

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

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**In the Matter of Applications** )  
**for Consent to the Transfer** )  
**of Control of Licenses and** )  
**Section 214 Authorizations from** )  
 ) WC Docket No. 06-74  
**BELLSOUTH CORPORATION** )  
**Transferor** )  
 )  
**to** )  
 )  
**AT&T INC.** )  
**Transferee** )

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**RESPONSE OF AT&T INC. TO INITIAL INFORMATION  
AND DOCUMENT REQUEST DATED JUNE 23, 2006**

July 11, 2006

**RESPONSE OF AT&T INC. TO INITIAL  
INFORMATION AND DOCUMENT REQUEST**

**July 11, 2006**

In response to a letter dated June 23, 2006, from Thomas J. Navin, Chief of the Wireline Competition Bureau, and the Initial Information and Document Request attached thereto, AT&T Inc. (“AT&T”) hereby provides (a) narrative answers to each specification applicable to AT&T, (b) requested data both within the narrative answers and as exhibits, and (c) responsive documents. Responses are also provided on behalf of Cingular Wireless Corporation (“Cingular”). As noted where applicable in the narrative, AT&T’s submission reflects agreements with Commission staff as to the scope and meaning of individual specifications. As requested, AT&T also hereby provides a master index of the specifications and responses.

These responses are based on a review of available documents reasonably likely to contain responsive information and inquiry of those individuals and available sources reasonably likely to have relevant information. AT&T does not maintain some of the information requested in the ordinary course of business, or AT&T does not maintain the information in the precise manner requested. When information was not reasonably available in the form requested, AT&T made commercially reasonable efforts to provide information to the extent possible. AT&T has provided responsive, non-privileged information and documents.

Much of the narrative, exhibits and submitted documents contain material that is extremely sensitive from a commercial, competitive, and financial perspective, and that AT&T would not, in the normal course of its business, reveal to the public or to its

competitors. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the First Protective Order<sup>1</sup> and the Second Protective Order<sup>2</sup> in this proceeding. The confidential, unredacted submission is marked “*HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO SECOND PROTECTIVE ORDER IN WC DOCKET NO. 06-74 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 Electronic Comment Filing System (“ECFS”).

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

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<sup>1</sup> *In re AT&T Inc. & BellSouth Corp., Applications for Approval of Transfer of Control*, WC Dkt No. 06-74, Order Adopting Protective Order, DA 06-1032 (rel. May 12, 2006).

<sup>2</sup> *In re AT&T Inc. & BellSouth Corp., Applications for Approval of Transfer of Control*, WC Dkt No. 06-74, Order Adopting Second Protective Order, DA 06-1415 (rel. July 7, 2006).

**A. Background**

- 1. Define the retail customer classes: enterprise, large business, medium business, small business, mass market, and residential; and define any other retail customer class in which your company monitors competition between AT&T and BellSouth and regularly creates sales reports. Explain the specific characteristics that distinguish each customer class (e.g., revenue size; employee size; telecom needs; other criteria).**

**RESPONSE:**

The new AT&T has combined aspects of both the legacy AT&T and legacy SBC organizations for retail business customers. The process of integrating the organizations is underway, and the migration of the legacy databases into a unified system is not yet complete. AT&T therefore currently divides customers into sales categories that are a hybrid of those used by the two legacy companies.

**Residential** includes services associated with the customer's residence. Legacy AT&T provides traditional toll (both domestic and international), local telephony services (through UNE, UNE replacement, and resale arrangements), as well as voicemail and other associated services, such as dial-up Internet access, and inside wire and transaction services (collect, calling card, operator services, etc.), as well as VoIP and DSL. Legacy AT&T also provides prepaid calling cards, which typically are sold to end-users through unaffiliated retail establishments. Legacy SBC provides residential services mostly within its ILEC service territory (although it does provide very limited residential services outside of its territory via UNE-L and resale). In addition to the services discussed above, SBC's in-region local services include additional services, such

as customer premises equipment and other local services typically provided by incumbent local exchange carriers.

**AT&T Business Services (“ABS”)** is generally responsible for retail business customers that are global, large, or outside the legacy SBC 13-state region. They are categorized as follows:

Signature Customers: Signature customers comprise a defined list of approximately 300 business customers that are typically AT&T’s largest customers and generate the highest level of revenue. There is no single criterion or revenue threshold for designation as a Signature customer, but among the criteria considered are the following: amount of customer purchases of telecommunications services and other information technology; the customer’s total revenue; the cost of serving the customer; the customer’s use of leading edge services (*e.g.*, call centers, managed services); the customer’s global reach; and the customer’s industry. Certain of legacy SBC’s customers that meet the Signature customer profile are now served through the Signature channel.

Enterprise Customers: Enterprise customers are customers that do not meet the Signature customer profile, but nonetheless generate a substantial volume of telecommunications revenue. Enterprise customers are multi-region or single-region and generally have either current AT&T service billing of more than \$1 million annually or at least the potential to generate more than \$1 million in annual revenue. The Enterprise category, which comprises approximately 5,000 customers, includes qualifying local government customers and all state government customers outside the legacy SBC 13-state region (except the state of Hawaii, which is addressed as a Government customer, and the state of Alaska, which is served by Alascom). Legacy SBC customers (typically

those in legacy SBC’s “Global” customer segment) that satisfy these criteria are now considered ABS Enterprise customers.

