

As a competitive service, private line services are subject to a somewhat more streamlined tariff review process and additional pricing flexibility. Prices may be banded. Price changes within a band may be filed on 5 days' notice without additional cost support. There is no price ceiling, although private line prices are subject to an imputation standard (price floor) unless waived by the DPUC. Out-of-band price changes are treated as new service filings, which may also become effective on 5 days' notice, but which, unless waived, must include cost support sufficient to demonstrate compliance with the imputation standard. All proposed new and revised tariffs are subject to potential suspension and investigation by the DPUC, but otherwise take effect on five days' notice. All retail private line services must be made available for resale at a 25.4% discount.

Private line contract terms are subject to the same tariff and pricing requirements. Each case must be individually tariffed specifying all terms and conditions. The customer's identity may remain anonymous and the need for individual case pricing must be justified.

Private line services are subject to service quality standards incorporated within the tariffed offering. In addition, all general regulatory consumer protection

[7] By agreement with the DPUC, Woodbury does not maintain a separate Connecticut access tariff, but offers state access services (including a very minimal amount of special access services), pursuant to the same terms of its applicable federal NECA tariff.

requirements, such as fairness in billing, protection of consumer information, and timely handling of customer complaints continue to apply. A formal complaint process is also available to any customer or competitor wishing to assert a violation of the applicable statutes and regulations.

Intrastate special access services remain classified as non-competitive services. Pursuant to DPUC agreement and order, SBC Connecticut's intrastate special access service offerings have generally been tariffed in parity with SBC Connecticut's interstate special access services and are thus effectively subject to FCC tariff review processes and federal pricing regulations. The DPUC retains the full right and authority, however, to conduct an independent tariff review and to suspend and investigate any SBC Connecticut special access tariff filing. Special access services are also considered wholesale services and are thus not subject to resale requirements.

While there are no formal performance measure requirements for special access services, SBC Connecticut's tariff does incorporate language regarding provisioning and standard service intervals for certain special access services (*e.g.*, DS1 and DS3). The DPUC also has statutory authority to establish additional applicable service performance standards. And the complaint process is again available to any customer or competitor.

C. Internet Services

8. On page 108 of the Public Interest Statement, SBC is described as a "new entrant" with respect to Internet backbone services that "does not control a significant share of traffic or revenue, as compared to AT&T, which is a "Tier 1" backbone provider. Table 2 of the Schwartz declaration (page 10) cites shares of the Internet backbone market and paragraph 20 of the Schwartz declaration states that SBC is not a Tier 1 Internet backbone provider, but calculates SBC's market share based on a national market, including Tier 1 Internet backbone providers.

RESPONSE:

As agreed by the Commision staff, SBC will not provide information here on a state-by-state basis.

a. Identify when SBC began providing Internet backbone services in each state where SBC currently provides Internet backbone services.

RESPONSE:

SBC first "lit" its Internet backbone in the third quarter of 2000 in the Central, East and Out-of-Region areas, and extended its backbone reach to the Western region in the first quarter of 2003. It completed its national reach by activating backbone service in the Midwest in August of 2003.

b. Separately for AT&T and SBC, and separately for each state where that carrier provides Internet backbone services, provide the following information regarding the amount and type of traffic that traverses SBC's and AT&T's existing Internet backbones:

(1) The number, type, and size of the customers obtaining access to the Internet backbone.

RESPONSE:

[REDACTED]

(2) The number and type of circuits provided by AT&T or SBC connecting those customers to the Internet backbone.

RESPONSE:

The number of each type of circuit is provided in response to subpart (1) above.

(3) Each person with which AT&T or SBC has a peering relationship.

RESPONSE:

[REDACTED]

(4) The volume of traffic exchanged with each person with whom the carrier peers on a paid or settlement-free basis.

RESPONSE:

[REDACTED]

(5) The volume of traffic exchanged with each person for whom the carrier provides transit service, or who provides transit services to the carrier.

RESPONSE:

[REDACTED]

(6) The total number of routes announced or advertised on your Internet backbone network, and the number of IPv4 addresses associated with those routes.

RESPONSE:

[REDACTED]

c. With respect to SBC, separately for each state where SBC provides non-Tier 1 Internet backbone services:

(1) identify SBC's non-Tier 1 Internet backbone provider competitors, (2) provide SBC's share of Internet backbone revenues, (3) provide the estimated revenue shares of SBC's Internet backbone provider competitors, (4) provide SBC's share of Internet backbone traffic, (5) provide the estimated shares of traffic of SBC's Internet backbone provider competitors. With respect to AT&T, separately for each state where AT&T believes that SBC provides non-Tier 1 Internet backbone services, respond to (1), (3), and (5) above. Provide an explanation of how the estimates in subsections (3) and (5) above were determined.

(1) identify SBC's non-Tier I Internet backbone provider competitors

RESPONSE:

As agreed by the Commission staff, SBC will not provide information here on a state-by-state basis.

SBC does not know with certainty which Internet backbones are "Tier 1" — that is, are fully peered with all other backbones such that they pay nothing for Internet backbone services. Based on the best information available to SBC, and as reflected in the Schwartz Declaration, Paragraph 20, SBC believes that, at a minimum, AT&T, MCI, Sprint, Level 3, Qwest, and Global Crossing are fully peered. SBC does not know whether NTT/Verio, Savvis and Cogent are, or are not, fully peered; to the extent that they are not, they would be among SBC's non-Tier 1 competitors. SBC otherwise does not maintain information on which Internet backbone providers are its non-Tier 1 competitors. The *[REDACTED]* companies listed in Response 8(b)(3) are non-Tier 1 Internet backbone provider competitors. Moreover, there are many more networks around the world who qualify as non-Tier 1 Internet backbone provider competitors including, but in no way limited to: Elion, Portugal Tel, Mistral, Datagrama, Asia Netcom, Free SAS, Host.Net, Neuf Telecom, Argsys.ES, IRC Hispano, Ovanet, BOSCOM.

(2) provide SBC's share of Internet backbone revenues

RESPONSE:

SBC does not have any basis on which to estimate its share of Internet backbone revenues. For the reasons set forth in the Schwartz Declaration, Paragraph 25, the combination of Wholesale Upstream Transit and Business Dedicated Internet Access

Revenues (as measured by IDC, a telecommunications market research firm) appear to be the best proxy for revenues associated with Internet backbone functions. The latest information available from IDC covers calendar year 2003. IDC information for 2003 places SBC's share at 5%, as shown in Table 3 of the Schwartz Declaration. SBC does not otherwise have access to the information it would need to respond further to this information request.

(3) provide the estimated revenue shares of SBC's Internet backbone provider competitors

RESPONSE:

According to IDC, for 2003 total revenues for Wholesale Upstream Transit and Business Dedicated Internet Access totaled $7.691 billion. Assuming all such revenue was earned by companies that qualify as Internet backbone providers, then according to IDC's data, the share of SBC's competitors would be 95%, with the individual shares as noted in Table 3 to the Schwartz Declaration. SBC does not otherwise track the information it would need to respond further to this information request.

(4) provide SBC's share of Internet backbone traffic

RESPONSE:

SBC has estimated its share of total Internet backbone traffic at approximately 5.8%, as reflected in the Schwartz Declaration, at Table 2. This is estimated by taking the SBC traffic for December 2004, and comparing it to AT&T's traffic for the same time period, and computing a ratio of approximately 0.46. SBC then further assumed that AT&T's share of total Internet traffic had not changed from the 4th Quarter of 2003, as measured by RHK in its Internet traffic share analysis for that time period.

(5) provide the estimated shares of traffic of SBC's Internet backbone provider competitors.

RESPONSE:

SBC estimates that its competitors collectively account for 94.2% of total Internet backbone traffic. Of that total, SBC believes that Level 3 carries the most traffic of any Internet backbone provider, based on information collected by RHK Inc. and provided to AT&T. Level 3 states: "Based on the amount of Internet traffic on Level 3's IP backbone, Level 3 is among the largest Internet carriers in the world." http://www.level3.com/576.html

d. Provide any engineering capacity planning documents or marketing analyses that discuss the anticipated change in the number of transit customers and/or the volume of associated traffic for the years 2005 and 2006.

RESPONSE:

SBC does not market or sell traditional stand alone transit service. The term "transit" typically means a charge levied by an Internet backbone provider to carry traffic from another Internet backbone provider to all destinations on the Internet (i.e., to customers located on the transit provider's backbone, and to all other destinations, typically via the transit provider's peering relationships). SBC does not have any transit customers.

Accordingly, the planning documents prepared by SBC focus on other Internet connectivity services and not transit. Forecasts for SBC Internet Services based upon subscriber volume and traffic volume for years 2005 and 2006 are attached as Exhibit 8(d)(1). Forecast versus actual projections for 2005 are attached as Exhibit 8(d)(2). Finally, Forecasts regarding DIA unit requirements are included in the chart below.

[REDACTED]

9. Paragraph 20 of the Schwartz declaration states that SBC expects to obtain settlement-free peering fairly soon with several Tier 1 Internet backbone providers, but does not expect to achieve settlement free peering status with others.

a. Describe the varying kinds of peering arrangements, interconnection agreements, or transit agreements that AT&T and SBC have with other Internet backbone providers. Explain the differences, if any, between private interconnection to a backbone versus interconnection at a public network access point (NAP) (*e.g.*, the quality or capacity of interconnection, etc.).

RESPONSE:

In the vast majority of cases, there is no written agreement signed between peering partners. Rather, once SBC and the prospective peer agree that the peering requirements are met, the necessary facilities are provisioned and the relationship goes live. A copy of SBC's transit agreement with Sprint is provided as Exhibit 9(a)(1). We have written contracts with seven companies. Those agreements may be found in Exhibit 9(a)(2).

SBC does not connect directly with most of its peers. Rather, SBC connects with its peers at numerous neutral public hotel sites.

The original public NAPs have become relatively insignificant to the modern architecture of the Internet. Larger Internet backbone providers will peer via direct, private connections, and secondary Internet backbone providers, and including SBC, will most typically peer at third-party hosted peering locations, e.g., Equinix, PAIX and NAP of the Americas. SBC's peering policy, a copy of which can be found at http://www.sbcbackbone.net/peering/ states that peers must meet SBC at one of these third-party hosted locations.

Congestion at the public NAPs was originally a problem because of hardware in place in the 1997-1998 time period, and congestion continued to be a problem from 1998-2001 as the capacity of the NAPs did not keep pace with the growth of the Internet. Public peering points, however, are no longer the congestion points that they once were because of hardware improvements.

b. As a non-Tier 1 Internet backbone provider, explain whether SBC provides settlement-free peering with Internet backbone providers. List SBC's annual payments to other Internet backbone providers by Internet backbone provider separately for 2004 and year-to-date 2005.

RESPONSE:

[REDACTED]

c. Describe SBC's plans to obtain settlement-free peering. Identify the providers with which SBC is negotiating peering agreements. Explain why SBC does not expect to achieve peering status with its current provider of paid transit.

RESPONSE:

For the response to the first and third sentences:

[REDACTED]

For the response to the second sentence:

[REDACTED]

d. As a Tier 1 Internet backbone provider, list AT&T's annual payments from other Internet backbone providers by provider separately for 2004 and year-to-date 2005.
Request directed to AT&T only.

e. Specify the fees AT&T and SBC charges for transit, separately for 2004 and year-to-date 2005, and describe the competitive consequences associated with changes (decreases or increases) in such transit arrangement charge(s). Indicate whether

AT&T or SBC assesses different transit charges for ISPs and comparable enterprise customers.

RESPONSE:

The term "transit" typically means a charge levied by an Internet backbone provider to carry traffic from another Internet backbone provider to all destinations on the Internet (i.e., to customers located on the transit provider's backbone, and to all other destinations, typically via the transit provider's peering relationships). SBC does not have any transit customers.

SBC does sell dedicated Internet access to ISP customers. The standard charges for this service are attached in Exhibits 9(e)(1) through 9(e)(4) (1Q04 through 1Q05). These spreadsheets contain the standard list price for SBC. However, the company negotiates contracts and prices with each customer on an individual basis and prices vary. As noted above, SBC does not charge for transit service and cannot speak from experience regarding the effects of a price change for transit service. SBC is not a significant provider of DIA services but is aware that it often is necessary to reduce prices to attract or retain customers. Competition is considerable in the industry and consumer pressure and choice have forced companies to lower prices in order to retain and attract new DIA customers.

10. Describe AT&T's and SBC's current policies, including any typical contractual requirements, for permitting unaffiliated Internet service providers to access that carrier's Internet backbone or other broadband transmission facilities or services (such as peering, transit, and xDSL).

RESPONSE:

Unaffiliated ISPs may access SBC's Internet backbone or other broadband transmission facilities by either entering into a settlement-free peering relation with SBC

or by purchasing a retail broadband service such as DSL or DIA. See Exhibit 10(1) for SBC's standard form peering agreement. See Exhibit 10(2) for SBC's standard DIA agreement and DIA master services agreement.

11. In paragraph 13 of the Schwartz declaration, Schwartz states that SBC controls only one "active" public interconnection facility. Explain what "control" involves in this context, including whether SBC "controls" inactive facilities.

RESPONSE:

"Control" means to own and operate an active facility. The Chicago NAP is the only active facility owned and operated by SBC. With respect to the Chicago NAP, SBC owns this as a result of the Ameritech acquisition. The Chicago NAP platform is maintained 24 hours a day, 7 days a week. SBC takes active measures to maintain optimal conditions and inform customers of changes that might affect their connections. SBC can also monitor both the ATM switch and the customer's premise equipment from two remote locations. This level of coverage gives ISPs three levels of monitoring and redundancy for the NAP connections. Information on the Chicago NAP is provided in significant detail at http://www.aads.net/main.html.

With respect to the West NAP locations in Los Angeles and San Francisco, California, SBC acquired control of these NAPs as a result of the Pacific Telesis acquisition. These NAPs have not had any active connections since December 2004. SBC confirms that there are no working circuits at these NAPs, the trunking has been disconnected, the sites have been decommissioned, and it is in the process of redeploying the assets.

12. Separately for each state in which SBC and AT&T both own facilities used to provide Internet backbone services, and separately for SBC and AT&T, provide in the form of lists and network maps of sufficiently precise detail a description of each company's Internet backbone facilities, including the capacity of the lit or unlit fiber, and each NAP (whether active or inactive) controlled by SBC or AT&T. Identify and describe SBC's and AT&T's partner(s), if any, for each NAP and their relative interests in the NAP and the relative amounts of traffic traversing the NAP.

RESPONSE:

As agreed by the Commission staff, SBC's response to this information request is limited to pre-existing network maps and lists responsive to the information request. As modified, the requested network maps and facilities are shown on Exhibit 12.

As noted above, SBC only owns and controls facilities at the Chicago NAP. SBC does not have any partners at this NAP. The ATM exchange at this facility handles a peak busy-hour traffic load of over 3.0 Gbps.

13. The Public Interest Statement and Schwartz Declaration identify a variety of Internet services, and note that AT&T and SBC provide certain of these services. Paragraphs 20-32 of the Schwartz declaration provide some traffic and revenue data for Internet backbone services, but do not provide market share information for other Internet services.

a. Identify and describe each type of Internet service and Internet-related product (excluding Internet backbone services) - *e.g.*, broadband Internet access services, narrowband Internet access services, voice over IP services (VoIP) - provided by AT&T and/or SBC.

RESPONSE:

SBC provides the following services: dial-up Internet access (narrowband); dedicated Internet access (direct connections for business customers, ISPs and DSL connections). SBC does not have a consumer VoIP offering at this time, but does provide a hosted VoIP product for business customers, PremierSERV Hosted IP

Communication Service (HIPCS). HIPCS is a hosted Voice over IP Service, based upon IP Soft-switch technology. HIPCS is an information service which includes IP connectivity and provides the feature functionality, controls, and specialization of traditional voice systems, with the additional applications and end user controls delivered by a web-browser interface. HIPCS is a hosted solution, which combines the traditional key and PBX benefits with the benefits of a hosted solution such as Centrex.

b. For each service identified in response to Specification 13.a, using the Merger Guidelines methodology, define the relevant geographic market, identify the competitors within that geographic market, and calculate SBC's, AT&T's, and each competitor's market shares analyzed by subscribership and revenue.

