

**Views of The Proposed AT&T/SBC and
MCI/Verizon Mergers:**

**From the Perspective of Fortune 1000
AT&T and MCI Customers**

Commissioned by:

Alliance for Competition in Telecommunications

Conducted by:



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Overview

Study Background and Objectives

In July of 2005, the Alliance for Competition in Telecommunications (ACTel) commissioned the Center for Survey Research and Analysis (CSRA) at the University of Connecticut to conduct a representative survey of telecomm managers at Fortune 1,000 companies who are customers of AT&T and/or MCI. The purpose of the study was to gauge among these telecomm managers, in a scientific and unbiased manner:

- Their view of the past several years of telecommunications competition – has it been good for their companies?
- Their awareness of the proposed AT&T/SBC and MCI/Verizon mergers – are they following these developments?
- Their view of how these mergers will impact their companies.
- Their level of concern about the mergers.

Methodology

From late July through late August of 2005, telephone interviews were conducted by CSRA among a random sample of 100 telecommunications managers at Fortune 1,000 companies who are also customers of AT&T and/or MCI. “Telecommunications manager” are those individuals who are responsible for all or most of their company’s total telecomm budget. The sample was originally pulled from the Dun and Bradstreet database of Fortune 1,000 telecomm managers. CSRA’s senior interviews then called these individuals and verified that they were, in fact, in charge of all or most of their company’s telecommunication budget (as a quality check on the sample). For names that were no longer accurate (or not available via Dun and Bradstreet), CSRA interviewers made inquiries to reach the appropriate person. Respondents were then screened to interview only those who are currently customers of AT&T or MCI. The sampling error for a sample of this size among a universe of this size is $\pm 9\%$.

Overview of Findings

In brief, the key findings from the survey are as follows:

1. The salience of these merger developments is extremely high. Just about all Fortune 1,000 telecomm managers who are customers of AT&T and/or MCI are aware of the proposed mergers and are also aware of the current government review (over 9 in 10 are aware of all three).

2. Telecomm managers in the study overwhelmingly believe (85%) that the recent experience of increased competition in the telecomm industry has been very beneficial for their companies.
3. Among telecomm managers in the study who have formed an opinion (which is most of them), they believe – by a two to one margin -- that their companies will be *worse* off because of the mergers. They believe they will be worse off in terms of:
 - Rates
 - Innovation
 - Customer service
4. Their assessment of the merger situation is serious enough that roughly two-thirds of Fortune 1000 telecomm managers who are customers of AT&T and/or MCI express concern about the mergers. They are concerned that:
 - Rates will rise
 - Quality of service will go down
 - Overall, there will be less competition in the telecomm industry

More details, and full study results, follow.

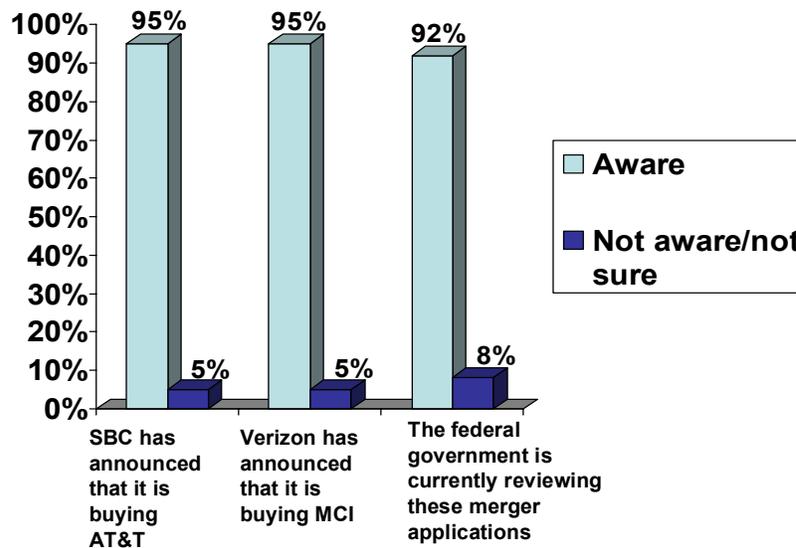
Study Findings

I. Salience

Finding: Just about all telecommunication managers at Fortune 1,000 companies who are customers of AT&T and/or MCI are aware of the proposed mergers. They are clearly keeping a close eye on this developing situation.

- 95% are aware that SBC has announced it is buying AT&T.
- 95% are aware that Verizon is buying MCI.
- 92% are aware that the federal government is currently reviewing these merger applications.

