



May 10, 2005

Marlene H. Dortch
Secretary
Federal Communications Commission
Office of the Secretary
236 Massachusetts Ave., NE, Suite 110
Washington, D.C. 20002

Re: WC Docket No. 05-65; SBC Communications Inc. and AT&T Corp.
Applications for Approval of Transfer of Control – Reply to Comments

On behalf of the Small Business & Entrepreneurship Council (SBE Council) and its members across the nation, I am writing to reply to comments filed that disapprove of the proposed merger between SBC Communications Inc. and AT&T Corp.

SBE Council is a national advocacy organization that works to protect small business and promote entrepreneurship. We have closely followed the telecommunications issue for over the past decade and have remained engaged in representing the interest of small business owners as entrepreneurs, consumers and innovators with respect to the many complex policy changes and challenges that have occurred since passage of the 1996 Telecommunications Act.

After perusing various comments filed, a few overarching points need to be raised.

First, it is revealing to note the number of replies from competitors. It must be kept in mind that it is not unusual for business competitors to complain about mergers in their industries, and to attempt to use government regulation or action as a way to stop or hinder a proposed merger. Many of these businesses simply have little desire to confront a perhaps-improved competitor in the marketplace.

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Second, a worrisome idea for how the Commission should evaluate proposed mergers such as this one came from comments filed together by 13 companies (with the first listed being ACN Communications Services, Inc.). They suggest that the Commission should not include markets evolving rapidly, but only evaluate how the current market would be impacted by the merger. In other words, this group is arguing that the Commission toss out economic reality when evaluating this proposed merger in favor of a fictional static world.

As we have witnessed over the past two to three decades, the telecommunications industry is anything but static. It is a dynamic marketplace, with technology driving often-breathtaking changes. Too often government regulators adopt a static worldview when making decisions that will affect businesses, entrepreneurs and consumers. Such economic blinders serve no one well. The Commission must take into full account market dynamism when evaluating mergers in the telecommunications arena.

This static-vs.-dynamic debate further raises the point that the future is largely unknown. Technological changes and other innovations are changing the rules of the game that governed industries in the past. This economic fact of life argues for a limited role for government in areas like mergers, acquisitions, antitrust and evaluating the “public interest.” Competition and the decisions made by consumers remain the best means for evaluating the merits of mergers. Government needs to proceed with strict caution so that its actions do not strangle invention, innovation or efficiency in the cradle.

Third, if the proposed merger between SBC and AT&T has the potential to harm consumers because it eliminates direct or potential competition between the companies as comments so state, then no merger should ever be approved using this rationale. Of course, what’s missed here is that a merged entity can better compete in the marketplace, and potentially offer improved efficiency, service and pricing, as well as innovation and

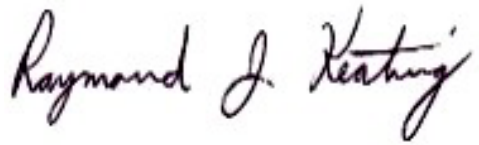
invention. The actions of the merged company and, in the end, how they are judged in the marketplace will determine the merger's merits for all involved. This cannot be known in advance by competitors or those in government. It must be tested in the marketplace.

Finally, two filings seek to deny the vast expansion in competition and choice that consumers are experiencing in the telecommunications arena. The Consumer Federation of America, Consumers Union and U.S. Public Interest Research Group claim in their filing that SBC and AT&T "fantasize" about intermodal competition, and that all telecommunications markets are local. Along similar lines, the filing by the Nevada Department of Justice, Office of the Attorney General and Bureau of Consumer Protection suggest that "no reasonably interchangeable products or close substitutes" exist.

In response, one need only look at the vastly enhanced options consumers now have, including wireline, wireless, satellite and cable, to see that more choices exist, and they are expanding. For example, I write these comments from a home office that includes a traditional phone line, and a cable line that supplies high-speed Internet access, television and telephone service, while a cell phone sits on my desk.

As we noted in our original comments filed on this merger, given the dynamic and competitive nature of the telecommunications industry today – including wireline phone, wireless phone, cable, satellite, Wi-Fi, and more to come – it's nearly impossible to envision telecommunications consumers, including countless small businesses and entrepreneurs, losing out with this proposed merger. Instead, individuals, families and businesses are likely to gain from increased efficiencies, reduced costs, access to enhanced services, and hopefully greater innovation.

Sincerely,

Handwritten signature of Raymond J. Keating in black ink.

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