Select Customers: ABS Select Customers include all remaining multi-region or single-region retail customers outside the legacy SBC 13-state region (except Federal Government, Global and Small Business Customers) that generally satisfy the following criteria: more than \$18,000 in AT&T annual billing, more than 85 employees, and at least limited use of managed or data services. AT&T currently serves approximately 120,000 Select customers.

Small Business Customers: AT&T’s category of Small Business customers includes all business customers that do not satisfy the criteria for any of the other groups described above, and are not Wholesale, Federal Government, or Global customers. They generally purchase the same services provided to legacy AT&T’s residential customers with more use of advanced features and toll free services. These customers are generally served by UNE-P replacement, UNE-L and resale arrangements.

Global Customers: Global Customers include non-US based customers and non-US based subsidiaries of Enterprise customers.

Government Customers: These customers consist of federal government departments and agencies and include both defense/security and non-defense customers. Government customers also include the District of Columbia government; the state of Hawaii; foreign government embassies, missions and consulates; quasi-governmental agencies (*e.g.*, Tennessee Valley Authority, American Red Cross); and services provided to Government customers when AT&T is a member of a consortium or a sub-contractor.

Wholesale Customers: AT&T's wholesale customers include common carriers (including long distance carriers, local exchange carriers, and wireless carriers), Internet service providers (including cable system operators), and systems integrators.

Nearly all customers are categorized according to the foregoing characteristics. For specific customers that do not clearly fit within a particular category or that present strategic issues requiring particular assessment, AT&T assesses and categorizes them according to their specific situation. This individualized assessment process applies to a very small percentage of all customers.

Although AT&T has organized its sales and support resources generally according to the size and revenue of its customers – with large business customers in primarily its Signature and Enterprise segments and medium-sized business customers primarily in its Select and Enterprise segments – the types of services that AT&T provides do not always correlate strongly with a customer's size. AT&T offers and sells a wide range of voice, data and IP services to all of these business customers. Although larger customers tend to purchase more complex services more often than smaller customers, that is not always the case – some very large customers purchase very basic voice and data services and some smaller customers purchase managed services.

**Business Communications Services (“BCS”)** at the most general level is responsible for small to medium retail business customers within the legacy SBC 13-state region.<sup>3</sup> Within BCS, there are three basic customer categories:

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<sup>3</sup> For the time being, BCS also includes certain legacy SBC customers outside of SBC's 13-state region served by SBC Long Distance LLC d/b/a “AT&T Long Distance.” This entity was formerly known as SBC Telecom.

BCS 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.

BCS Select: Apart from GEM customers, legacy SBC’s BCS organization divides business customers into two categories. The first is BCS Select, which includes customers expected to generate revenues of more than \$7,000 per year, have more than 50 employees, or require complex services.

BCS Valued: The BCS Valued channel includes business customers expected to spend less than \$7,000 on telecommunications services per year, have fewer than 50 employees, or require non-complex services.

Affiliates: For financial and accounting purposes, legacy SBC separately maintains revenue information for affiliate businesses that use telecommunications services to operate their business.



- 2. Define the retail services your company includes within the following retail service categories: local voice; local data; interexchange voice; interexchange data; and managed services. Define any other retail service category for which your company monitors competition between AT&T and BellSouth.**

**RESPONSE:**

AT&T's response to Specification 2 is contained in Exhibits 2.1 through 2.6.

These exhibits identify the individual retail service categories used in AT&T's response to Specification 5 that fall within the broad categories of: local voice, local data, interexchange voice, interexchange data, managed services and other. AT&T has reported the responsive services by the legacy AT&T and legacy SBC sales categories. For this reason, the exhibit for each sales category also contains the relevant response to Specification 4, and also includes the wholesale services for each sales category.

In addition to the services categories set forth in Exhibits 2.1 through 2.6, AT&T provides mass market services to residential and small business customers as set forth in the response to Specification 1, above.

3. **Define each wholesale customer class in which your company monitors competition between AT&T and BellSouth, and regularly creates sales reports. Explain the specific characteristics that distinguish each customer class (e.g., carrier classification (competitive LEC, wireless, IXC); revenue size; type of wholesale service; other criteria).**

**RESPONSE:**

AT&T treats wholesale customers as a separate customer class from retail customers. AT&T generally tracks its wholesale sales by product, not on the basis of the size, revenue, predominant line of business or other characteristics of its wholesale customers. AT&T is in the process of integrating its legacy AT&T and legacy SBC wholesale businesses.

Today, AT&T serves more than 500 wholesale customers through its legacy AT&T wholesale channel. These customers include CLECs, wireless carriers, IXCs, ISPs, cable service providers, and systems integrators. The majority of AT&T's sales to these wholesale customers are basic voice and data services that these customers use for the transport and termination of their customers' calls or as inputs in their own telecommunications or information services.