RESPONSE:

Under the Merger Guidelines, a geographic market is "a region such that a hypothetical monopolist that was the only present or future producer of the relevant product at locations in that region would profitably impose at least a 'small but significant and nontransitory increase' in price, holding constant the terms of sale for all products produced elsewhere."[8] Once the relevant geographic and product markets are identified, market participants are identified including both current producers and sellers and firms that participate through supply response.[9] Analysis of a merger under the Merger Guidelines then proceeds to consider concentration and the change in

[8] Merger Guidelines, 41555-56 (section 1.21). The geographic market may be defined more narrowly where geographic price discrimination would be profitable. *Id.* at 41556 (section 1.22).

[9] *Id.* at 41556-57 (section 1.31-1.32). A supply response occurs when a firm currently not selling the relevant product in the relevant area would likely enter within one year without incurring significant sunk costs in response to a small but significant and nontransitory price increase.

concentration in the relevant markets; the likelihood of anticompetitive effects in light of the structural and behavioral characteristics of the markets; the likelihood of new entry in response to a price increase; efficiencies resulting from the transaction; and the financial condition of the acquired firm.

Narrowband Internet Access: Narrowband, or "dial-up" Internet access, is provided by a large number of Internet service providers ("ISPs") who provide customers with connectivity to the Internet using the customer's telephone lines, whether provided by an ILEC or a CLEC. There is no geographic barrier to the provision of narrowband Internet access; the ISP's facilities can be located some distance from the customer, although the ISP may need to provide a local access number. Major ISPs, such as America Online, MSN, EarthLink, Netzero, Juno and others, provide nationwide service. There are also many local and regional ISPs, but the market for narrowband Internet access would properly be characterized as national in scope because any ISP can reach customers anywhere in the nation. In any event, the analysis of the merger's impact on competition in narrowband Internet access is unaffected whether the market is defined as national or on a narrower basis because of the large number of competitors in any putative geographic market and the ease of entry into a geographic market by the provision of a local access number.

SBC and AT&T both provide narrowband Internet access. AT&T provides this service on a nationwide basis. As part of its withdrawal from mass market services, AT&T has discontinued actively promoting its narrowband Internet access service to

mass market consumers. SBC provides narrowband Internet access primarily to consumers in its local telephone service territory.

SBC does not have information listing all of the ISPs providing narrowband Internet access. Among the larger ISPs providing narrowband Internet access nationally are America Online, MSN, EarthLink, NetZero, Juno, Verizon, BellSouth, People PC, Walmart Connect and CompuServe (owned by America Online, Inc.). Exhibit 13(b)(1)[10] sets forth estimated shares of subscribers to narrowband Internet access providers on a nationwide basis.[11] SBC does not have data estimating revenue shares for narrowband Internet access providers.[12]

Broadband Internet Access for Mass Market Consumers: Broadband Internet access for mass market consumers is typically provided over cable television lines or over telephone lines using DSL technology where it is feasible to do so. Additionally, wireless carriers have upgraded their networks in many areas to allow their customers highspeed access to the Internet. Furthermore, other technologies such as fixed wireless solutions including Wi-Fi and Wi-Max, personal area networks, satellite, and broadband over power lines do and increasingly will provide competitive alternatives for broadband Internet access. The deployment of optical fiber to customer premises or to nodes close to customer premises, as in SBC's Project Lightspeed, will provide additional means of

[10] Exhibit 13(b)(1) is proprietary information collected by TNS Telecoms. TNS Telecoms surveys over 30,000 residential consumers each quarter about their Internet access use. The market share data for Exhibits 13(b)(1), 13(b)(2), 13(b)(3), 13(b)(5), and 13(b)(6) are taken from TNS Request ® survey database.

[11] SBC offers narrowband Internet access through SBC Yahoo dial-up on an nationwide basis.

[12] America Online, by far the largest narrowband ISP, generally charges higher prices than other ISPs. Thus, its share of revenue would likely be larger than its share of subscribers.

broadband Internet access. Verizon is already providing fiber-based broadband Internet access to mass market customers in some areas.

The FCC has previously found that the relevant geographic markets for residential high-speed Internet access service are local, because a consumer's choice of providers is limited to those offering such service in his or her locality.[13] For broadband Internet access service provided via cable television lines, DSL, mobile wireless (3G), fixed wireless or optical fiber, a given consumer's choices would generally be limited to the providers operating in his or her area. Satellite broadband service can be provided to any location.

SBC provides broadband Internet access using DSL lines. AT&T also provides DSL service, using the facilities of other DSL providers, in certain areas. As part of its withdrawal from mass market services, AT&T has discontinued actively promoting its DSL service to mass market consumers. SBC provides broadband Internet access primarily to consumers in its local telephone service territory.

SBC does not have data on the subscriber or revenue shares for broadband Internet access providers in each local area in which it provides such service. In general, where SBC provides DSL service it competes with local cable television operators for broadband Internet access. In addition, DirecTV offers its Direcway satellite broadband service to anyone with a clear view of the southern sky. Other DSL providers include

[13] *In the Matter of Applications For Consent to the Transfer of Control of Licenses and Section 214 Authorizations By Time Warner Inc. and America Online, Inc., to AOL Time Warner Inc.*, Order, 16 FCC Rcd. 6547, 6578 ¶ 74 (2001). The FTC, in reviewing the AOL-Time Warner merger, alleged that the relevant geographic markets were "Time Warner cable service areas and the United States." Complaint, ¶ 34, *In re America Online, Inc.*, Docket No. C-3989 (FTC Dec. 14, 2000).

AOL, Earthlink, Speakeasy, DSL.net, and others. These DSL vendors provide competing service in some SBC service areas. In addition, providers of fixed wireless solutions such as Wi-Fi and Wi-Max, 3G CMRS, personal area networks, fiber-to-the-home, satellite, and broadband over power lines may compete in such local areas. Additionally, wireless carriers have upgraded their networks in many areas to allow their customers high speed access to the Internet.

Nationally, cable television operators have a larger share of broadband Internet access subscribers than do DSL providers. Exhibit 13(b)(2) lists some leading broadband Internet access providers with their estimated shares of subscribers on a national basis. Exhibit 13(b)(3) provides similar data for the second quarter of 2004 and notes recent subscriber growth among broadband Internet providers. Exhibit 13(b)(4) sets forth estimated shares of subscribers to broadband Internet access providers within SBC's local telephone footprint. Exhibit 13(b)(5) sets forth estimated shares of subscribers to broadband Internet access providers for each state within SBC's local telephone footprint. Across the footprint as a whole and in many local areas, the share of subscribers for the local cable television operator is larger than SBC's share. Exhibit 13(b)(6) sets forth estimated shares of subscribers to broadband Internet access providers for 20 MSAs within SBC's local telephone footprint. SBC does not have data estimating revenue shares for broadband Internet access providers, nor does it have estimates of subscriber shares for geographic areas not provided.

Dedicated Internet Access for Business Customers and ISPs: SBC and AT&T both provide broadband Internet access for business customers. Broadband Internet

access for business customers and dedicated Internet access for businesses and ISPs consists of services including T1, ISDN, frame relay, DSL, ATM, lease line and other high-speed Internet access. T1 Internet access is provided by many providers of business data services such as MSN, Earthlink, ILL Century Network, AOL, XO, Nuvox and there are also numerous providers of DSL for business, including Covad, Earthlink, Speakeasy, XO, DSL.net, CloseCall America and Megapath.

The FCC has defined the geographic market for residential high-speed Internet access as local because a "consumer's choices are limited to those companies that offer high-speed Internet access services in his or her area." The FCC geographic market for residential high-speed Internet access applies equally to business broadband. Business customers who seek broadband Internet access are limited to those companies that offer the service in its locality.

SBC does not have data estimating revenue or subscriber shares for business broadband providers, nor does it have revenue or subscriber shares for dedicated Internet access for businesses and ISPs.

Voice Over Internet Protocol (VoIP): VoIP is another form of voice telephony provided using the Internet as a transmission medium. Unlike traditional circuit-switched telephony, however, VoIP providers do not need their own facilities to connect to the customer's premises. Rather, they provide a service that utilizes the consumer's existing broadband Internet connectivity. Thus, any VoIP provider located anywhere in the world can serve any consumer with a broadband connection. If VoIP were a relevant product

market, therefore, the geographic market would be at least nationwide and arguably worldwide.

SBC does not currently provide consumer VoIP service to residential customers, although it provides a hosted VoIP service to businesses. AT&T provides VoIP to the mass market and business customers. A large number of other providers, including Vonage, 8x8, Z-Tel, Covad, Net2Phone, BroadVoice, BroadVox, Deltathree, Primus Lingo, VoicePulse, America Online, and various cable television operators including Time Warner, Comcast, Cox and Cablevision, provide VoIP services. SBC does not have reliable estimates of either subscriber or revenue shares for VoIP services.

c. Separately for each service identified in response to Specification 13.a, and separately for each geographic market identified in response to Specification 13.b, identify: (1) the wholesale services that AT&T or SBC, respectively, lease from an unaffiliated provider to offer each Internet or Internet-related service; (2) the percentage of the total cost of providing each Internet or Internet related service attributable to such leased element; and (3) the unaffiliated provider of each such element.

RESPONSE:

[REDACTED]

d. Describe AT&T's and SBC's plans with respect to VoIP service offerings if the merger is approved, including future marketing plans within SBC's region, and plans with respect to existing AT&T CallVantage customers within and outside of SBC's region.

RESPONSE:

[REDACTED]

D. Wholesale Interexchange Services

14. According to pages 63-64 of the Public Interest Statement, there are multiple longhaul providers with substantial fiber networks, including AT&T, MCI, Sprint, Qwest, Level 3, Global Crossing/Frontier, and WilTel, among others.

a. Using the Merger Guidelines methodology for defining geographic markets, explain what the proper geographic market is for longhaul service.

RESPONSE:

As agreed by Commission staff, the request is limited to long-haul voice traffic. The geographic market for wholesale long distance services is national, as the Commission recognized in its *MCI-WorldCom Merger Order* ¶¶ 30, 67-76.

Under the *Merger Guidelines*, the DOJ and FTC will "delineate the geographic market to be a region such that a hypothetical monopolist that was the only present or future producer of the relevant product at locations in that region would profitably impose at least a small but significant and nontransitory increase in price, holding constant the terms of sale for all products produced elsewhere." *Merger Guidelines* § 1.21.

The Commission has recognized that strict application of this principle would require that all telecommunications markets be treated as "point-to-point" markets. *Bell Atlantic-NYNEX Merger Order*, 12 FCC Rcd. at 20017 ¶ 54; *MCI-WorldCom Merger Order* ¶ 30. However, the Commission has recognized that for purposes of analyzing the competitive effects of a merger, "groups" of "point-to-point markets" can be aggregated where "consumers face[] the same competitive conditions." *Bell Atlantic-NYNEX Merger Order*, 12 FCC Rcd. at 20017 ¶ 54; *see also LEC Classification Order*, 12 FCC Rcd. at 15794 ¶¶ 66-67. Indeed, the DOJ itself recognized this point in the Sprint-WorldCom Merger. There, it alleged in its Complaint against the merger that the relevant

retail long distance product markets it was challenging were geographically "national" in scope. MCI-Sprint Complaint ¶¶ 31, 124, 143, 156.

The competitive conditions facing "consumers" of wholesale long distance transport are similar throughout the United States. Multiple carriers have deployed nationwide fiber networks and offer long haul transport throughout the country. Wholesale customers frequently purchase transport for all of their needs from a single supplier rather than breaking up purchases between multiple wholesale carriers on the basis of geography. The Commission's rate averaging and rate integration policies further limit the extent to which wholesale providers can vary rates on the basis of geography (although termination costs may, of course, vary given the wide variation in access charges).

b. For longhaul service provided to competitive LECs, interexchange carriers, and wireless providers, provide the revenues that AT&T and SBC billed and an estimate for each longhaul competitor identified in the Public Interest Statement, separately by the following geographic categories: (1) incumbent LEC franchise area and (2) the geographic market identified by the applicants in response to Specification 14.a. Identify which geographic markets are within SBC's region. Provide an explanation of how the estimate was determined, and provide supporting documentation. For purposes of this Specification, revenues includes amounts received for handling foreign originated traffic if another carrier brings that traffic into the United States before handing the traffic off to the longhaul service provider.

c. For longhaul service provided to competitive LECs, IXCs, and wireless providers, provide the number of wholesale minutes for 2004 that AT&T and SBC wholesaled and an estimate for each longhaul competitor identified in the Public Interest Statement, separately by the following geographic categories: (1) incumbent LEC franchise area and (2) the geographic market identified by the applicants in response to Specification 14.a above. Identify which geographic markets are within SBC's region. Provide an explanation of how the estimate was determined, and provide supporting documentation.

RESPONSE to 14(b) and (c):

[REDACTED]

d. Identify each state where, respectively, AT&T, SBC, and each longhaul competitor identified in the Public Interest Statement owns longhaul facilities. Explain whether AT&T or any longhaul competitor offers longhaul services in state(s) where it does not own longhaul facilities, and if so, how it does so.

RESPONSE:

SBC does not own longhaul facilities in any state. (That is, all of SBC's interLATA wholesale (and retail) traffic traverses the networks of third parties.) SBC understands that the carriers identified in the information request – AT&T, MCI, Sprint, Qwest, Level 3, Global Crossing/Frontier, and WilTel – own longhaul facilities throughout the Continental U.S., though some may not have facilities in each of those states. Some carriers make network maps available on their website. For example, WilTel's network map can be found at http://www.witel.com/map/ and Qwest's network map can be found at http://www.qwest.com/about/qwest/network/index.html.

In any event, SBC can state that competitors can offer longhaul services (at both wholesale and retail levels) without owning longhaul facilities because SBC does so today. SBC offers wholesale interexchange services throughout the United States through its arrangements with the owners/operators of facilities-based interexchange

networks (WilTel and Sprint). There is nothing unique about those arrangements and they can be easily replicated by others.

15. The Public Interest Statement, at pages 59-67, cites cable telephony providers and wireless carriers as retail mass market competitors, and at page 64 the Public Interest Statement notes that such providers rely on wholesale longhaul services.

a. Describe the plans of AT&T and SBC with respect to offering longhaul capacity, including with respect to offering wholesale minutes, if the merger is approved.

RESPONSE:

At this point, AT&T and SBC have no detailed plans as to how their combined businesses will operate after this transaction closes. Nonetheless, the Applicants can state that: (1) they intend to operate their businesses in an economically rational manner; and (2) it would not be economically rational for SBC to discontinue AT&T's wholesale service offerings or otherwise to reduce its competitive effectiveness in the provision of wholesale long-haul services.

Transaction opponents speculate that the merged firm would abandon AT&T's multi-billion dollar wholesale business simply because many wholesale customers are likely to be competitors of SBC-AT&T. Yet, wholesale revenues are a very significant part of AT&T's business. Many of AT&T largest wholesale customers are also its direct retail competitors today, and AT&T has vigorously competed to serve them because they have multiple alternative sources of supply and because the wholesale revenues that they generate increase AT&T's net revenues and provides substantial contributions to the costs of its long distance network. Following the merger, the combined SBC-AT&T will

have the same economic incentives to provide wholesale long distance services to customers who are also retail competitors.[14]

Indeed, there is no conceivable advantage that the combined entity could secure at the retail level that could possibly justify forgoing this very significant revenue and associated returns. The Commission reached just this conclusion when opponents challenged the MCI/WorldCom merger, even though the wholesale market was far less competitive then than it is today. The Commission rejected "claims that the merged MCI WorldCom would have reduced incentives to sell wholesale services to resellers," explaining that "other firms appear equally capable of providing the wholesale long distance services presently provided to resellers by WorldCom and MCI, [and thus] the combined firm's rational approach would be to continue supplying resellers rather than to cede these revenues to other carriers."[15]

E. Residential and Small Business Services

16. According to pages 59-67 of the Public Interest Statement, significant local competition will remain following the merger.

a. For each SBC franchise area provide: (1) the number of residential resold lines; (2) the number of residential UNE-P lines; (3) the number of residential UNE-L lines; (4) an estimate of the number of competitively deployed access lines used to serve residential customers by a competitive local exchange carrier (including, but not limited to, cable telephony providers) (*i.e.*, using E-911 listings); (5) an estimate of the number of residential customers that exclusively subscribe to wireless service instead of wire line local exchange and long distance service; and (6) an estimate of the residential

[14] Moreover, even if it did not, the merger could not possibly harm either wholesale customers or their ultimate consumers, for a number of wholesale competitors would be entirely capable of providing service in SBC-AT&T's stead – as the Commission has found in many analogous contexts.

[15] MCI-*WorldCom Merger Order* ¶ 70.

customers relying upon VoIP for all of their voice telecommunications needs. Of the residential customers identified in response to Specification 16.a(5)-(6) identify the number of customers of AT&T and SBC. Provide an explanation of how the estimates for the responses to Specification l6.a(4)-(6) were determined.

