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June 26, 2006

**VIA ELECTRONIC SUBMISSION**

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room TWB-204  
Washington, DC 20554

Re: Review of AT&T Inc. and BellSouth Corp. Application for Consent to  
Transfer Control, WC Docket No. 06-74- Privileged and Confidential

Dear Ms. Dortch:

On June 20, 2006, ScanSource, Inc. filed reply comments claiming that the proposed merger between AT&T and BellSouth will eliminate actual and potential competition for retail business customers. ScanSource's claims not only are wholly unsupported, they ignore irrefutable marketplace evidence and the Commission's recent findings that "competition in the enterprise market is robust."<sup>1</sup> Indeed, ScanSource's conclusory assertions are contradicted by its own filing.

ScanSource's Internally Inconsistent Arguments Only Confirm the  
Commission's Recent Finding That Competition in Retail Business Services  
is Robust

ScanSource makes numerous factual statements that undermine its own claims and, in fact, confirm the Commission's findings that competition for retail business customers is very strong.

First, ScanSource confirms the Commission's finding that there are "myriad providers" prepared to make competitive offers.<sup>2</sup> ScanSource states that it currently uses *five* providers – Level 3, Verizon Business, Charter Communications, Sprint and BellSouth (but not, ironically, AT&T) – for its telecommunications

<sup>1</sup> SBC/AT&T Merger Order ¶ 73 n.223.

<sup>2</sup> SBC/AT&T Merger Order ¶ 73.

needs, and that each competes for all aspects of ScanSource's business.<sup>3</sup> ScanSource further represents that, with this array of competing providers, it is "able to effectively meet its business requirements without sacrificing reliability, customer service, or the bottom line."<sup>4</sup> So, even without reference to the numerous other providers the Commission found generally are available, ScanSource's claim that the combination of AT&T and BellSouth will result in unacceptable number of providers of retail business services is clearly meritless.

Second, ScanSource defines how many alternatives it needs to ensure a competitive outcome: "the ability to choose one provider over at least *two others* is critical to enterprise customers."<sup>5</sup> Even if the number of competitors was limited to the five providers identified by ScanSource, which of course it is not, ScanSource has more than enough competitive alternatives for its telecommunications needs, by its own definition. Moreover, ScanSource does not even use AT&T as a provider, so the combination of AT&T and BellSouth cannot diminish its current number of providers. Consequently, it is clear that the combination of AT&T and BellSouth will have no adverse competitive effect on ScanSource whatsoever.

Third, ScanSource again belies its own assertion with its own facts when it states that CLECs and intermodal providers, such as wireless, cable and VoIP providers, are not significant competitors worthy of consideration.<sup>6</sup> ScanSource must not have read the rest of its comments, as its current list of providers includes both a CLEC (Level 3) and a cable company (Charter). Indeed, ScanSource complains that this merger will reduce its options for backup service providers who are "*independent*" and "*unaffiliated*,"<sup>7</sup> but admits that today, it uses an independent and unaffiliated cable company (Charter) to provide these services to its headquarters.<sup>8</sup>

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<sup>3</sup> Reply Comments of ScanSource at 4.

<sup>4</sup> Id. at 4-5.

<sup>5</sup> Reply Comments of ScanSource at 5 (emphasis added).

<sup>6</sup> Id. at 7-8.

<sup>7</sup> Id. at 7 (emphasis in original).

<sup>8</sup> Id. at 4.

ScanSource's Statements Regarding Out-Of-Region Competition Are Inaccurate and Ignore The Facts

ScanSource makes several inaccurate statements in its filing regarding AT&T's (formerly SBC's) efforts to compete outside its region, and BellSouth's current ability to do the same. ScanSource asserts that SBC (now AT&T) never intended to abide by the conditions set forth in the SBC-Ameritech Merger Order,<sup>9</sup> when the undisputed evidence is that SBC spent significant time and resources attempting to expand out-of region. After five years and over \$1 billion, however, the company decided to focus on following customers that were based in-region.<sup>10</sup>

Similarly, BellSouth's limited attempts to pursue out-of-region opportunities have never positioned it to compete in any meaningful way to serve the primary telecom requirements of national customers. BellSouth's initial attempt to pursue out-of-region opportunities through a teaming agreement with Qwest was abandoned as a failure in 2002,<sup>11</sup> and its current, limited agreement with Sprint is hoped to stem BellSouth's loss of in-region, large business customers, not to enable BellSouth to compete significantly for national customers.<sup>12</sup> It is clear that neither strategy successfully positioned SBC or BellSouth to be significant potential out-of-region competitors for large retail business customers.

In addition, ScanSource selectively quotes analysts to support its claim that AT&T will be able to raise prices, despite the fact that the analysts say no such thing. Quite the contrary, the Morningstar Report upon which ScanSource relies confirms that AT&T faces "stiff competition" for enterprise customers.<sup>13</sup> Nothing in the analyst reports relied upon by ScanSource suggests that the combined company would be able to raise prices.

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9 Reply Comments of ScanSource at 10.

10 Declaration of James Kahan, FCC Public Interest Statement, Merger of SBC Communications, Inc. and AT&T Corp. ¶ 23-28.

11 Declaration of Barry L. Boniface at ¶ 19.

12 Id. at ¶ 20.

13 See Morningstar Report, Michael Hodel (April 25, 2006).

Conclusion

ScanSource's conclusory, internally inconsistent arguments in no way undermine this Commission's prior conclusion that retail business competition is "robust". Moreover, ScanSource makes no attempt to refute the extensive evidence supplied by Applicants demonstrating that in the short time since that finding competition in the retail business sector has continued to increase. Applicants have demonstrated that the proposed merger will offer substantial benefits to consumers without countervailing competitive harms. Accordingly, the Commission should expeditiously grant, without conditions, the applications to transfer control of BellSouth's FCC authorization to AT&T.

Sincerely,  
/s/  
Gary L. Phillips

CC: Don Stockdale  
Bill Dever  
Nick Alexander  
Gary Remondino