Q. Are you aware that ...

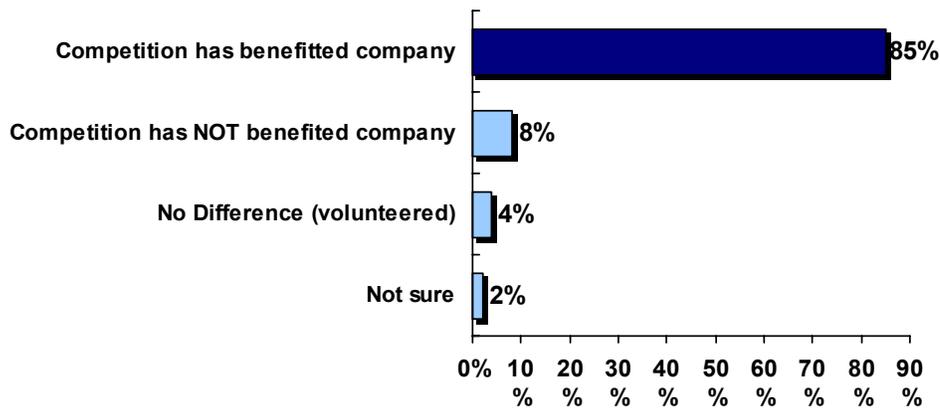


II. View of Telecomm Competition

Finding: These Fortune 1,000 telecommunications managers overwhelmingly believe that the increased competition in the telecomm industry over the past several years has been great for their businesses.

- 85% say this increased competition has “benefited their company.”

Q. “Do you think that the increased competition in the telecomm industry over the past several years has benefited your company, or has the increased competition not benefited your company?”



Based on all respondents

III. Perceived Impact of Mergers

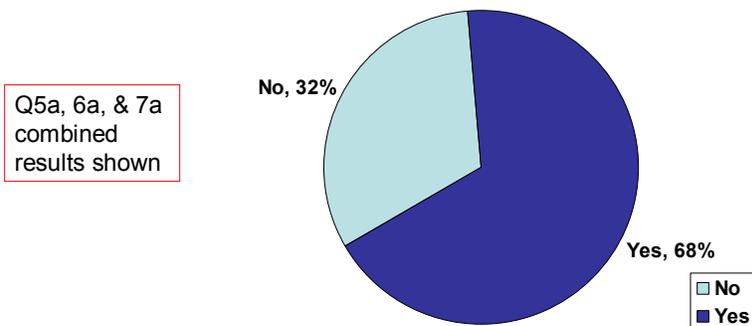
Finding: Among the Fortune 1,000 telecomm managers in our sample who have an opinion about the proposed mergers, by a **two to one margin** they believe they will be **worse** off if the mergers go through. This holds true regarding rates, innovation and overall responsiveness to customers.

- By a two to one margin (68% to 32%), telecomm managers feel they get better rates now than they would post merger.

Q5a. "In your opinion, do you think AT&T can offer you better rates than SBC?"
(asked of AT&T customers)

Q6a. "In your opinion, do you think MCI can offer you better rates than Verizon?" (asked of MCI customers)

Q7a. "In your opinion, do you think AT&T and MCI can offer you better rates than SBC or Verizon?" (asked of customers of both AT&T and MCI)



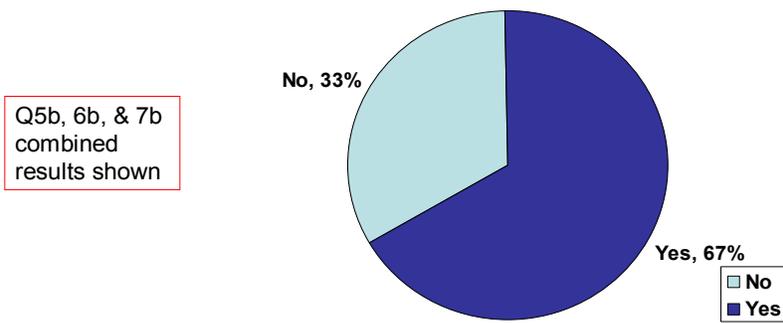
Based on respondents who offered an opinion (74% of total)

- By a two to one margin (67% to 33%), telecomm managers feel they get more innovation of products and services now than they would post merger.