RESPONSE:

In response to 16(a)(1):

The following is SBC's estimate of resold residential lines by state for each quarter beginning January 2004. These and all other line counts reflect estimates as of the end of the quarter.

		2004				2005
		Q1	Q2	Q3	Q4	Q1
SBC Midwest	IL	8,750	7,797	7,400	6,405	7,075
	IN	2,974	2,737	4,770	4,969	6,120
	MI	5,405	5,375	5,302	4,844	6,406
	OH	5,225	4,379	3,840	3,900	5,940
	WI	3,911	3,715	3,240	3,140	3,504
SBC Southwest	AR	2,632	2,151	2,294	3,493	4,313
	KS	9,944	9,261	12,300	13,038	14,427
	MO	7,831	8,272	7,201	7,520	8,199
	OK	21,559	19,816	18,169	20,093	22,601
	TX	29,359	21,208	18,774	16,850	19,248
SBC West	CA	12,576	10,395	10,431	10,041	14,684
	NV	687	634	672	693	713
SBC East	CT	13,935	12,285	11,356	10,858	10,324
Total		124,788	108,025	105,749	105,844	123,554

In response to 16(a)(2):

The following is SBC's estimate of residential UNE-P lines by state for each quarter beginning January 2004. These and all other line counts reflect estimates as of the end of the quarter.

		2004				2005
		Q1	Q2	Q3	Q4	Q1
SBC Midwest	IL	695,489	707,661	675,521	644,834	606,407
	IN	257,529	258,547	243,944	228,133	210,439
	MI	1,000,433	996,452	954,452	901,079	846,141
	OH	571,571	568,936	536,718	508,197	466,770
	WI	212,206	217,005	212,966	202,470	188,752
SBC Southwest	AR	105,953	110,460	103,263	96,985	91,632
	KS	140,495	139,950	131,557	124,104	123,071
	MO	131,222	148,477	130,875	117,374	116,145
	OK	40,672	44,010	39,855	36,662	50,640
	TX	1,073,306	1,058,077	1,004,830	943,967	880,483
SBC West	CA	1,055,340	1,106,179	1,100,378	1,063,095	1,016,291
	NV	2,122	7,300	7,121	6,651	6,073
SBC East	CT	16,079	26,484	27,938	28,434	30,296
Total		5,302,417	5,389,538	5,169,418	4,901,985	4,633,140

In response to 16(a)(3):

Data on UNE-L lines are not available separately for business and residential lines for all SBC ILEC franchise areas. In the SBC Southwest and SBC East states, only the total number of UNE-L lines is available.

In an effort to be responsive to this request, SBC has observed that about 10% of UNE-L lines in SBC West are residential and about 90% are business. Based on that observation, the estimate provided below for the SBC Southwest and East states represents 10% of the total UNE-L lines in those states. This estimate may overstate or understate the actual percentage and number of residential UNE-L lines. These and all other line counts reflect estimates as of the end of the quarter.

		2004				2005
		Q1	Q2	Q3	Q4	Q1
SBC Midwest	IL	60,656	59,133	56,410	52,540	49,286
	IN	2,489	2,324	2,223	2,424	2,281
	MI	44,598	48,152	54,095	69,788	73,738
	OH	8,553	9,273	9,492	9,801	9,364
	WI	75,192	77,287	78,958	81,252	81,468
SBC Southwest	AR	1,677	1,611	1,584	1,558	1,499
	KS	444	442	474	461	462
	MO	2,612	2,531	2,345	2,264	2,151
	OK	574	591	591	602	600
	TX	12,009	11,644	11,193	10,852	10,537
SBC West	CA	30,728	31,445	33,091	30,253	31,586
	NV	0	0	0	0	0
SBC East	CT	3,968	4,142	4,360	4,438	4,467
Total	CT	243,500	248,575	254,816	266,233	267,439

In response to 16(a)(4):

SBC does not have access to an exact accounting of the number of competitively deployed access lines used to serve residential customers by a CLEC in each of its local service areas (only the competitors themselves have such data).

SBC has prepared estimates of number of competitively deployed access lines used to serve residential customers by a CLEC either by using E-911 database information where available.

The E911 listings utilized in this estimate are only those listings served by switch-based competitors, as input and updated by those competitors themselves. Because the E911 databases do not reflect all access lines served by switch-based carriers, the E911 estimate of competitor access lines is considered to be a conservative estimate.[16] This estimate is used to estimate CLEC deployed access lines in all SBC ILEC franchise areas except Connecticut. Moreover, E911 database estimates also are conservative in that data are unavailable for major metropolitan areas. For example, the Texas estimates inevitably undercount CLEC lines as there are no E911 data available for Harris County (the Houston area) or Tarrant County (the Austin area), among others.

For Connecticut, SBC has estimated the number of competitively deployed access lines used to serve residential customers by a CLEC from interconnection trunk data. Interconnection trunks are used by switch-based competitors to connect their network to the SBC network for the purpose of passing traffic.[17] Interconnection trunks have the capacity to serve multiple competitor access lines. SBC uses a conservative 2.75:1 access

[16] For example, the E911 database generally does not include listings for "inbound only" access lines used by business entities such as call centers, reservation agencies and telemarketing centers, nor does it include access lines reported in competing E911 databases. SBC believes many CLECs have targeted their marketing efforts towards these entities.

[17] Interconnection trunks carry traffic from access lines served using the competitors' own loop facilities, as well as those served using unbundled loops purchased from SBC. Both types of service provided by switch-based competitors, therefore, are included in this estimate.

line-to-trunk ratio to estimate the number of access lines served by wireline competitors using interconnection trunk capacity purchased from SBC.[18]

Both of these methods used to estimate the number of competitively deployed access lines would include residential UNE-L lines. Adding the estimates provided in response to Specification 16.a.(3) to the estimates provided in response to this Specification 16.a.(4) would double-count estimated residential UNE-L lines. These and all other line counts reflect estimates as of the end of the quarter.[19]

[18] *See, e.g.*, *UNE Fact Report* at III-14, attached to Comments of the United States Telecom Association, *Implementation of the Local Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98 (FCC filed May 26, 1999) (observing that "based on ILEC engineering experience, a single trunk can support up to approximately 10 facilities-based lines" and conservatively assuming that "CLEC trunks are serving between 2.5 and 5 facilities-based lines per trunk"); and US LEC Legal Information (May 3, 2000), utilizing an access line to trunk ratio of 5:1 to estimate the "equivalent access lines" served by its network.

[19] Prior to the fourth quarter of 2004, SBC's count of E-911 listings for switched-based CLECs inadvertenly did not include the listings of several cable television system operators. That error was corrected beginning with the fourth quarter of 2004.

		2004				2005
		Q1	Q2	Q3	Q4	Q1
SBC Midwest	IL	318,798	310,525	306,368	304,406	300,700
	IN	54,122	53,704	53,284	55,548	60,157
	MI	88,101	92,310	102,869	121,614	129,907
	OH	16,132	16,390	21,933	28,772	45,027
	WI	101,498	103,954	106,556	114,616	124,520
SBC Southwest	AR	2,907	2,820	2,753	2,654	2,507
	KS	105	105	93	43,785	72,083
	MO	19,774	21,717	28,157	33,178	48,296
	OK	107,267	111,174	119,650	124,258	129,996
	TX	142,639	139,394	138,979	112,981	184,977
SBC West	CA	640,564	652,912	669,728	679,432	700,446
	NV	9	9	9	9	9
SBC East	CT	110,450	115,229	119,286	121,522	130,064
Total		1,602,366	1,620,243	1,669,665	1,742,775	1,928,689

In response to 16(a)(5):

SBC does not maintain an estimate of the number of customers that exclusively subscribe to wireless service instead of wireline local exchange and long distance service. Nonetheless, in an effort to be responsive to this request, SBC has estimated a number based on data from a variety of sources. The fact that the data on which this estimate is based are not from the same source may introduce greater imprecision.

SBC has estimated the number of households for each of the ILEC franchise areas based on Census 2000 data. (The number, therefore, is constant over the time period covered by this request.) TNS Telecoms conducts a residential survey in connection with its bill harvesting service to which SBC subscribes, and reports the results quarterly. SBC has not yet received TNS data for the first quarter of 2005. TNS reports a percentage of respondents who identify themselves as wireless only households on a state-by-state basis. SBC has taken that percentage for each of the four quarters of 2004

and multiplied that percentage by the estimated number of households in SBC's franchise area.

This methodology may overstate or understate the number of wireless only households. Its estimate of in-franchise area households may not be correct; the TNS data may overstate or understate the percentage of wireless only customers. Indeed, the number of college students and other relatively young adults who move more frequently may well be underrepresented in the TNS data, and those individuals reportedly are more likely to be "cord-cutters." The methodology employed above also assumes that the percentage of wireless only households in the SBC franchise area of a given state is the same as for the state as a whole.

Estimated Number of Wireless Only Households in
SBC Franchise Area By Quarter

State	1Q'04	2Q'04	3Q'04	4Q'04
Arkansas	27,709	35,626	32,327	51,460
California	157,224	209,632	148,490	262,040
Connecticut	12,715	13,987	12,715	38,146
Illinois	95,910	106,977	151,243	188,131
Indiana	38,879	29,495	33,517	40,220
Kansas	26,280	58,494	42,387	44,930
Michigan	95,629	126,477	129,562	169,664
Missouri	39,353	48,798	42,501	42,501
Nevada	5,510	4,750	6,650	6,650
Ohio	37,414	52,379	59,862	69,839
Oklahoma	49,407	56,765	56,765	51,509
Texas	160,481	193,683	199,217	304,360
Wisconsin	25,285	49,306	44,249	44,249

Given that this estimate is limited to SBC's franchise area in each state, these numbers would also be estimates of the number of customers SBC has lost.

In response to 16(a)(6):

SBC does not have estimates by franchise area of the number of residential customers relying upon VoIP for all of their voice telecommunications needs. SBC is aware of third-party reports that discuss VoIP penetration, but is not aware of any such report that provides estimates by state over the requested timeframes.

b. For each incumbent LEC franchise area, provide: (1) the number of residential presubscribed interstate carrier access lines regardless of whether AT&T or SBC is the residential customer's local exchange carrier; (2) the number of residential originating intrastate toll minutes and originating domestic interstate toll minutes, separately for AT&T, SBC, and an estimate for all minutes; (3) total revenues for intrastate toll and domestic interstate toll services provided to residential customers separately for AT&T, SBC, and an estimate for all revenues; and (4) the total number of residential access lines for which AT&T or SBC is a local exchange carrier, and the number of these lines for which the presubscribed interstate long distance carrier is AT&T, SBC, MCI, Sprint, Verizon, BellSouth, Qwest, or another long distance carrier.

RESPONSE:

In response to 16(b)(1) and (4):

SBC's response to (b)(1) and (b)(4) are contained in Exhibit 16(b)(1&4). The information provided below is for SBC's retail teleco lines. SBC does not maintain information in the ordinary course of business and cannot provide information regarding PIC selection or allocation for its wholesale lines. SBC also does not know which interexchange carrier has been chosen by customers who chose a facilities-based CLEC, a wireless carrier or cable provider for their local service. Therefore, it is important to note that these numbers underrepresent (perhaps greatly) the number of access lines and PICs in a given area, and they overstate SBC's share of presubscribed lines.

As result of mergers, technology development, and resource allocation, SBC has different legacy billing and sales databases in its different regions. Although these databases may perform similar functions, they often contain different information, levels of detail and the retain data for different periods of time. Accordingly, while SBC is able to provide the requested level of detail for some regions (i.e., state level detail in the Midwest, West and East regions) it is not able to provide this same level of detail in every region.

In this case, the requested data is maintained by the company's CARE databases (different databases are used in the different Southwest, West, Midwest and East regions) and its Electronic Data Warehouse (EDW). The company only maintains information of PIC lines for other interexchange carriers for a period of two months before that data "rolls off" of the EDW. Historical state specific data is not maintained in the ordinary course of business in a live database and it is not commercially practicable to produce the information within the time requested by the FCC. While the CARE database in the Southwest region does not maintain this information at the state level, it does maintain the information at the regional level and it maintains the information for the entire time period requested by the FCC. Therefore, the company has provided aggregate data for the entire Southwest region for the 2004 quarters.

In response to 16(b)(2)-(3):

Data responsive to these requests are provided in Exhibit 16(b)(2-3). Data are reported separately for (1) SBC's long distance (or interLATA) carriers (SBC Long Distance, which provides interstate and intrastate intraLATA toll and interLATA long

distance service in each of SBC's ILEC franchise areas other than Connecticut; and SNET America, Inc., dba SBC Long Distance East, the carrier providing interstate long distance service in Connecticut (a single LATA state)); and (2) the SBC ILECs, which provide intraLATA toll service (or in Connecticut, intrastate toll).

The long distance revenue and MOU data are reported separately by state for intrastate and interstate services, as requested. Because Connecticut is a single LATA state, data for SBC's Connecticut long distance and ILEC operations are also split between interstate and intrastate calls.

The ILEC intraLATA toll revenues and MOU data for the other SBC ILECs are reported separately by state, as requested. Data separating SBC Telco's intraLATA toll revenue and MOU for consumers alone on an intrastate vs. interstate basis, however, are not readily available. Therefore, separate data for intraLATA intrastate and intraLATA interstate revenues and MOU are not presented. In an effort to be as responsive as possible, SBC has reviewed data on payments of intraLATA access charges, and those data indicate that overall (for all types of customers for all SBC Telcos and all states) approximately 97-98% of intraLATA minutes are intrastate in nature.

c. For each state in which SBC operates as an incumbent LEC, describe the state regulation, if any, that applies to a residential local and long distance service bundle.

RESPONSE:

Texas:

In Texas, any intrastate regulated service(s) offered by SBC Texas and included in a bundled offering must also be available on a stand-alone basis either at the service's tariffed rate or at a rate not lower than the service's long run incremental cost ("LRIC").

The bundle of services may not be priced in a manner that is unreasonably preferential, prejudicial, discriminatory, predatory, or anticompetitive. In addition, all general regulatory consumer protection requirements, such as slamming, cramming, fairness in billing and protection of customer information, continue to apply. Also, each of the regulated components of a package of services remains subject to all of the existing regulations governing that stand-alone service. Basic local exchange services must be offered pursuant to tariff and the price of the basic residential line is capped at the rate in effect on September 1, 1999, until September 1, 2005, unless the period for the rate cap is extended.

Intrastate intraLATA toll services offered by SBC Texas are "nonbasic services" and can be priced at any level above LRIC or the price in effect for these services on September 1, 1999. SBC Texas can exercise pricing flexibility for intrastate intraLATA toll services, which means that it can sell these services in packages and customer-specific contracts ("CSCs"), as well as utilize volume, term, and discount pricing and other promotional pricing. Such pricing and pricing flexibility must be done in a manner that is not unreasonably preferential, prejudicial, discriminatory, predatory, or anticompetitive.

SBC Texas prices or exercises pricing flexibility for bundles that include residential local and intrastate intraLATA toll services by filing "informational notices" and tariffs with the Public Utility Commission of Texas ("PUCT"). These informational notices and tariffs would be served on the PUCT, the Texas Office of Public Utility Counsel ("OPUC"), and on all competitive local exchange carriers ("CLECs") operating

in SBC Texas' territory. The informational notices and tariffs would also be available for public inspection, and they would become effective ten days after filing unless challenged by the Commission's Staff or an interested party, in which case a contested hearing would result. To the extent that SBC Texas enters into CSCs for bundles that include residential local and intrastate intraLATA toll services, (a) the customers must sign an affidavit attesting that they are aware of the existence of competitive alternatives, and (b) the resulting CSCs are filed quarterly with the PUCT (under seal due to the competitive nature of these services). SBC Texas may set the price of any package of services containing basic network services and nonbasic services at any level at or above the lesser of the sum of the (a) LRICs of any basic network services and nonbasic services contained in the package or (b) tariffed prices of any basic network services contained in the package and the LRICs of nonbasic services contained in the package.

Long distance toll services provided by interexchange carriers ("IXCs") are not price regulated by the PUCT, but the IXCs file price sheets with the PUCT listing their current rates. If SBC Texas were to sell a bundle consisting of residential local services and long-distance (*i.e.*, interLATA) services, an informational notice and a tariff would need to be filed if the rate or terms and conditions of any of the regulated residential local services were affected. In such case, the informational notice and tariff would be served on the PUCT, OPUC, and on all CLECs operating in SBC Texas' territory. The informational notice and tariff would also be available for public inspection, and they would become effective ten days after being filed unless challenged by the Commission's Staff or an interested party, in which case a contested hearing would result.