Q5.b. Do you think AT&T offers more innovation in terms of products and services than SBC does? (asked of AT&T customers)

Q6.b. Do you think MCI offers more innovation in terms of products and services than Verizon does? (asked of MCI customers)

Q7.b. Do you think AT&T and MCI offer more innovation in terms of products and services than SBC or Verizon do? (asked of customers of both AT&T and MCI)



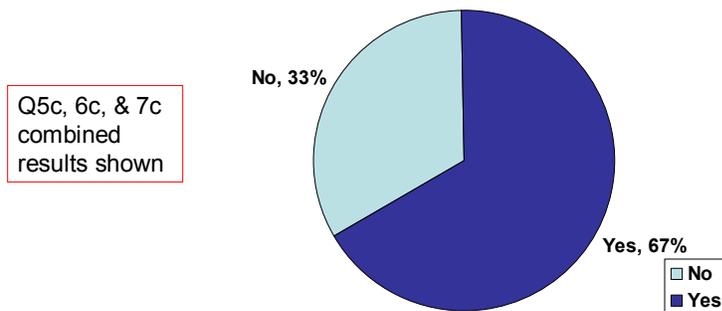
Based on respondents who offered an opinion (81% of total)

- By a two to one margin (67% to 33%), telecomm managers feel they currently get better overall response to their company's telecomm needs than they would post merger.

Q5.c. Do you think AT&T can do a better job responding to your company's overall telecomm needs than SBC can? (asked of AT&T customers)

Q6.c. Do you think MCI can do a better job responding to your company's overall telecomm needs than Verizon can? (asked of MCI customers)

Q7.c. Do you think AT&T and MCI can do a better job responding to your company's overall telecomm needs than SBC or Verizon can? (asked of customers of both AT&T and MCI)



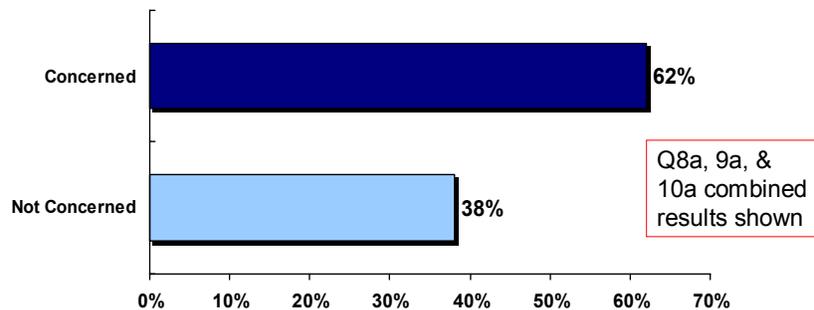
Based on respondents who offered an opinion (83% of total)

IV. Concern Levels

Finding: Their assessment of the merger situation is serious enough that roughly two-thirds of Fortune 1,000 telecomm managers who are customers of AT&T and/or MCI express concern about the mergers.

- 62% express concern about rising rates.

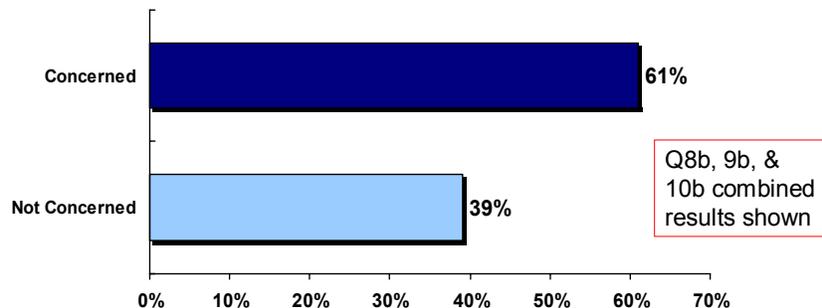
Q8.a. *If SBC buys AT&T, how concerned are you that your rates for telecomm services will, on average, rise? (asked of AT&T customers)*
Q9.a. *If Verizon buys MCI, how concerned are you that your rates for telecomm services will, on average, rise? (asked of MCI customers)*
Q10.a. *If AT&T and MCI are bought by SBC and Verizon, how concerned are you that your rates for telecomm services will, on average, rise? (asked of customers of both AT&T and MCI)*



Based on all respondents

- 61% express concern about deteriorating quality.