Oklahoma:

In Oklahoma, the OCC regulates residential local and intrastate interLATA and intraLATA long distance bundles. Currently, bundles are required to be filed through traditional tariff filings. Effective July 1, 2005, SBC Oklahoma will be required to make only an informational filing for new bundled offerings, and the filing will be deemed approved the following day. Changes to packages will be deemed approved ten business days following the day such package is filed, unless suspended by Commission order. The price of each regulated service in a package, such as basic local, intrastate interLATA and intraLATA toll and other optional vertical services can be no lower than the sum of the current tariffed rates or LRICs of the regulated services in the package, whichever is lower. In addition, if an ILEC offers a package of services that includes an intrastate retail regulated telecommunications service that was individually tariffed as of December 31, 2004, the ILEC must continue to make that service available to customers on an individual basis. All bundle packages must be offered on a nondiscriminatory basis for both retail and wholesale customers and are subject to the OCC's quality of service and consumer protection rules that include but is not limited to slamming, cramming and dispute resolution. Any CLEC, the Attorney General or the Commission Staff may file an objection to the proposed bundling offering. An individual consumer objection is handled through the State Attorney General's Office.

All telecommunications service providers, including CLECs, have the same bundling options as SBC Oklahoma.

Kansas:

In Kansas, there is no separate regulation that applies to "bundles" of service. Rather, all of the retail regulation of SWBT's intrastate telecommunications services apply. While on a Kansas customer's bill there may be a single price point, for regulatory purposes the separate components of the bundle are broken out and shown separately (*e.g.*, local, vertical features, long distance).

The local calling portion of the bundle is subject to SWBT's price cap plan, which places an overall ceiling on the total rates SWBT may charge all customers in the plan. *See* KAN. STAT. ANN § 66-2005(k) ("A price cap is a maximum price for all services taken as a whole in a given basket. Prices for individual services may be changed within the service categories, if any, established by the commission within a basket."). For example, service for residence and single line business is subject to the cap in "Basket 1" and any associated vertical features are subject to the cap in "Basket 3."

All of SWBT's intrastate services must be tariffed and offered pursuant to tariffs or valid promotions. Moreover, the prices are subject to a price floor. *See* KAN. STAT. ANN. § 66-2005(k) ("Unless otherwise approved by the commission, no service shall be priced below the price floor which will be long-run incremental cost and imputed access charges. Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by local exchange carriers on a toll service basis."). For most services, LRIC is the floor, but for winback offers, the Commission now requires the use of TELRIC levels plus 21.6% (the resale discount).

All of SWBT's intrastate services are subject to the Commission's general regulatory authority, and in particular, the requirement that services not be "unjust, unreasonable, unjustly discriminatory or unduly preferential." See KAN. STAT. ANN. § 66-1,191.

Kansas has billing rules that apply to all retail consumer customer's bills. Kansas also has a cramming statute that prohibits the billing of services a customer did not order. Quality of service rules require:

1. Installation and repair appointments met - 90%
2. Trouble reports per 100 lines - 6.0%
3. Repeat trouble reports - 20%
4. Average customer repair intervals - 30 hours

Finally, the statute allows customers to file formal complaints with the Commission if SWBT has violated a law, or a rule or regulation of the Commission.

Arkansas:

In Arkansas, when basic local exchange service is included in a bundled offering, it must also be available to be purchased on a stand alone basis at its tariff rate. As an Electing Company, SBC Arkansas may bundle any of its services with any other service it or its affiliates offer, with or without a discount. The bundle of services may not be priced in an anticompetitive manner. Each of the regulated components of a package of services remains subject to all of the existing regulations governing that stand-alone service. Basic local exchange services must be offered pursuant to tariff. Approximately 95% of SBC Arkansas' access lines are in exchanges that have been declared competitive. In those exchanges, SBC Arkansas may determine its rates for basic local service in the same manner that it determines its rates for all other services, i.e., price

changes are not subject to a cap and may be implemented by a revised tariff filing. Intrastate toll services are no longer subject to price caps.

The Commission's complaint process is available to any customer regarding quality of service disputes.

Missouri:

Services offered by SBC Missouri are generally subject to price caps since a Missouri PSC decision in 1997. The price cap for basic local service in an exchange is the rate which was in effect on December 31, 1996, as adjusted on a yearly basis by changes in the consumer price index for telephone service (CPI-TS). That index has decreased over time, such that the company is charging less today for basic local service than it did in 1996. The price cap statute also permits services to be declared competitive, based on a Commission finding in compliance with the statute, at which point the incumbent LEC is permitted to adjust its prices upward or downward as the LEC deems appropriate. In Missouri, all basic local exchange services remain subject to price caps, except for business services in two of the 160 exchanges served and for residential services in two different exchanges.

Apart from rate regulation, basic local services offered by SBC Missouri are also subject to substantial PSC oversight, including on matters such as billing, quality of service, changes in carrier selection, use of customer proprietary network information and other matters. All regulated telephone services in Missouri must be offered pursuant to tariff, and SBC Missouri remains subject to the jurisdiction of the Missouri PSC for both informal and formal complaints. SBC Missouri is SBC's regulated local service provider in Missouri.

SBC Missouri does not itself offer packages of basic local residential combined with interstate and intrastate long distance. To the extent those packages are offered, it is by the regulated long distance affiliate, SBC Communications Services d/b/a SBC Long Distance. Where basic local residential service and long distance are combined in a package that includes non-regulated services, the price of basic local residential and long distance service is the prevailing tariff price for each service. The package price is adjusted by varying the price for the non-regulated services in the package.

SBC Long Distance does have offers for its long distance service that are dependent upon taking basic local service from SBC Missouri. The price for the local exchange service is not in the SBC Long Distance tariff, as there is only a statement in the tariff that conditions the lower long distance price on receiving local exchange service from SBC Missouri. In those cases, the customer is charged the generally available tariffed rate for residential local service.

California:

Both residential local service and long distance are tariffed services subject to Commission regulation. SBC California can create bundles of services (multiple services tariffed to be available at a single price) and price that bundle at or above the sum of the Commission-established price floors of the individual components of the bundle. See D.96-03-020, mimeo, at 106 ("The price floor for any package should be the sum of the price floors of the individual parts of the package (including any imputation requirement in setting the price floors)" and "When packaging residential services, the existing imputation rules should apply.") Residential local service is a Category II service with individual pricing flexibility as described in Response 7, above. Long distance does not

have price floors or ceilings but must comply with tariff filing rules and time frames for rate changes.

Bundles of residential local and long distance can also be jointly marketed under a single name that is not tariffed by virtue of SBC California's tariff A.2.1.2(k). But the services are identified by their tariffed name and charged at the tariffed rates.

Additionally, §2898 of the California Public Utilities Code provides:

> "(a) Every incumbent local exchange carrier and competitive local exchange carrier shall provide, upon request and without charge, to customers electing to purchase any service package that includes both local and long-distance service, or for customer that buy a set number of minutes for a fixed price, a breakdown showing the total minutes of use in the billing period listed under one telephone number for toll and long-distance service.
>
> (b) This section shall remain in effect only until January 1, 2007, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2007, deletes or extends that date."

Regulated components of untariffed bundles have to be billed and charged at tariffed rates and all the tariffed terms and conditions are applicable. Any advice letters to change prices or terms and conditions, except changes to the price of a Category 3 service below the established price maximum, can be protested at the CPUC by competitors, customers, etc.

The terms and conditions are tariffed and subject to Commission regulation and approval in order to change. Current terms and conditions for retail services include rules on deposits, release of customer information, termination of service, disclosure of certain consumer benefiting information, and back billing limitations. SBC California is also subject to the Business and Professions Code in California. Section 17200 prohibits unfair competition. Unfair competition is defined to mean "any unlawful, unfair or

fraudulent business act, or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by [17500]." Section 17500 in turn prohibits false or misleading statements. Actions to enforce these provisions may be brought by the government, by customers, or by competitors. Service quality standards include number of trouble reports for SBC California services, call answer time to report trouble, and held service orders for primary service.

SBC California cannot unjustly discriminate in offering and providing its regulated services. The complaint process is available at the Commission to any customer or competitor to claim a violation of law, Commission decision, or tariff.

Nevada:

In Nevada, a Plan of Alternative Regulation ("PAR") carrier, such as SBC Nevada, may offer any package of services, which may include basic network services, competitive services, discretionary services, and other essential services, as well as services and products that are not subject to the jurisdiction of the Public Utilities Commission of Nevada ("PUCN"). The PUCN cannot specify a maximum rate for a package of services provided by the PAR carrier; however, the price or prices of each package of services that is subject to flexibility pursuant to this section must not be lower than the lesser of:

(a) The sum of the price floors for each service included in the package; or

(b) The sum of the prices of the basic network services, as set forth in the tariffs of the PAR carrier, and the price floors for each of the other services included in the package.

The relevant statute defines "price floor" as " . . . the minimum price of a service using cost-based standards as determined by the Commission by regulation." NEV. REV. STAT. 704.68944.

In order to avail itself of the package pricing, a PAR carrier must provide a minimum of a 20-days' notice to the Commission. The notice must include a description in reasonable detail of:

(a) The characteristics of each service or package of services that will be subject to such flexibility;

(b) The terms and conditions applicable to each service or package of services;

(c) The nature of any limitations on the duration or geographical availability of each service or package of services;

(d) The price or prices of each service or package of services;

(e) A certificate which provides that:

1. The PAR carrier has prepared a cost study of the price floor to support the price or prices of each service that will be subject to such flexibility or each service included in the package of services that will be subject to such flexibility; and

2. On and after the date on which the notice is filed with the Commission, any affected person may, upon request, inspect and copy the cost study, subject to reasonable terms and conditions of any applicable confidentiality and nondisclosure agreement relating to the service or package of services; and

(f) A draft of the notice that will be posted by the Commission.

[Note: The notice requirements do not apply to a PAR carrier with respect to the pricing or terms of any competitive service or any package of services comprised exclusively of competitive services.]

If a PAR carrier charges a customer a fixed price or amount for a package of services that is subject to flexibility pursuant to this section, the PAR carrier, in any bill or statement for the package of services, is permitted to specify only the fixed price or amount for the package of services and is not required to identify each separate service or component included in the package of services; or specify the unit price or amount charged for each separate service or component included in the package of services.

Regulated services included in a package offer must also be available on an individual basis. NEV. REV. STAT. 704.68964 (4). Each of the regulated components of a package of services remains subject to all of the existing regulations governing that stand-alone service. Basic local exchange services must be offered pursuant to tariff and are subject to a price cap system. Further, in exercising flexibility in packaging services, a PAR carrier is prohibited from engaging in any anticompetitive act or practice or unreasonably discriminating among similarly situated customers. NEV. REV. STAT. 704.68966.

Bundled offerings, and offerings of each component of a bundle, are subject to consumer protection provisions governing slamming, cramming, reporting requirements, etc. Complaints may be filed by any customer, a competitor, the PUCN Staff or the Nevada Bureau of Consumer Protection with the PUCN.

Michigan:

In Michigan, toll services, including those of SBC Long Distance, are not subject to direct economic regulation by the Michigan Public Service Commission (MPSC). SBC Long Distance, as a reseller of service, is not required to be licensed or certificated by the MPSC, to file tariffs for its services with the MPSC, or to obtain MPSC approval.

Rather, SBC Long Distance is subject to the MPSC's complaint jurisdiction over consumer protection issues such as misrepresentation, fraud, slamming, cramming, disparagement of another provider, privacy and protection of customer information. Moreover, while not subject to direct economic regulation by the MPSC, SBC Long Distance's toll service generally may not be priced below the long run incremental cost of the service, and toll service is subject to an imputation requirement that requires rates to exceed the price of the wholesale components of the service.

The MPSC does retain direct economic regulation authority over basic local exchange service (BLES), generally defined as an access line and usage within a local calling area. Direct economic regulation means, with regard to basic local exchange service, that rates must be just and reasonable, non-discriminatory and subject to an imputation test which requires that rates equal or exceed the higher of the rates for the wholesale components of the service or the incremental cost of the service . A provider of basic local exchange service may decrease rates for the service upon filing of one day's notice with the MPSC. Increases in rates must be approved by the MPSC after notice and hearing, except that providers are permitted to increase rates once a year in amount no more than the Consumer Price Index minus 1%. Basic local exchange service is also subject to the MPSC's quality of service rules and billing rules. In addition, basic local exchange service is subject to all of the consumer protections described above which are generally applicable to telecommunications services.

Vertical features, such as call waiting or call forwarding, and services such as voice mail, which may be provided in conjunction with local service, are not regulated or

subject to tariffing requirements in Michigan. However, vertical features, to the extent they are within the definition of telecommunications services, are subject to the complaint jurisdiction of the MPSC for the consumer protections described above, and must be priced above incremental cost and cover the imputed cost of the wholesale components of the service.

When basic local exchange service is offered as part of a package or a bundle that includes long distance services, the basic local exchange service remains subject to MPSC direct economic regulation. Therefore, any decreases in the price of the package, unless approved by the MPSC for basic local exchange service, must come from the non-regulated components of the package or bundle. Moreover, the components of the package or bundle which are within the definition of telecommunications service would remain subject to the regulatory requirements described above for telecommunications services.

Illinois:

In Illinois, SBC Illinois may offer regulated local exchange services on a bundled basis, but the component services in the bundle must also be available on a stand-alone basis. The total price for packages of regulated services is discounted relative to the aggregate stand-alone prices for all of the component services. However, packages of regulated services are not further discounted when offered in conjunction with long distance or unregulated products. In that situation, any additional discounts are taken on the long distance or unregulated products.

All regulated services, whether offered on a package or stand-alone basis, must be offered pursuant to tariff. SBC Illinois' services are classified as either competitive or

noncompetitive. SBC Illinois classifies packages which include both competitive and noncompetitive services as noncompetitive. Most retail packages offered to residential customers are, therefore, noncompetitive, because the residence network access line, local usage and certain central office features are classified as noncompetitive. The packages themselves are tariffed. Noncompetitive service prices and price changes require 45 days' notice and are subject to suspension and investigation under Section 9-201 of the Illinois Public Utilities Act. Noncompetitive service prices must be just, reasonable and nondiscriminatory. They are also subject to a price cap system.

Competitive service prices and price changes can be filed on one days' notice and take effect automatically. Competitive residential services include intraLATA toll service and certain central office features. All retail business services are classified as competitive as a matter of law under Section 13-502.5 of the Illinois Public Utilities Act. However, Section 9-250 of the Act provides the Commission with the authority to investigate whether competitive service prices are just, reasonable and nondiscriminatory. Carriers in Illinois may also offer competitive services under contract at off-tariff rates to individual customers pursuant to Section 13-509 of the Act.

Intrastate toll and long distance services are classified as competitive in Illinois. Thus, SBC's distance services are tariffed and are subject to the regulatory requirements described above. That is, they are not subject to price caps, but may not be unjustly or unreasonably priced and must be offered on a nondiscriminatory basis. They may also be offered to customers under contract.

The ICC has adopted service quality rules that are applicable to all retail services provided by local exchange companies. ILL. ADMIN. CODE tit. 83, Part 730. These rules cover installation intervals, repair intervals and other matters. SBC Illinois' noncompetitive services are also subject to separate service quality requirements under its price cap system.

Bundled offerings, and offerings of each component of a bundle, are subject to consumer protection provisions governing slamming, cramming, fairness in billing, etc. Complaints may be brought by any customer, a competitor, groups representing consumers or competitors, or governmental bodies.

Indiana:

Under SBC Indiana's Alternative Regulation Plan (ARP), the term "bundle" has a specific definition, as does the term "package."[20] In order to fully respond to the question, we have assumed that the question may refer to either a bundle or a package as defined in the ARP. Under SBC Indiana's Alternative Regulation Plan (ARP), a bundle or a package containing a regulated service is considered a 'Tier 3' service. Tier 3 services are afforded the greatest amount of regulatory flexibility available under the

[20] The SBC Indiana Alternative Regulation Plan defines the terms 'bundle' and 'package' in Sections II.B and II.F as follows:

1. Bundle: a bundled offering provides a customer a discount when the customer buys a certain group of services. Each individual service within the bundle maintains a separate rate. One or more of the services in the bundle may be discounted. [Example: If you purchase call waiting from SBC Indiana, you may also purchase three-way calling at a 20% discount.]
2. Package: an offering that provides a customer a discount when the customer buys a certain group of services. Unlike a bundle, however, the group of services carries one rate. This packaged rate is less than the sum of the a la carte rates of the services contained in the package. [Example: A customer may purchase call waiting and three-way calling from SBC Indiana for $5.20 a month - the a la carte price for these two services would be $5.75 per month.]

ARP. For all Tier 3 services, including bundles and packages containing regulated services, price increases, price decreases (which include all promotions), and changes to terms and conditions become effective no earlier than on the day after the date upon which the Company provides written notice to the IURC. The Company may decrease prices for Tier 3 services at any time provided the lower price exceeds the TSLRIC of the service plus ten percent. [See specific cost filing requirements for bundles containing regulated services and packages, set forth below.] In the case of service withdrawals and grandfathering, written notification must be provided to impacted customers at least fifteen days in advance. In the case of price increases, the Company must notify affected customers of the increase "in the first bill where the change is effective." IND. ADMIN. CODE tit. 170,7-1.3-5(d). SBC Indiana may use target marketing, which allows the Company to introduce new services, service packages, bundles, promotions, or win-back offers that are designed to benefit particular customer segments and are not generally available to the public. As Tier 3 services, bundles and packages may be offered through a Customer Specific Offering, known in other venues as ICB [Individual Case Basis] pricing.

The SBC Indiana Alternative Regulation Plan includes specific cost filing requirements when a regulated service is discounted as part of a bundle. Paragraph III.E.(3) of the ARP Settlement Agreement provides as follows:

Cost filing requirements for bundles.

> If a regulated service offered by SBC Indiana is discounted as a part of a bundle, the Company shall demonstrate to the Commission in writing that the discounted price exceeds its TSLRIC plus ten percent. When more than one such service is part of the bundle, the cost floor requirement can be met on either an

> individual service or aggregate service basis. The cost study provided by the Company shall identify each individual regulated service and its TSLRIC. SBC Indiana shall make this demonstration when the service is (1) regulated, (2) offered by SBC Indiana, and (3) discounted. If any of these three criteria are not met, no cost demonstration would be required. If the bundle contains primary line residential basic exchange service, the Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.

The SBC Indiana Alternative Regulation Plan also includes specific cost filing requirements for packages. Section III.E.(4) provides as follows:

> Cost filing requirements for packages.
>
> (a) If a package is comprised only of regulated services provided by SBC Indiana, the Company shall demonstrate through a cost study provided to the Commission and the OUCC that the price of the package exceeds the TSLRIC of the group of all regulated services contained in the package by at least ten percent. The cost study provided by the Company shall identify each individual regulated service and its TSLRIC so that the Commission and the OUCC may independently verify that the price of the package exceeds the aggregate cost of the regulated services by TSLRIC plus ten percent. If the package contains primary line residential basic exchange service, the Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.
>
> (b) If a package is comprised of both regulated and unregulated services provided either by SBC Indiana or SBC Indiana and an affiliate, the Company shall provide to the Commission and the OUCC the costing information for each individual regulated service, so that the Commission and OUCC may independently verify that the aggregate cost of the regulated services exceeds TSLRIC plus ten percent. The cost study provided by the Company shall identify each individual service and the TSLRIC so that the Commission and OUCC may independently verify that the price of the package exceeds the aggregate cost of the regulated services by TSLRIC plus ten percent. If the package contains primary line residential basic exchange service, the Company may use the basic local service

> exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.

In addition, the SBC Indiana Alternative Regulation Plan stipulates that SBC Indiana provide a bill page message, insert or similar notification on a one-time basis to inform residential customers of the stand-alone price for 'Tier 2' features and residential advanced custom calling features included in a package offering. Tier 2 features include several custom calling features as well as stand-alone Caller ID.

The Indiana Administrative Code includes the following disclosure provision concerning bundled service packages in 170 IAC 7-1.2-16(d):

> Local service providers, when offering bundled service packages, shall explain that each service or feature within the package may be purchased individually, list each service and/or feature contained in the package, and, upon subscriber request, provide individual rates for each service or feature.

In Indiana, long distance service is classified as nondeniable. As a result, SBC Indiana cannot disconnect local service for nonpayment of toll service. The following tariff language explains how service disconnection must be handled in the case of a package or bundle that contains both local and toll service.

> In any case in which the customer purchases a package or bundle of services that includes both regulated services provided under this tariff and any products or services not provided under this tariff, in the event the customer fails to submit timely payment for the entire package or bundle, whether by non-payment or by partial payment, the Company shall be entitled to discontinue the provision of any products or services not provided under this tariff and to treat the remaining regulated services provided under this tariff according to the applicable provisions of this tariff. In such event, the Company shall also be entitled to continue the provisions of all regulated services provided under this tariff on such account and to charge the rates specified for such services; provided however, that the customer shall continue to receive any discounts provided on any regulated services, to the extent any such discounts are applicable to such services according to the terms of this tariff; and further provided, that the customer shall be entitled to add, change or discontinue

> any regulated services provided according to the Company's normal procedures for adding, changing or discontinuing such services.
>
> SBC Catalog, Part 2, Section 2, Sheet No. 1

Bundles and packages are generally offered by tariff, and are found in the SBC Indiana Catalog.

Service quality standards, penalties and reporting requirements, as defined in the SBC Indiana Alternative Regulation Plan and the Indiana Administrative Code, IND. ADMIN. CODE. tit. 170, 7-1.2-1 are applicable to regulated services within a bundle or package offering. Consumer protection rules, *Id.* 7-1.1-19, (concerning slamming and cramming apply to the provision of regulated services within a bundle or package offering. The Indiana Commission may open an investigation to review complaints with respect SBC Indiana's compliance with the ARP as to these services. Such proceeding would involve notice and public hearing.

Wisconsin:

In Wisconsin, any package (*i.e.*, group of services provided by a single entity under a single price) of regulated services included in a bundled offering (*i.e.*, a group of services provided by more than one entity usually at a discount of the aggregate standalone prices) must also be available on a stand-alone basis under the same rates, terms and conditions under tariff. The price of any regulated component of a package or bundle need not equal its stand-alone price; however, the price of any package of regulated services included in a bundled offering must exceed the TSLRIC and imputation (if applicable) floors set out in WIS. STAT. § 196.204(5) & (6). Any discount available to the customer for purchase of a bundle may only apply to the non-regulated components of the bundle, *i.e.*, the packages of regulated services included in the bundle

may not be discounted from their tariffed prices. The bundle of services may not be priced in an anticompetitive manner. Although basic local exchange service is price regulated when offered on a standalone basis, it is not price regulated when it is included in a package. Nonetheless, basic local exchange service, even when included in a package, must be offered pursuant to tariff and rates must be just and reasonable. Price increases within specified ceilings may be made on 45 days notice. Price increases above the ceilings require 120 days notice and a demonstration of their reasonableness.

Intrastate toll services are no longer subject to price caps, but must not be unjustly or unreasonably priced and must be offered on non-discriminatory terms and conditions. SBCLD rates are subject to a postalization requirement imposed in its certificate. The complaint process remains available for any challenge to such offerings.

Bundled offerings, and offerings of each component of a bundle, are subject to consumer protection provisions governing slamming, cramming, fairness in billing (including a requirement that each bill for a packaged service set forth, in addition to a total price, the components of that package), reporting requirements, etc. Complaints may be brought by any customer, a competitor, the PSCW or the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Ohio:

In Ohio, all service packages are considered Tier 2 service offerings under Ohio Administrative Code Rule 4901-1-6-21. Packages of regulated services must be tariffed whether or not they are offered in conjunction with unregulated services. And each regulated service offered as a component of a package must be individually tariffed. The total price of any bundled service package need not match the total of the services'

individual prices, but the services are subject to the statutory mandate that "[n]o public utility shall furnish . . . service for less than actual cost for the purpose of destroying competition." OHIO REV. CODE ANN. 4905.33(B). They must still cover the long-run service incremental cost of regulated services included in the bundled package.

If the company packages or bundles regulated local services with toll and/or unregulated services, it only has to tariff the regulated components of the package or bundle of services either as a package at a separate, single rate for the regulated components or individually at individual tariffed rates. The regulated components of a package of services remain subject to all of the service standards and other consumer protection provisions governing slamming, cramming, and fairness in billing that govern the stand-alone service.

All services included in such bundles are regulated by the Commission except for voicemail and the inside wiring plan. The unregulated services and any rates associated with the unregulated service components of any package or bundle of services shall not be tariffed. A formal complaint process is available to any customer or competitor wishing to assert a violation of the applicable statutes or rules.

Connecticut:

There are no Connecticut state statutes or regulations that specifically apply to telecommunications service bundles. Bundled telecommunications services, like all Connecticut telecommunications services, are regulated based on whether they are classified as "competitive," "emerging competitive" or "non-competitive" services pursuant to Connecticut General Statute ("CONN. GEN. STAT.") § 16-247f.

All Connecticut telecommunications services must be tariffed regardless of their competitive classification. However, telecommunications services and non-telecommunications services marketed together are not required to be tariffed as bundles. In these instances where the bundle is not specifically tariffed, component telecommunications services are regulated individually based on their own competitive, emerging competitive or non-competitive classification. The telecommunications components are, of course, individually tariffed.

New tariffs for service bundles deemed non-competitive must be filed on 21 days' notice with cost support. The proposed price, which may be banded, must be above Total Service Long Run Incremental Cost ("TSLIRC"). Subsequent within-band price changes may be made on 14 days' notice. SBC Connecticut's non-competitive services are also subject to an annual price cap formula adjustment. All proposed new and revised tariffs for non-competitive bundles are subject to potential suspension and investigation by the DPUC. And all non-competitive tariffed bundles must be made available for resale at a 25.4% discount.

Tariffed service bundles deemed competitive, (such as SBC Connecticut's All Distance® Bundle, designated "Bundle A" in SBC Connecticut's General Exchange Tariff), are subject to a somewhat more streamlined tariff review process and additional pricing flexibility. Prices may be banded. Within band price changes may be filed on 5 days' notice without additional cost support. There is no price ceiling, although bundle prices are subject to an imputation standard (price floor) unless waived by the DPUC. Out-of-band price changes are treated as new service filings, which may also become

effective on 5 days' notice, and which, unless waived, must include cost support sufficient to demonstrate compliance with the imputation standard. All proposed new and revised tariffs are subject to potential suspension and investigation by the DPUC, but otherwise take effect on five days' notice. All competitive tariffed bundles must also be made available for resale at a 25.4% discount.

Any customer-specific bundle contract terms are subject to the non-competitive or competitive tariff and pricing requirements. Each case must be individually tariffed specifying all terms and conditions and the need for individual case pricing must be justified. The customer's identity for a competitive bundle may, however, remain anonymous.

Customer lines within bundles remain subject to service standards set forth for retail lines in Connecticut General Statute, CONN. GEN. STAT.§ 16-247p, and DPUC Regulations, (CONN. AGENCIES REGS. § 16-247g-2), including those covering trouble reports, installation appointments met, installation intervals and out-of-service repairs. In addition, general regulatory consumer protection requirements, such as fairness in billing, protection of consumer information, and timely handling of customer complaints continue to apply. A formal complaint process is also available to any customer or competitor wishing to assert a violation of the applicable statutes and regulations.

Finally, although, as stated above, there are no Connecticut statutes or regulations which are specifically applicable to service bundles or packages, there is one statute with particular relevance to bundles. Connecticut state Conn. Gen. Stat. § 16-256k, requires each incumbent and certified telecommunications provider to "clearly and conspicuously

disclose, in writing, to customers, upon subscription and annually thereafter, [ ] whether the removal or change in any telecommunications service will result in the loss of a discount or other change in the rate charged for any telecommunications services subscribed to or used by the customer."

d. For each incumbent LEC franchise area, state separately for AT&T and SBC the number of residential customers that subscribe to a combined local and interexchange plan at a flat monthly rate, separately for plans with unlimited interexchange minutes and plans with a bucket of interexchange minutes.

RESPONSE:

To respond to this request, SBC has used the billed account number for a given residential line to estimate the number of residential customers that subscribe to flat rate plans that combine local and interexchange service.

SBC offers only a single bundle plan that combines local and interexchange services, and that plan offers unlimited interexchange minutes. The number of customers, calculated based on billed account number, is reported in Exhibit 16(d).

SBC does offer many different plans with a bucket of interexchange minutes, and many of its local exchange residential customers purchase those plans. Those plans, however, are generally not sold in a bundle that combines the interexchange minutes with the local exchange service. Nonetheless, information on the number of customers who purchase those plans, calculated based on billed account number, is also provided in Exhibit 16(d).

17. According to Paragraph 54 of the Carlton & Sider Declaration, "SBC does not plan to exit from the provision of local or long distance services."

a. While SBC might not be planning to completely exit the local and long distance lines of business in all markets, as is planned by AT&T, describe in greater detail SBC's plans with respect to residential customers that currently subscribe to AT&T's services outside of SBC's region if the merger is approved. Provide documentation to support the response.

RESPONSE:

SBC does not now have detailed plans with respect to AT&T's current subscribers because the integration planning process is at an early stage.

However, SBC has a long and successful history of serving residential customers, and expects to build on that history. When combined with AT&T's name and reputation, customer base and technology, the opportunities presented by AT&T's current residential customer base, as well as building on that base and selling additional services to those customers, have great potential. SBC does have preliminary plans to offer VOIP service on a 50-state basis, which may be attractive to some current AT&T residential subscribers.[21]

b. Explain how the merged entity would comply with applicable rate integration and geographic rate averaging requirements of section 254 if the merger is approved.

RESPONSE:

SBC recognizes that, if the merger is approved, it will be required to reconcile the various interexchange rate plans currently offered by AT&T and by SBC to bring them into compliance with the applicable rate integration and geographic averaging requirements of Section 254 of the Act and Section 64.1801 of the Commission's rules. At this point, however, SBC does not know all of the various rate plans offered by AT&T

[21] *See* SBC's response to 13(d) above; *see also* Exhibits 17(a)(1) ("Merger Integration Guiding Principles") and 17(a)(2) ("SBC, AT&T Reach Services Agreements With Covad").

nor can it acquire that type of information under the antitrust laws until after the merger is approved. SBC's current plan is to seek a short-term waiver of the rate integration and geographic averaging requirements so that it can evaluate AT&T's various rate plans and the contractual obligations that AT&T has incurred under those plans and rationalize those rate plans with those offered by SBC. With that understanding, it will develop coherent and consistent rate plans applicable to, and acceptable by, both SBC and AT&T interexchange customers that comply with requirements of Section 254 and the FCC's rules.

c. Explain how AT&T will be operated in those states within SBC's region where section 272 obligations have not yet sunset, if the merger is approved.

RESPONSE:

AT&T will become a first-tier subsidiary of SBC, organized as a section 272-compliant separate affiliate throughout SBC's region upon the closing of the merger. SBC's section 272 obligations (other than section 272(e)) have sunset in Texas, Kansas, Oklahoma, Arkansas and Missouri.[22] But because SBC operates on an integrated basis throughout its region, AT&T will be organized, upon the closing of the merger, as a section 272 subsidiary of SBC in all states in the SBC region. And AT&T's in-region operating subsidiaries will survive as wholly owned subsidiaries of that section 272 subsidiary.

[22] *See, Petition of SBC Communications Inc. for Forbearance from Structural Separation Requirements of Section 272 of the Communications Act of 1934, As Amended, and Request for Relief to Provide International Directory Assistance Services*, Memorandum Opinion and Order, 19 FCC Rcd. 5211, 5215 ¶ 7n. 23, CC Docket No. 97-172, 04-67 ¶ 7 n.23 (rel. Mar. 19, 2004).

Because AT&T's in-region long distance and local facilities are integrated, compliance with section 272 for long distance services requires, as a practical matter, that all other AT&T in-region services also comply with section 272. Accordingly, although section 272 applies only to AT&T's in-region long distance services, *all* of AT&T's in-region services and operations (*e.g.*, its local, long distance, and advanced services) will comply with the structural, transactional, and nondiscrimination requirements of section 272 to the extent applicable.[23] This adherence to restrictions beyond those that are legally required should remove any possible doubt that "competitors of the . . . section 272 affiliate [will] have access to essential inputs, namely, the provision of local exchange and exchange access services, on terms that do not discriminate against the competitors and in favor of the BOC's affiliate."[24]

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[23] Because the AT&T section 272 affiliate will not be a BOC, or a "successor "or "assign" of a BOC within the meaning of section 3(4) of the Act, it will not be subject to the obligations of a BOC under section 272(c). *See In the Matter of Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, As Amended*, First Report and Order and Further Notice of Proposed Rulemaking, 13 FCC Rcd. 11230 ¶ 309 (1996) ("*Non-Accounting Safeguards Order*"). ("We also note that, based on the plain language of the statute, section 272(c) only applies to the BOC or an affiliate that is a 'successor or assign' of the BOC . . . . unlike sections 272(a) and (e), section 272(c) does not apply to BOC affiliates merely because they qualify as incumbent LECs.").