Q8.b. *If SBC buys AT&T, how concerned are you that the quality of your service will, on average, go down? (asked of AT&T customers)*
Q9.b. *If Verizon buys MCI, how concerned are you that the quality of your service will, on average, go down? (asked of MCI customers)*
Q10.b. *If AT&T and MCI are bought by SBC and Verizon, how concerned are you that the quality of your service will, on average, go down? (asked of customers of both AT&T and MCI)*



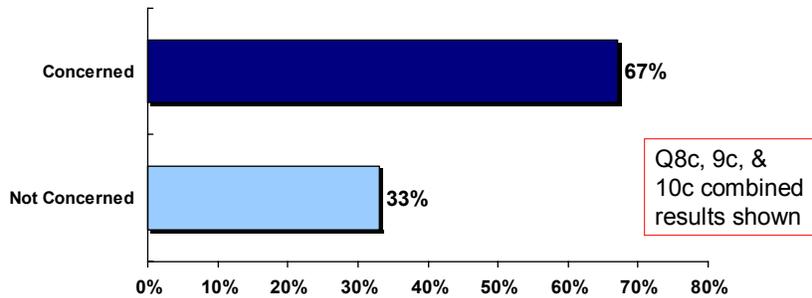
Based on all respondents

- 67% express concern about the decrease in competition.

Q8.c. *If SBC buys AT&T, how concerned are you that there will be less competition in the telecomm industry?* (asked of AT&T customers)

Q9.c. *If Verizon buys MCI, how concerned are you that there will be less competition in the telecomm industry?* (asked of MCI customers)

Q10.c. *If AT&T and MCI are bought by SBC and Verizon, how concerned are you that there will be less competition in the telecomm industry?* (asked of customers of both AT&T and MCI)



Based on all respondents

Methodology

From July 21st to August 22nd, 2005, telephone interviews were conducted by the Center for Survey Research and Analysis (CSRA) among a random sample of 100 telecommunications managers who were customers of AT&T and/or MCI. All interviews were conducted by CSRA's executive interviewers (our most highly trained and experienced) in the CSRA call center located on the campus of the University of Connecticut.

The sample was originally pulled from the Dun and Bradstreet database of Fortune 1,000 telecomm managers. CSRA's interviewers then called these individuals and verified that they were, in fact, in charge of all or most of their company's telecommunication budget (as a check on the sample). For names that were no longer accurate (or not available via Dun and Bradstreet), we made inquiries to reach the appropriate person. Respondents were then screened to interview only those who were customers of AT&T and/or MCI. The sampling error for a sample of 100 among a universe of this size is $\pm 9\%$.

Interviews took between 5 and 7 minutes to complete, and an honorarium to the individual or charitable donation was offered to help increase participation. To reach these individuals, multiple callbacks were made throughout the field period at different times of the day and days of the week.

In our sample of 100:

- 51 were AT&T (only) customers
- 21 were MCI (only) customers
- 28 were customers of both AT&T and MCI

Appendix: Annotated Questionnaire

Hello, may I please speak with **(NAME ON LIST)**

Hello. I'm calling from the University of Connecticut. We are conducting an important survey of large corporations about the proposed mergers in the telecommunications industry. If you qualify, the survey will only take a few minutes and we will compensate you \$40 for your time, or make a charitable donation of that amount to a charity of your choice.

(IF THEY ASK ABOUT THE STUDY) This is an academic study about this important business issue, to understand feelings in the marketplace about these proposed mergers.

SCREENING SECTION

S1. Regarding the telecommunications budget at your company, are you responsible for all, most, some or none of the budget?

All	GO TO QUESTION S3
Most	GO TO QUESTION S3
Some	GO TO QUESTION S2
None	GO TO QUESTION S2
Don't know	GO TO QUESTION S2
Refused	GO TO QUESTION S2

(FOR THOSE WHO SAY "SOME", "NONE", "DK" OR "REFUSED" IN Q#S1)

S2. I need to complete this survey with the person at your company responsible for the telecommunications budget. Could you please give me his/her name and phone number?

(RECORD NAME) _____
(RECORD PHONE #) _____

THANK AND TERMINATE

(FOR THOSE WHO SAY "ALL" OR "MOST" IN Q#S3)

S3. From which telecomm company or companies does your firm currently buy a significant amount of its telecomm services? (OPEN ENDED, CODE ALL THAT APPLY)

(IF AT&T and MCI not mentioned, probe "Any others?")

AT&T
MCI

TO QUALIFY FOR STUDY, MUST BUY A SIGNIFICANT
AMOUNT FROM AT&T OR MCI

SBC
Verizon
Other (RECORD) _____
Refused

(IF DOES NOT BUY ALL OR MOST OF TELECOMM FROM AT&T OR MCI)

S4. Thank you, but this survey is for customers of AT&T or MCI. (TERMINATE)

MAIN QUESTIONNAIRE

Thank you. You qualify for the survey.

1. Do you think that the increased competition in the telecomm industry over the past several years has benefited your company, or has the increased competition not benefited your company?