[24] *Non-Accounting Safeguards Order*, 13 FCC Rcd. 11230, ¶ 13. Because AT&T's in-region advanced services will be provided through a section 272 affiliate, they will comply with structural safeguards that are *more* stringent than those imposed on Advanced Services, Inc. ("ASI"), SBC's advanced services affiliate. *See* Memorandum Opinion and Order, *In the Matter of Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services*, CC Docket No. 01-337, FCC 02-340 (rel. Dec. 31, 2002) ("*ASI Forbearance Order*"); *see also In re Applications of Ameritech corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, Memorandum Opinion and Order, 14 FCC Rcd. 14712 ¶¶ 365, 460 (1999) (identifying ways in which restrictions imposed on ASI are less stringent than those imposed on section 272 affiliates). Consequently, AT&T's in-region advanced services will not be subject to tariffing obligations or the accounting, recordkeeping, and recording requirements of Parts 32, 36, 64, and 43 of the Commission's rules. *See* Wireline Competition Bureau, Order, *Petition for Waiver of the Commission's Accounting, Separations, Cost Allocation, and Reporting Rules*, WCB/PPD No. 05-02, DA 05-260 (rel. Jan. 31, 2005) (waiving ASI's compliance with accounting, recordkeeping, and reporting requirements in Parts 32, 36, and 64 until issuance of final rule concerning regulatory status of ILEC broadband services).

18. According to page 65 n.212 of the Public Interest Statement, long distance prepaid calling cards should be viewed as being in a separate market than long distance service, there are many competitors for prepaid calling cards, and barriers to entry are low. For prepaid calls sold to residential customers, provide separately for SBC, AT&T, intrastate toll and domestic interstate toll resellers of AT&T or SBC, and an estimate for all providers: (a) originating intrastate toll and domestic interstate toll minutes and (b) revenues. For purposes of this Specification, revenues should represent the amounts paid by the end-user customers and should correspond to amounts reported to the IRS for federal excise tax purposes.

RESPONSE:

SBC does not offer residential prepaid calling cards and has no platform to sell wholesale long distance to resellers. SBC uses Wiltel as its underlying facilities-based carrier and any wholesale operations by SBC would not be competitive with Wiltel or others in the market.

SBC has entered into the following arrangements that involve the sale or use of prepaid calling cards, but none of those cards are SBC's. SBC does not receive any revenue for the provision of telecommunications services to end users nor does it receive revenue from these services that is subject to federal excise taxes. Moreover, to the extent that SBC has access to information concerning end-user minutes of use and revenue, that data is subject to confidentiality agreements which limit SBC's ability to provide the data to others.

1. SBC has entered into a Joint Marketing Agreement with Telmex USA, L.L.C. pursuant to which SBC assists Telmex USA in marketing two types of Telmex prepaid calling cards which bear the SBC logo. The SBC/Telmex co-branded calling cards are Telmex-USA offerings for calls originating in the United States and Telmex

offerings for calls originating in Mexico. SBC Long Distance provides the originating 800 service to Telmex-USA for the SBC/Telmex co-branded cards.

The first type of co-branded prepaid calling card is an over-the-counter, or OTC card. This card is sold over the counter at convenience stores. OTC cards use the Telmex platform based in Mexico. SBC supports access to the Telmex platform via three 800 numbers that appear on the OTC cards (Spanish access, English access, and service). The OTC cards are marketed by Telmex USA and its distributor solely in $5 denominations. The cards are activated by Telmex USA at the distributor's request and are ready for use when sold over the counter. The arrangement calls for Telmex USA to bill the distributor when the cards are activated at a rate of $5 less an agreed discount. Telmex USA also sells the OTC product (in the form of information, rather than an actual calling card) on its website.

SBC is compensated for: (1) domestic 800 access to Telmex USA (billed monthly), *[REDACTED]*. To date, SBC has received compensation only for 800 access on the co-branded cards.

More recently, Telmex USA began offering the second type of co-branded calling card called a Point-of-Sale Activated, or PoSA card. The PoSA card operates under the same agreements as the OTC card, but uses the US-based NetworkIP platform rather than the Telmex Mexico platform. The PoSA cards are not active until a magnetic stripe on the back of the card is activated at the point of purchase. The cards can be activated for amounts between $5 and $50 per card. SBC provides two 800 numbers for the PoSA

cards to access the NetworkIP platform (one for English/Spanish access, the other for customer service). *[REDACTED]*.

2. SBC provides payphone services to some correctional facilities under contracts which include provisions for calling card services. The calling cards are those of the subcontracted vendors. No SBC logos appear on the calling cards, nor does SBC provide the long distance platform (the subcontractor does). SBC acts as a sales and service agent in that it resells the subcontractors' calling cards to the correctional facilities, which in turn sells the cards to end-users. SBC receives a portion of the correctional facilities' sales of the cards which it remits, less its fees, to the subcontractor.

3. SBC has contracts to provide institutional payphone services to facilities such as airports. These contracts include provisions for calling card vending services, which services SBC subcontracts out to third parties. Calling cards vended in these arrangements are those of the subcontracted vendors. The subcontracted vendors install, operate, maintain and collect from the calling card vending machines. The vendors turn over a portion of the collected vending machine revenue to SBC. SBC remits what it receives over to the contracting institution, less its fees.

F. International Services

SBC Relationship With Telmex

19. Please describe the relationship between SBC and Telefonos de Mexico, S.A. de C.V. ("Telmex"). In particular, please describe:

a. Any direct or indirect ownership that SBC has in Telmex. Please describe the type of ownership (*e.g.*, shares of common stock, shares of preferred stock, membership or partnership interests) and what if any voting or other rights are conferred with that ownership.

RESPONSE:

SBC has a minority interest in Telmex amounting to approximately *[]* percent of Telmex's total capital stock. That interest represents *[REDACTED]* percent of Telmex AA shares, which amounts to *[REDACTED]* percent of the voting shares. SBC's interest in Telmex is held through a trust and the Trust Agreement requires the trustee to vote SBC's shares in accordance with Carso Global Telecom, Telmex's controlling stockholder, on all matters except the election of the directors and the members of the Executive Committee.

Under a January 2, 2001 Joint Venture Agreement ("Telmex JVA") between SBC and Carso Global Telecom SBC has the right to appoint a minority of the members of Temex's Board of Directors. Those rights are described in response to Specification 19(c) below.

The Telmex JVA also gives SBC the right to appoint one member of Telmex's four-member Executive Committee. The Executive Committee reviews all major strategic, operational, and financial and investment decisions and makes recommendations to the Board. The types of decisions reviewed by the Executive Committee include issuance of stock by Telmex; major acquisitions and dispositions and entry into new lines of business; annual capital expenditues; business plans and budgets; incurring major indebtedness; appointment of the Director General; affiliate transactions; dividend policy; and the transfer of trademarks or trade names.

b. Any direct or indirect ownership that Telmex has in SBC. Please describe the type of ownership (*e.g.*, shares of common stock, shares of preferred stock, membership or partnership interests) and what if any voting or other rights are conferred with that ownership.

RESPONSE:

SBC is not aware that Telmex owns any SBC stock. No SBC stock is registered in the name of "Telefonos de Mexico" and, to the best of its knowledge, SBC is not aware of any stock held by Telmex through Telmex subsidiaries or in street name.

c. Any rights that SBC has to appoint members to the board of directors of Telmex. If SBC has such rights, have they exercised them? If so, please provide the name(s) and the terms of the directors that SBC has appointed to the Telmex board as well as their citizenship.

RESPONSE:

Telmex has an 18-member Board of Directors. *[REDACTED]*. Carso Global Telecom, as majority shareholder of Telmex, also appoints a majority of seats on the Board of Directors, which has responsibility for the management of Telmex. The Board appoints the Director General, who has the responsibility for day-to-day administration. *[REDACTED]*.

SBC-appointed directors include:

1. Rayford Wilkins, Jr., U.S. Citizen, term 2005-2006.
2. Richard Resnick, U.S. Citizen, term 2005-2006
3. Robert Henrichs, U.S. Citizen, term 2005-2006

d. Any rights that Telmex has to appoint members to the board of directors of SBC. If Telmex has such rights, have they exercised them? If so, please provide the name(s) and the terms of the directors that Telmex has appointed to the SBC board as well as their citizenship.

RESPONSE:

Telmex has no rights to appoint members to the SBC Board of Directors.

e. Any restrictions placed on SBC or any members of the board of Telmex appointed by SBC to information about the operations, revenues and other business practices of Telmex.

RESPONSE:

SBC is not aware of any restrictions placed upon its appointees to the Telmex Board of Directors limiting their access to information about the operations, revenues and other business practices of Telmex for the purposes of the directors' duties as a member of the Board of Directors of Telmex. However, neither SBC nor the members of the Telmex Board appointed by SBC have routine access to non-public information about matters which are not addressed by either the Executive Committee or the Board. Further, the JVA between Carso and SBC requires SBC to use Telmex information "solely for the purpose of the transactions contemplated" within the JVA.

In addition to the information obtained by the SBC officials who sit on the Telmex Board of Directors and Executive Committee, SBC and its employees may have access to selected non-public information in connection with the performance of tasks undertaken pursuant to the Management Services Agreement ("MSA") between SBC and Telmex described in response to question 19(f).

f. Any restrictions placed on Telmex or any members of the board of SBC appointed by Telmex to information about the operations, revenues and other business practices of SBC.

RESPONSE:

Telmex has no ownership interest in SBC that confers upon it a right to appoint a SBC director. Telmex does not have any rights of access to SBC non-public information about the operations, revenues and other business practices of SBC. However, a few Telmex employees are working with SBC on a development project and, pursuant to a

Nondisclosure Agreement between the two companies and with the employees, those employees have access to information concerning that project.

SBC has entered into several non-disclosure agreements with Telmex and its employees with respect to discrete MSA projects to improve Telmex operations in which SBC employees may be involved. Under these agreements, specific SBC proprietary and/or confidential information may be exchanged with Telmex, but may be disclosed internally at Telmex only on a "need to know" basis for the limited purposes of each cooperative project.

SBC's cooperative projects with Telmex include provision of consultation and technical services to Telmex, for an annual fee, pursuant to a Management Services Agreement ("MSA"). Examples of management services include the evaluation of material management decisions, advice concerning labor negotiations, advice on design and planning of investments required for modernization, advice regarding the daily operations of Telmex and its subsidiaries and general counseling concerning the reorganization, modernization and restructuring of Telmex. SBC also assists Telmex in new lines of business in Mexico such as introduction of new data and IP products and services.

[REDACTED]

AT&T Service in Mexico

20. Please describe the telecommunications services provided by AT&T and its affiliates in Mexico. In particular:

a. Please identify any affiliates of AT&T that provide service in Mexico and describe the relationship between AT&T and those affiliates.
Request directed to AT&T only.

b. Please describe the nature of the operations of any affiliates in Mexico of AT&T (e.g., in which markets, geographic (within Mexico) and product, do the affiliates participate). Do the affiliates compete directly with Telmex in any markets?
Request directed to AT&T only.

c. Please provide the revenue and traffic data for any affiliates in Mexico of AT&T.
Request directed to AT&T only.

SBC International Telecommunications Services

21. Please describe the international telecommunications services provided by SBC or any of its affiliates (but not Cingular). In particular:

a. Whether SBC or any of its U.S. affiliates (but not Cingular) provide international telecommunications service as a facilities-based carrier. Please include any "local" exchange services to Mexico or Canada. If so, please provide the revenues and minutes for the most recent year on a route-by-route basis.

RESPONSE:

Neither SBC nor any of its U.S. affiliates provide international telecommunications services as a facilities-based carrier. All international traffic originating in the United States is delivered to WilTel for transport to the foreign designation. Neither SBC nor any of its U.S. affiliates offer "local exchange" services to either Mexico or Canada. All transborder traffic is handled as international traffic.

b. Provide the resale minutes and revenues of SBC and its U.S. affiliates (but not Cingular) for the most recent year on a route-by-route basis for all routes to foreign countries.

RESPONSE:

SBC does not collect or retain data directly responsive to this question. Most of its international traffic is provided pursuant to packages which include a flat rated charge and a discounted per minute rate which varies by country. Some plans offer different

discounted per minute rates depending on the flat rated charge. The business "High Volume Calling Plan II Plus" includes both domestic long distance calls for a flat rate, which varies by volume, and reduced per international per minute rates, which vary by country. SBC's Canada Plus allows unlimited calls to Canada and discounted rates to over 200 other countries. These plans have varied over time in response to marketplace conditions. Copies of the current plans are attached as Exhibits 21(b)(1) and 21(b)(2).

In accordance with the agreement with the Commission Staff, attached are Exhibits 21(b)(3) through 21(b)(9), which contain data concerning SBC's international services. Separate data is provided for voice traffic for SBC East ("SNET") and for SBC Long Distance ("SBC-LD") since separate databases are maintained for voice traffic for SBC-LD and for SNET long distance data.

(i) The resale minutes of use by SBC-LD for traffic from the U.S. to each foreign country to which it provided international resale service for the periods from January 1, 2004 through December 31, 2004 and from January 1, 2005 through February 28, 2005.(Exh. 21(b)(3))

(ii) The revenues of from SBC-LD's resale of minutes of use derived from per minute charges for calls from the U.S. to each foreign country to which it provided international resale service for the periods from January 1, 2004 through December 31, 2004 and from January 1, 2005 through February 28, 2005. (Exh. 21(b)(4))

(iii) SBC-LD's monthly recurring charges associated with each of its international calling plans. (Exh. 21(b)(5))

(iv) The total revenue obtained from customers using each of those plans and customers with individually negotiated plans (ICB's) during the periods from January 1, 2004 through December 31, 2004 and from January 1, 2005 through February 28, 2005. (Exh. 21(b)(6))

(v) The resale minutes of use and revenue for SNET for traffic from the U.S. to each foreign country to which SNET provided

international resale service for the periods from January 1, 2004 through December 31, 2004 and from January 1, 2005 through March 31, 2005. (Exh. 21(b)(7))

(vi) The total SNET revenue for 2004 and for the first quarter of 2005 from the provision of international resale service including revenue from currently offered international calling plans. Due to limits on the manner in which information relevant to this data is maintained, this data reflects SNET's best estimate of the total revenue. (Exh. 21(b)(8))

(vii) The number of data circuits provided by SBC to each country to which it provided resale international service, broken down by type of circuit and capacity for 2003, 2004 and the first two months of 2005. This data provides the number of circuits at the end of each reporting period. This data includes all international data circuits; SBC-LD provides data services in SNET's service area and SNET thus does not have any international data circuits. (Exh. 21(b)(9))

This data overstates SBC's revenue from international services during this period since adjustments were made in response to specific customer complaints and to correct errors in SBC's billing software. SBC does not have the data on which it may reliably apportion those adjustments to the specific plans. However, it does keep data for international services generally and during 2004, these adjustments averaged approximately *[REDACTED]* over the year.

c. Do SBC and its U.S. affiliates (but not Cingular) provide international service through prepaid calling cards? If so, please provide information on the revenues and minutes associated with the calls placed using those prepaid calling cards. Also, please describe how SBC and its U.S. affiliates market those prepaid calling cards. For purposes of this Specification, revenues should represent the amounts paid by the end-user customers and should correspond to amounts reported to the IRS for federal excise tax purposes.

RESPONSE:

Neither SBC nor any of its U.S. affiliates provide international service through prepaid calling cards. SBC participates with Telmex-USA in offering a prepaid calling

card described in response to Specification 18. That calling card is co-branded by SBC and Telmex-USA, but the calling card is offered by Telmex USA. SBC is compensated for the use of its brand and for the provision of certain services to Telmex USA described in response to Specification 18.

d. Which carriers does SBC and its U.S. affiliates (but not Cingular) use to provide its international resale services? If more than one, please provide the relative percentage of international resale minutes carried for SBC and its U.S. affiliates (but not Cingular) for each of the underlying carriers.

RESPONSE:

All SBC-LD international long distance traffic is routed to Wiltel. *[REDACTED]* of Wiltel's traffic is re-routed to Sprint or MCI. SNET routes its international traffic to Wiltel, Sprint and Teleglobe. During 2004, approximately *[REDACTED]* was routed to Wiltel, *[REDACTED]* to Sprint and *[REDACTED]* to Teleglobe. For the first quarter of 2005, the allocation was *[REDACTED]*, respectively.

G. Asserted Public Interest Benefits

22. Paragraphs 16-20 of the Eslambolchi Declaration, paragraphs 38-39 of the Carlton & Sider Declaration, and pages 43-44 of the Public Interest Statement discuss the general benefits, savings, and efficiencies that will result from the merger, including from (1) SBC's greater financial strength; (2) SBC's local network technical expertise and personnel; (3) economies of scale in procurement and deployment; (4) improving network operation by reducing the number of hand-offs and peering points; (5) making use of excess network capacity; (6) the more efficient use of capital; (7) the accelerated retirement of earlier-generation network facilities; and (8) increased research and development (R&D).

a. Separately describe each of these asserted benefits or efficiencies, as well as any efficiencies from any and all other sources arising from the integration of AT&T's and SBC's network and operations not specifically identified above, including:

(1) The steps that AT&T and SBC anticipate taking to achieve the benefit or efficiency, the risks involved in achieving the benefit or efficiency, any conditions for achieving it, and the time and costs (to your company or to any other person) required to achieve it;

(2) A quantification of the benefit or efficiency and a detailed explanation of how that quantification was calculated;

(3) A detailed explanation of how the proposed transaction would allow the merged company to achieve the benefit or efficiency;

(4) A description of why the merger is necessary to achieve this benefit or efficiency.

RESPONSE:

This response describes the benefits and efficiencies SBC expects to realize as a result of the merger, including plans for achieving them and estimated quantification of the efficiencies, to the extent these are available.[25] In many cases, prior to closing of the proposed transaction, SBC lacks access to the specific information regarding AT&T that would enable it to formulate precise calculations of the efficiencies discussed, or to make specific plans regarding the steps that will be taken to achieve these efficiencies.[26]

While SBC presently is unable to make specific and detailed plans for achieving the synergies of the proposed transaction, in general SBC anticipates that it will take the following steps to identify and achieve these synergies:

1) Identify high value synergy areas during the due diligence process. This process is largely complete. Once the transaction is approved

[25] SBC's responses to other sections of this information request, including but not limited to 13(d), 23, and 24, also contain information relating to service improvements and other benefits expected to result from the merger.

[26] SBC's preliminary integration decisions to date are reflected in Exhibit 17(a)(1) ("Merger Integration Guiding Principles").

SBC's initial assessments of synergies can be confirmed and any additional synergies opportunities can be identified as more information becomes available.

2) Expand SBC's knowledge of each synergy area - consistent with legal and regulatory limitations - to confirm their expected value. This process will continue before and after closing.

3) Interface with various business units in order to confirm and refine the company's understanding regarding synergies opportunities and ensure a greater likelihood of achieving them.

4) Create a plan for achieving synergies, execute it, and measure progress in achieving the planned synergies.

Based on experience in prior acquisitions, SBC has found certain general principles to apply in integrating companies and maximizing synergies. SBC will seek to:

1) Eliminate redundant functions and associated positions.

2) Where similar business processes cannot be eliminated, require the remaining processes to achieve a "best in class" standard of performance.

3) Where there is operational overlap, choose the process or units with the most efficient operations, and migrate units from the less efficient to the more efficient processes over time.

Greater financial strength

After the merger, the combined company will be a stronger competitor, financially and otherwise, than either company separately.

First, the combined company will have a higher bond rating than AT&T currently enjoys. Standard & Poors assigns AT&T a long-term investment rating of BB+, which is less than investment grade. By contrast, Standard & Poors assigns SBC a long-term debt rating of A, which is an investment grade rating. Thomas Horton, CFO of AT&T has stated that he expects the combined company to have an investment grade rating. See

Public Interest Statement, Declaration of Thomas Horton ¶15. This will give the combined company a lower cost of capital. AT&T's current market capitalization is approximately $15.5 billion, while SBC has a current market capitalization of approximately $78.5 billion.[27]

Second, SBC's revenues have risen in recent years, due in large part to expanded offering of long-distance and DSL services, and its ownership interest in Cingular Wireless.[28] It also has a large embedded base of local exchange customers who provide it financial stability. In contrast, AT&T's revenue has fallen 19% between 2002 and 2004, with a further 16.5% decrease expected in 2005.[29] Analysts predict that AT&T's revenue will fall by 42% between 2004 and 2008.[30]

Third, AT&T's capital expenditures have also been falling, with wireline capital expenditures falling by 55%, from $3.9 billion to $1.8 billion from 2002 to 2004.[31] SBC's capital expenditures were approximately $5.2 billion in 2003 and remained nearly constant in 2004 at $5.1 billion. SBC's capital expenditures are projected to rise to between $5.4 and $5.7 billion in 2005.

In addition, SBC projects cost and capital expenditure synergies with a net present value of approximately $13.3 billion after expenses necessary to achieve them and

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[27] As of May 4, 2005.

[28] *See* Exhibit 22(a), SBC First Quarter 2005 Investor Briefing, April 25, 2005.

[29] AT&T Corp. Fourth-Quarter and Full-Year 2004 Financial Results, Historical Segment Data, January 20, 2005; AT&T Corp. Earnings Commentary, Quarterly Update — Fourth Quarter 2002, January 23, 2003, p. 8.

[30] AT&T press release, "AT&T Announces Fourth-Quarter Results," January 20, 2005; UBS Investment Research, "Wireline Telecom Play Book," January 14, 2005, p. 46.

[31] Public Interest Statement, Declaration of Dennis W. Carlton & Hal H. Sider ("Carlton & Sider Decl.") ¶ 10.

revenue synergies with a net present value of over $2 billion, which will further strengthen the resources of the combined company.[32]

The greater financial strength of SBC, as reflected in the greater financial strength of the combined company, will provide the necessary resources to fund increased innovation as well as faster and broader deployment of new services.

SBC's local network technical expertise and personnel

As the incumbent local exchange carrier in a 13-state region, serving approximately 52 million access lines nationwide, SBC and its predecessors have been providing local exchange service to communities large and small for over 100 years. SBC itself has, since the breakup of the old Bell System, over 20 years of direct experience in offering the highest quality local exchange service, initially in the five states of the former Southwestern Bell and now in 13 states from California to Connecticut, Texas to Wisconsin. SBC has more than 100,000 employees devoted to providing local network services including, network engineering, planning, installation, maintenance, repair, and customer care.[33]

As discussed below, one of the significant benefits of the proposed merger will be the increased ability and incentives of the combined company to bring new and innovative technologies and services to residential, small business, and medium-sized business customers, which currently do not always receive the same benefits of innovation that larger enterprise customers enjoy. *See, e.g.*, Carlton & Sider Decl. ¶ 36,

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[32] These estimates are discussed in the response to 22(c) below.

[33] SBC's expertise in this area is reflected in a number of service-level improvements that have been achieved in recent years: *[REDACTED]*.

Public Interest Statement, Declaration of Christopher Rice ("Rice Decl.") ¶19; Public Interest Statement, Declaration of Hossein Eslambolchi ("Eslambolchi Decl.") ¶ 17. SBC's local network technical expertise and personnel will facilitate that process because SBC is uniquely suited to overcoming technical challenges of making those innovations available over the local network in the most timely and efficient manner.

SBC's local network expertise and personnel will also assist the combined company in extending technologies such as IP networks and fiber networks to the local level, which will permit the combined company to offer new services and provide existing services more efficiently and at lower cost.

Economies of scale in procurement and deployment

Based on its experience in past acquisitions, SBC projects that the combined company can achieve savings in network procurement of *[REDACTED]*. Such savings are expected to result largely from the increased purchasing volume of the combined company.

SBC also expects that it will be able to obtain more favorable pricing in procurement of information technology (IT) products and services, again based on larger combined volume of purchases. Cost savings in this area have not been quantified.

Improving network operation by reducing the number of hand-offs and peering points

The efficiencies to be realized in this area as a result of the merger are discussed in the Rice Declaration. Rice Decl. ¶¶ 6-18. While the benefits of these efficiencies are expected to be very significant and will provide improved customer service, they have not been quantified at this time.

As described in the above-cited sections of the Rice Declaration, the benefits of network integration include:

- Permitting SBC to exchange Internet traffic on a direct peering basis (Tier 1) with other networks, which will increase efficiency of routing, reduce the number of "handoffs" between networks, and reduce charges paid to other carriers.
- Allowing SBC to move its Internet-bound traffic onto AT&T's network, achieving greater economies of scale.
- Enabling SBC to better manage traffic flow and quality.
- Enabling SBC to improve reliability, reduce latency (delay in signal flow), and provide a higher quality of service ("QoS").
- Permitting SBC to reduce the number of "hops" traffic experiences from origin to destination. This will increase the efficiency of traffic handling, improve reliability, reduce latency, and reduce packet loss (which affects data speed and quality), and therefore reduce costs.

Making use of excess network capacity

In general, as discussed in the Declaration of Christopher Rice, SBC expects to integrate the current SBC long distance and IP network assets (not SBC's ILEC local telephone facilities) with current AT&T network assets after the acquisition is completed. While the two companies' networks generally are complementary, there are areas of overlap in network facilities, particularly outside of SBC's historical region. The overlap in network facilities should allow SBC to re-distribute traffic across the combined network to achieve a more efficient distribution between segments that are currently

under-utilized and those that are currently over-taxed, thereby carrying traffic more efficiently. Rice Decl. ¶ 6.

More efficient use of capital and accelerated retirement of network facilities

After the acquisition, SBC projects that certain network equipment or facilities will no longer be necessary in their current applications or locations and that SBC will be able to re-deploy it in other locations or other services, thereby utilizing SBC's capital more efficiently. It is expected that there will also be network facilities that can be retired, thereby saving the recurring costs of maintaining and operating those facilities.[34] Rice Decl. ¶ 6.

For example, SBC projects that it will save:

[REDACTED]

Increased research and development

For the reasons set forth in the Declarations of Dennis Carlton & Hal Sider, and Christopher Rice, SBC expects that the proposed merger will increase both the ability and incentive of the combined company to engage in a broader range of research and development, as compared with the companies standing alone.

As is discussed in those declarations, the incentives to invest in research and development are greatest when the resulting innovation can be offered across multiple services and to the broadest range of customers, allowing the innovator the maximum opportunity to earn the full benefits of the innovation. *See* Carlton & Sider Decl. ¶¶ 35-37; Rice Decl. ¶19; Eslambolchi Decl. ¶¶ 16-18. The combined company will also have

[34] Retirement of facilities would be undertaken only when consistent with the need to support legacy customer equipment and applications.

strong incentives to innovate in order to keep pace with services offered by providers using competing technologies such as cable and wireless.

Today, the benefits of AT&T's R&D innovations flow primarily to enterprise customers, while the benefits of SBC innovations are principally applied to residential customers, and small and medium-sized business customers, within SBC's historical region. *See, e.g.*, Rice Decl. ¶ 19.

Once the transaction is completed, the combined company will be able to realize the benefits of innovation across the entire country and across all customer groups. This will increase the incentives of the combined company to engage in research and development and innovation. *See* Carlton & Sider Decl. ¶¶ 35-37.

The increased innovation will be a significant benefit to the public. Examples of the innovations that would be made available to greater numbers and different types of customers as a result of the transaction include click-through service provisioning, speech/text technologies, IP-based video, Storage Area Networks (hosted data storage), and enhanced security solutions. *See* Rice Decl. ¶¶ 20-26, Eslambolchi Decl. ¶¶ 10-13.

The greater financial strength of the combined company, as discussed above, will also enhance its ability to fund research and development.

Other cost savings and revenue synergies

SBC expects to realize as a result of the merger a number of other cost savings and revenue enhancement synergies.

(a) Network & Information Technology ("IT")

[REDACTED]

(b) Business

The Business group includes functional areas such as marketing, business operations, government sales, enterprise sales & support, and wholesale operations.

[REDACTED]

(c) Corporate

The Corporate group includes functional areas such as corporate development, public relations, finance, legal, human resources, and corporate real estate. *[REDACTED]*

(d) Long Distance

SBC currently has a contract with Wiltel under which Wiltel carries long distance traffic and provides related services to SBC. After the transaction, SBC expects to rely on AT&T and its long distance network to carry this traffic and provide these services. SBC and AT&T long distance operations would also be merged. *[REDACTED]*

(e) Revenue Enhancement Synergies

In addition to cost savings, there are a number of areas in which SBC anticipates achieving synergies in the form of higher revenues. These revenue enhancements are expected to result from making available to SBC's base of small and medium-sized business customers a wide array of high-quality AT&T products and services that are currently offered by AT&T primarily to larger businesses. Relevant products and services include frame relay, ATM, DIA, IP VPN, hosting, private line long distance, and managed services. Some of the benefits to customers arising from expanded access to these offerings are described above. By offering these more advanced products and

product features to its customer base, SBC expects to add incremental revenue and increase industry revenues in these business segments. *[REDACTED]*

b. Explain whether the R&D spending by the combined company will be at least as large as the sum of R&D spending of the applicant firms before the merger, and whether the combined output from the combined R&D programs of the merged firm will be increased or unreduced.

RESPONSE:

As is discussed above in the response to Specification 22 (a), SBC expects that R&D and innovation will increase as a result of the merger with AT&T. These increases would benefit consumers by increasing the pace of innovation, the pace at which new technologies are made available to customers, and the breadth of the customer base to which they are made available. AT&T's Hossein Eslambolchi has also stated his expectation that R&D expenditures and output would increase after the merger — again because the merger would increase incentives to innovate. *See* Eslambolchi Decl. ¶¶ 16-17.

SBC currently lacks detailed information regarding AT&T's R&D expenditures sufficient to estimate the amount by which R&D-specific expenditures of the combined company would increase as compared with R&D spending of the two companies separately. Generally speaking, SBC expects that capital spending by the combined company will be approximately $2 billion higher (before synergies) than the two companies would have incurred absent the merger. Rice Decl. ¶ 19.

c. On a year-by-year basis, provide the estimated annual cost savings to be realized from the merger (*i.e.*, the time path of cost savings) assuming the acquisition of AT&T by SBC is approved. Provide an explanation of how this estimate was determined, and provide supporting documentation.

RESPONSE:

The table at Exhibit 22(c) provides a year-by-year estimate of anticipated cost savings to be realized from the merger. The figures in this table were developed by SBC's Corporate Development group as part of their work to estimate the synergies that SBC expects to realize from the transaction. These estimates were calculated based on a combination of factors, including but not limited to SBC's own historical cost data, due diligence information obtained from AT&T, SBC's past experience in achieving cost savings associated with mergers and acquisitions, and input from selected SBC business executives regarding possible cost savings opportunities in their respective functional areas.

Supporting documentation is provided under SBC's response to Specification 22(d).

d. Provide the documents in the possession of SBC custodians Rick Moore, Jose Menchaca, Louis Rubiola, James Callaway, Randy Tomlin, and Dan Walsh and an electronic copy of all data directly used in calculating SBC's $15 billion estimate of the net present value of the synergies which would be achieved through the merger, as stated at page 44 of the Public Interest Statement. Explain the extent to which the $15 billion estimate is dependent upon the transition of AT&T's and SBC's current network architectures to a converged, IP-based broadband network as discussed, *e.g.* in paragraph 18 of the Eslambolchi Declaration.

RESPONSE:

[REDACTED]

23. On pages 15-17 of the Public Interest Statement, the Public Interest Statement asserts that the merged company will "rapidly complete the transformation of legacy networks to IP" to enable the deployment of IP services on an end-to-end basis. The Public Interest Statement claims that this will result in more rapid and extensive deployment of

advanced facilities and services to residential and small business customers, and will allow the improved provision of service to government customers.

a. Quantify the benefits to residential, small business, and government customers and provide a detailed explanation of how the quantifications were calculated.

RESPONSE:

While SBC strongly believes that the merger will result in a faster transition from legacy networks to IP, resulting in improved service and efficiency and better access to new technology and services, SBC is presently unable to quantify these benefits. *See generally*, Rice Declaration. In part, this is because SBC cannot now have access to detailed information regarding AT&T's network and operations that would be necessary to provide an estimated quantification of these benefits.