Competition has benefited company	85%
Has NOT benefited	8%
No difference (vol)	4%
There has NOT been more telecomm competition	1%
Don't know	2%
Refused	0%

2. Are you aware that SBC has announced that it is buying AT&T?

Yes, aware	95%
No, not aware	4%
Don't know	1%
Refused	0%

3. Are you aware that Verizon has announced that it is buying MCI?

Yes, aware	95%
No, not aware	5%
Don't know	0%
Refused	0%

4. Are you aware that the federal government is currently reviewing these merger applications?

Yes, aware	92%
No, not aware	6%
Don't know	2%
Refused	0%

(Asked of AT&T (only) Customers)

5a. In your opinion, do you think AT&T can offer you better rates than SBC?

(Asked of MCI (only) Customers)

6a. In your opinion, do you think MCI can offer you better rates than Verizon?

(Asked of customers of both AT&T and MCI)

7a. In your opinion, do you think AT&T and MCI can offer you better rates than SBC or Verizon?

Combined results of 5a, 6a, 7a	Among those with an opinion	Among all respondents
Yes	68%	50%
No	32%	24%
Don't Know	---	24%
Refused	---	2%

(Asked of AT&T (only) Customers)

5b. Do you think AT&T offers more innovation in terms of products and services than SBC does?

(Asked of MCI (only) Customers)

6b. Do you think MCI offers more innovation in terms of products and services than Verizon does?

(Asked of customers of both AT&T and MCI)

7b. Do you think AT&T and MCI offer more innovation in terms of products and services than SBC or Verizon do?

Combined results of 5b, 6b, 7b	Among those with an opinion	Among all respondents
Yes	67%	54%
No	33%	27%
Don't Know	---	19%
Refused	---	0%

(Asked of AT&T (only) Customers)

5c. Do you think AT&T can do a better job responding to your company's overall telecomm needs than SBC can?

(Asked of MCI (only) Customers)

6c. Do you think MCI can do a better job responding to your company's overall telecomm needs than Verizon can?

(Asked of customers of both AT&T and MCI)

7c. Do you think AT&T and MCI can do a better job responding to your company's overall telecomm needs than SBC or Verizon can?

Combined results of 5c, 6c, 7c	Among those with an opinion	Among all respondents
Yes	67%	56%
No	33%	27%
Don't Know	---	17%
Refused	---	0%

(Asked of AT&T (only) Customers)

8a. If SBC buys AT&T, how concerned are you that your rates for telecomm services will, on average, rise? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of MCI (only) Customers)

9a. If Verizon buys MCI, how concerned are you that your rates for telecomm services will, on average, rise? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of customers of both AT&T and MCI)

10a. If AT&T and MCI are bought by SBC and Verizon, how concerned are you that your rates for telecomm services will, on average, rise? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Combined results of 8a, 9a, 10a)

Total concerned	62%
(Very concerned	11%)
(Somewhat concerned	34%)
(A little concerned	17%)
Not concerned at all	38%
Don't know	0%
Refused	0%

(Asked of AT&T (only) Customers)

8b. If SBC buys AT&T, how concerned are you that the quality of your service will, on average, go down? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of MCI (only) Customers)

9b. If Verizon buys MCI, how concerned are you that the quality of your service will, on average, go down? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of customers of both AT&T and MCI)

10b. If AT&T and MCI are bought by SBC and Verizon, how concerned are you that the quality of your service will, on average, go down? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Combined results of 8b, 9b, 10b)

Total concerned	61%
(Very concerned	18%)
(Somewhat concerned	26%)
(A little concerned	17%)
Not concerned at all	39%
Don't know	0%
Refused	0%

(Asked of AT&T (only) Customers)

8c. If SBC buys AT&T, how concerned are you that there will be less competition in the telecomm industry? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of MCI (only) Customers)

9c. If Verizon buys MCI, how concerned are you that there will be less competition in the telecomm industry? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Asked of customers of both AT&T and MCI)

10c. If AT&T and MCI are bought by SBC and Verizon, how concerned are you that there will be less competition in the telecomm industry? Are you very concerned, somewhat concerned, a little concerned or not concerned at all?

(Combined results of 8c, 9c, 10c)

Total Concerned	67%
(Very concerned	21%)
(Somewhat concerned	29%)
(A little concerned	17%)
Not concerned at all	33%
Don't know	0%
Refused	0%

Thank you very much for your time. That completes the survey.

(COLLECT INFORMATION FOR HONORARIUM OR DONATION)