Faster deployment of end-to-end IP networks will mean that IP-based services such as VPN, VoIP, IP-video, IP-enabled Frame Relay, IP-enabled ATM, and other IP-enabled services become available more quickly to residential and small business customers. Moreover, as the IP-enabled network and IP-based services originate closer to the edge of the network and closer to the customer, they can be carried through the IP network core with fewer handoffs and conversions than would have been required for services provided over the legacy network. This efficiency will provide a shorter provisioning cycle, improve maintenance, and permit the combined company to offer enhanced service guarantees compared to what either company can offer today.

The combined IP networks also will make it possible for residential and small business customers to enjoy the enhanced end-to-end management of services that is offered today primarily in the large enterprise market. Similarly, rapid deployment of IP

networks to the local level will make available to small and medium-sized businesses the robust feature set found in IP-enabled services that are currently available to the enterprise market.

The combined company will enjoy economies of scale and increased opportunities to deploy new innovations across a broader customer base, which will provide greater incentives to develop and support new services than either company would have standing alone. One example of this is in the area of security associated with IP-enabled services. By combining and integrating the current offerings and ongoing development work being undertaken by the individual companies, the combined company should be able to optimize IP security solutions for all market segments. Given the complementary business focuses of the two companies, the combined company will have the incentive to bring enhanced security solutions and innovation to a broader base of customers, including small business and residential customers.

Government customers will enjoy similar advantages from IP networks, including greater reliability, improved service, and faster access to advanced technologies, including security technologies, as described below in response to Specification 24.

b. Describe why the merger is necessary for AT&T or SBC to achieve these benefits for residential, small business, and government customers.

RESPONSE:

SBC is unaware of any alternative to the transaction that would allow it to recognize IP-network efficiencies to the same extent and with anything approaching the same speed and certainty (and thus with concomitant benefits to consumers and to competition). An acquisition approach will enable SBC to provide immediate benefits to

customers, whereas organic growth would take years to provide similar benefits, with a higher degree of risk that some benefits would never be achieved.

For example, SBC does not own a national and global network and long distance facilities comparable to those owned by AT&T. The merger would immediately provide SBC with much of this strategic capability.

Although SBC is undertaking, independent of this transaction, various efforts to improve and expand its IP network and to make available new and better services over that network, those efforts are in no way substitutes for the efficiencies enabled by the proposed merger. To the extent that these efforts continue after the merger, they will offer greater efficiency, and greater improvement in quality than would have been the case absent the merger.

24. Please explain how the asserted synergies resulting from the merger are likely to affect national security and homeland defense.

RESPONSE:

The merger of SBC and AT&T will produce synergies that will profoundly enhance and strengthen the United States' national security and homeland defense capabilities. The benefits that will be realized include a financially strengthened company committed to providing enhanced services to the national security customers now served by SBC and by AT&T; the preservation of U.S. ownership and control of AT&T, which provides essential national security and emergency preparedness (NS/EP) services; the creation of an end to end, unified IP network and the greater security and reliability benefits of such a network; the combination of the complementary research and development strengths of SBC Labs and AT&T Labs; enhanced support by the combined

company for the U.S. government's NS/EP activities through the National Security Telecommunications Advisory Committee and other senior-level coordinating mechanisms; and the NS/EP community's realization of the synergistic benefits from the merger available to all of the combined companies' residential, enterprise, and government customers.

AT&T is a significant provider of telecommunications and information technology services to the federal government. AT&T provides network services, systems integration and engineering, and software development services to a broad range of government agencies, including those involved in national defense, intelligence, and homeland security. AT&T's federal customers include the White House, the Department of Defense, the Department of Homeland Security, the Department of Justice, and most branches of the armed forces. The needs of AT&T's customers include the most demanding and vital requirements relating to National Command Authority communications, communications capabilities assuring continuity of government, enabling the government to make an immediate and coordinated response to all emergencies, and allowing the President and other senior officials to be continuously accessible, even under the most difficult conditions (collectively, NS/EP communications).

AT&T's support of the intelligence and defense communities includes the performance of various classified contracts. To undertake this work, AT&T employs thousands of individuals who hold government security clearances, and it maintains special secure facilities for the performance of classified work and the safeguarding of

classified information. AT&T owns and controls vital telecommunications assets around the world, including domestic and international fiber routes, cable landing stations and backhaul facilities, and hosting operations.

SBC also provides telecommunications and information technology services to the federal government, particularly in its 13-state region. Although SBC's activity in this area is less extensive than AT&T's, SBC provides substantial telecommunications and information technology services to federal agencies involved in national security, and its employees likewise perform work on classified government programs, including classified government contracts at our country's most sensitive military and intelligence sites.

Financial Strength and Improved Performance of Existing Contracts. A fundamental synergy resulting from the merger is that it will strengthen the capital and other financial resources available for the combined company to continue and to enhance the national security and homeland defense-related services on which SBC and AT&T's federal customers currently rely. Both SBC and AT&T are carrier-class companies committed to the continued performance of all of their respective government contracts and to working with all of their government customers, including their national security and homeland defense customers, to provide responsive and reliable services. Both SBC and AT&T have deep understandings of, and manage their businesses to comply with, the levels of service expected of telecommunications carriers who provide essential, real-time voice and data communications services for customers ranging from the most senior government officials to enlisted service members in remote military installations. The

combined carrier-class company will have and will invest the financial resources needed to maintain and to expand the personnel, services, infrastructures, and assets that support both SBC's and AT&T's current government businesses and the future government business for which the combined company will vigorously compete.

U.S. Ownership and Control. The merger of SBC and AT&T brings together two U.S.-owned and controlled companies with established heritages of service to U.S. national security and homeland defense customers. In an era of telecommunications globalization, in which foreign entities have recently acquired major Internet backbone and other telecommunications assets owned by U.S. companies and have negotiated a variety of measures to mitigate foreign ownership, control, and influence over assets, services, and personnel of vital national security importance to the United States, SBC's merger with AT&T raises absolutely no such complicating issues. In particular, AT&T's valuable facilities, capabilities, and personnel with U.S. security clearances will remain incontestably under U.S. ownership and control, as will the complementary national security strengths, assets, and service offerings of SBC.

Unified IP Network. The combined company will be a stable, reliable, U.S.-owned company that will provide improved service to government customers.[35] As noted in response to Specification 23, SBC's and AT&T's separate networks will be transformed into a unified IP-based network, which will be more reliable, robust, and resilient.[36] The increased scale and scope of the combined network will enable the

[35] Public Interest Statement, Declaration of James S. Kahan ("Kahan Decl.") ¶ 31.

[36] *Id*. ¶ 34.

combined company to offer the government readier and more efficient implementation of advanced network capabilities.[37] These benefits will be particularly important for the government's "data" traffic, including traffic from network-based virtual private networks, IP-enabled Frame Relay, ATM, managed data services, and optical switched Ethernet traffic destined for SBC's IP backbone. In addition, these efficiencies will allow the combined company to support more fully the Federal Enterprise Architecture ("FEA") program, a government-wide network architecture being developed for improved communications and data sharing among federal agencies, including national security and homeland security agencies, and state and local governments.

At the same time, as a result of scale and complementary assets and services, the combined company will be better positioned to support legacy facilities and services of importance to national security and homeland security customers. While the convergence of communications technologies onto an IP-based platform is proceeding and will, over time, deliver great benefits to government customers, the combined companies will be committed to rolling out these services in a way that does not disrupt the national security and homeland defense agencies' individual strategies to phase out legacy equipment and applications on a planned lifecycle schedule.

In addition, the combined networks will provide the government with more efficient routing for vital and sensitive government communications, with fewer transfer points. The increased efficiency of the combined networks will reduce latency (delay in signal flow) and packet loss, which are particularly important for "real time" services

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[37] *See id.* ¶ 31.

such as essential national security communications, VoIP, and video. The combined network also will have added diversity and redundancy, producing greater recoverability.[38] In the past, many classified networks often were designed with separate long distance and local components. As the Defense Department's need for integrated, worldwide networks increases, a combined AT&T-SBC will be better positioned than the individual companies to provide these networks on a higher-performing, end-to-end basis.[39]

Greater Security and Reliability. As the combined AT&T-SBC moves toward an end to end, unified IP network, its national security and homeland defense customers will realize improvements in security and reliability over the current multiple networks.[40] The combined network will be more robust and resilient, and will provide appropriate and efficient levels of redundancy in order to deliver service that meets exacting requirements set forth in Service Level Agreements. Moreover, the combined company will be able to provide its customers' network management personnel with greater transparency and visibility into the end-to-end network elements on which they rely.

Combined R&D Strengths. Moreover, the government's national security and homeland security agencies will benefit from the combination of complementary R&D capabilities and increased investment in research and development that will result from this merger.[41] SBC has a significant R&D organization that will contribute valuable

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[38] Rice Decl. ¶ 12.

[39] *See* Kahan Decl. ¶ 35.

[40] Rice Decl. ¶ 11; Kahan Decl. ¶ 35.

[41] Rice Decl. ¶ 19; Horton Decl. ¶ 13; *see also* Carlton & Sider Decl. ¶¶ 35-37.

innovation. For example, SBC Labs developed the architecture and tight security used in its business VoIP platform, which secures the VoIP platform and the customer network interface against intrusion, viruses, and worms. These advances, which are crucial to making VoIP as secure as the public switched telephone network, complement AT&T's work on network security. As noted in response to Specification 13(d), SBC labs is developing next-generation IP Multimedia Services ("IMS") solutions for soft switching to enable wireless/wireline integration. Once achieved, these services would enable customers, including federal, state, county, and local officials involved in national security and homeland defense missions, to utilize their wireless (WiFi) VoIP service at home on their mobile phone using WiFi, as well as receiving calls on the VoIP number on their dual mode handset via the GSM cellular network.

Moreover, this transaction will enhance the resources supporting AT&T Labs, which is devoted to the research, development, and design of telecommunications networks and advanced services. AT&T Labs' core strengths include advanced data networking, software engineering, systems integration, speech technology, and the provision of services over IP networks. The national security and homeland defense communities will benefit from AT&T Labs' work in developing new products and services, integrating software and network components, developing processes to manage networks, and delivering network capabilities on both the smallest and the largest scales. The merger will also strengthen AT&T's Information Assurance (IA) capabilities in the service of the Department of Defense by providing the customer base necessary to support extension of these IA capabilities to Department of Defense installations and

facilities and other national security customers within SBC's region. The combined company's work in such areas as security services and advance notice of potential real-time attacks on computer systems, speech/text technologies, and IP-based video could be particularly valuable to national security and homeland security customers.[42]

In addition, the merger will foster increased research and development of advanced services in such areas as intelligent optical networking, storage area network devices, and Internet data services. As a direct result of this merger, the benefits of developing advanced capabilities will be disseminated across and enjoyed by a far broader network and customer base, reducing the unit costs of R&D investment and increasing and accelerating the effective returns from the development of these advanced capabilities.

Enhanced Support to US Government NS/EP Activities. In addition to providing services to critical government agencies responsible for national security, both AT&T and SBC support the national security infrastructure through their participation in all of the key fora for supporting U.S. government national security objectives. For example, both companies participate in the activities of the National Coordinating Center for Telecommunications and the Network Security Information Exchange, two bodies designed to help assure network integrity and security. Senior officials from both companies serve as members of the National Security Telecommunications Advisory Committee, a committee of major communications and network service providers and information technology, finance, and aerospace companies who provide advice and

[42] Eslambolchi Decl. ¶¶ 10-12.

expertise to the President of the United States on issues related to implementing NS/EP communications policy. The combined company will continue to participate in these important NS/EP fora and, post-closing, the merger will benefit the NS/EP community by enabling the combined companies to provide advice and commitments that draw upon the financially strengthened, combined telecommunications capabilities of SBC and AT&T.

Service and Competition Benefits Realized by all of the Combined Companies' Customers. The national security and homeland defense agencies of the government, like all government agencies, also can expect better overall service from the combined company, whose sales and service functions will have a broader geographic reach. The combined company is projected to have the scale and scope to provide end-to-end project management support that will ensure timely and accurate deployment of network services.[43] Moreover, the combined company will be a more effective competitor for federal government contracts, because it will combine the financial strength and local service experience of SBC with the network management and professional services experience of AT&T.

Conclusion. The combined company will be a well-managed, well-financed, U.S.-owned company with the resources to make sustained capital investments in facilities and networks both in the United States and overseas, as well as to spur innovation in cutting-edge areas of telecommunications and information technology.[44] The combination of continued U.S. ownership and control, more vigorous competition,

[43] Kahan Decl. ¶ 31

[44] Kahan Decl. ¶ 28.

sustained investment in new technologies, and an integrated, end-to-end IP-based network will provide better services and products for national security and homeland defense customers, under both normal and emergency conditions.[45]

H. General Information

25. Provide all documents cited in the Public Interest Statement and the Kahan, Rice, Horton, Polumbo, Eslambolchi, Carlton & Sider, and Schwartz declarations, as well as any data or competitive analyses relied upon in preparing those documents, grouped by declaration/Public Interest Statement.

RESPONSE:

The SBC document production being submitted simultaneously with this narrative contains the documents that were cited in the Public Interest Statement and the Kahan, Rice, Carlton & Sider, and Schwartz declarations, as well as any data or competitive analyses relied upon in preparing those documents. AT&T is separately responding to this request with respect to the Horton, Polumbo, and Eslambolchi declarations.

SBC's response conforms to the following modifications of this request to which the Commission staff has agreed. First, SBC is not producing any FCC documents. Second, where the request calls for the production of third parties' proprietary documents, SBC is producing only the page, paragraph, table, or similar limited portion of the document that actually is cited.

As requested by the Commission staff, the documents cited or relied upon for each section of the Public Interest Statement and each declaration have been grouped separately. Specifically, the documents for each portion (*i.e.*, a section of the Public

[45] *See id.* ¶¶ 31, 34-35.

Interest Statement or a declaration) have been collected in one or more Redweld file folders bearing the label of that portion. Within the Redweld(s) for each portion, each document is in a manila folder, which is labeled with the footnote number in which it is cited and with a brief name for the document. Where more than one document is cited in the same footnote, the footnote number is followed by a letter (a, b, c, . . .). The folders are ordered by footnote number.[46] Where the portion contains figures or tables with source attributions, the attributed documents for each figure or table are located as if the figure or table were the last footnote on the page on which it appears.

In preparing their declarations, Mr. Rice did not rely upon any documents and Mr. Kahan did not rely upon any documents that he did not cite. While Dr. Schwartz did rely upon documents that he did not cite in his declaration, he appended all but one of those documents to his declaration. Therefore, as those documents already have been produced to the Commission in this docket, we have not included them in this production. As we just alluded, Dr. Schwartz relied upon but did not append TeleGeography's *Global Internet Geography* report because TeleGeography would not give him permission to file this proprietary document as a public record. Despite the subsequent adoption of the Protective Order, TeleGeography has not changed its position. SBC is therefore unable to produce the report at this time. However, we note that excerpts from the report may be

[46] There are two exceptions to this rule. First, the documents cited in footnote 52 of the Public Interest Statement are too big to fit inside a manila folder, so an empty manila folder precedes the first document for the footnote. Second, Carlton and Sider relied on various documents or portions of documents that they did not cite. Those documents are collected in a single redwell, without manila folders for the individual documents. That redwell follows the last of the documents actually cited by Carlton and Sider.

found appended to the Declaration of Michael Kende, which was filed on March 11, 2005 with the transfer of control applications in WC Docket No. 05-75.

26. To the extent not otherwise provided in response to this Information and Document Request:

a. Submit the following AT&T documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers in the possession of Clayton Lockhart, Thomas Horton, Virasb Vahidi, Pradeep Crasto, Douglas Ranck, Robert Olson, Peter Schaffer, John Mills, Gary Smith, Judi Hand, Michael Heath, Ronald Spears, Kathleen Flaherty, Daniel Nugent, Marcus Melloy, A.H. McGrath, Regina Egea, Donna Henderson, Cathy Martine-Dolecki, Karthryn Morrissey, John Polumbo, and David Krantz.
Request directed to AT&T only.

b. Submit the following SBC documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers in the possession of William McCullough, Susan Johnson, Jose Gutierrez, Scott Helbing, Christine Urbanek, James Carter, Greg D'Anna, Jon Ramsey, Amy Bruns, Hunt Kingsbury, Edward Cholerton, Donna Harrison, Steven Mitchell, Debra Moore, Yno Gonzalez, Norma Buss, Daniel T. Walsh, John Nordberg, Thomas Wilson, Margaret Moschetto, Randall Porter, Mark Fishler, Howard Irgang, Randy Tomlin, Rick Moore and Brad Bridges.

RESPONSE:

[REDACTED]