AT&T also provides wholesale services through several legacy SBC channels. AT&T provides wholesale services within and outside of the SBC franchised territory through the SBC Long Distance ("SBCLD") channel, which provides both wholesale and retail long-haul services.

AT&T provides additional data wholesale services to ISPs both within and outside of the SBC franchised territory through its SBC Internet Services channel, which provides DSL, ATM and frame relay services.

Within AT&T's franchise area, AT&T provides wholesale services through the "Industry Markets Group." The Industry Markets Group currently divides its business by product set. The group's three product segments are Special Access, Switched Access, and Local Services (which include UNEs, both regulated and privately negotiated).

Within Special Access, services to wireline and wireless carriers are generally tracked as separate categories, although the same customer may fall into both categories.

Within its 13 state region, AT&T also provides wholesale services through the Advanced Solutions, Inc. ("ASI") and Ameritech Advanced Data Services ("AADS") channels, which provide wholesale and retail DSL, frame relay and ATM.

- 4. Define the wholesale services your company includes within the following wholesale services: local voice; local data; interexchange voice; interexchange data; and long-haul services. Define any other wholesale service category for which your company monitors competition between AT&T and BellSouth.**

**RESPONSE:**

AT&T's response to Specification 4 is contained in Exhibits 2.1 through 2.6. These exhibits identify the individual wholesale service categories (as well as the individual retail service categories), set forth by legacy AT&T and legacy SBC sales category, used in AT&T's response to Specification 5 that fall within the broad categories of: local voice, local data, interexchange voice, interexchange data, and other.

**5. Enterprise and Wholesale Services**

- a. For the nation, each BellSouth franchise area, and each MSA within BellSouth’s region, provide separately for AT&T and BellSouth, by each customer class identified in specifications 1 and 3 and each service category identified in specifications 2 and 4:**
- (1) Revenues, and an estimate of your company’s market share of revenues. Explain the methodology used to create the estimate and any supporting documentation.**
  - (2) The number of lines by capacity (e.g., DS-0, DS-1, DS-3, OCn), and an estimate of your company’s market share of lines by the appropriate capacity measure. Explain the methodology used to create the estimate and any supporting documentation.**
  - (3) An estimate of each competitor’s market share of revenues. Provide an explanation of how the estimates were arrived at and a copy of supporting documentation.**
  - (4) An estimate of each competitor’s market share of capacity (e.g., DS-0, DS-1, DS-3, OCn). Provide an explanation of how the estimates were arrived at, and a copy of supporting documentation.**

**RESPONSE:<sup>4</sup>**

**Revenues and Line Counts**

As noted, AT&T provides retail and wholesale services through multiple channels. AT&T’s response to Specifications 5(a) (revenues) and 5(b) (line counts) is

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<sup>4</sup> Because Specification 5 appears under the heading “Enterprise and Wholesale Services,” AT&T has provided responsive information for its retail and wholesale business customers (as set forth in the responses to Specifications 1 and 2), and not for residential customers. AT&T is providing residential customer information in response to Specifications 36-42, which appear under “Mass Market Services.”

provided separately for each of these channels in Exhibits 5.1 through 5.12. Explanations pertaining to each of these specific responses are set forth below.

*Legacy AT&T*

*Legacy AT&T Channels.* Exhibits 5.1 and 5.7 provide revenue and line count information for the legacy AT&T sales channels. Exhibit 5.1 provides AT&T's revenues for services provided by legacy AT&T's sales channels for each quarter from January 2005 through March 2006, and by month for April 2006 and May 2006. These data are provided nationally, by state and by MSA (Column A), as well as by customer segment (Column B) and by service category (Columns C and D). AT&T notes that the wholesale customer purchases reflected in AT&T's wholesale revenues include communications services purchased by carriers and other primarily wholesale customers for their own internal use and not for resale. AT&T's records do not separate such purchases. For this reason, the wholesale revenues in Exhibit 5.1 may overstate AT&T's actual wholesale revenues. AT&T further notes that the billing address location used to allocate revenue to state and MSAs may be different than the service location and that service provided to a number of locations (which may or may not be in the same MSA) may be billed to a single address. For this reason, there may be no billed revenues associated with an MSA, notwithstanding that AT&T serves customer locations in that MSA.

Exhibit 5.7 provides the number and, in the case of dedicated services, the capacity of lines, by service, used by AT&T to provide the services that generated the revenues identified in Exhibit 5.1. These data are provided (i) nationally; (2) by BellSouth MSA and (iii) by BellSouth franchise area in each state.

Some of AT&T's dedicated services are long-haul dedicated services and thus may originate and terminate in different BellSouth MSAs. Accordingly, AT&T allocated these circuits to MSAs (and BellSouth states) as follows. If a circuit originates and terminates in the same MSA, that circuit was allocated to that MSA. If a circuit originates and terminates in different MSAs, AT&T allocated that circuit to the MSA where the AT&T designated "A end" of the circuit is located as defined systematically by AT&T's internal systems. In some instances, AT&T could not determine from its records the MSA where a line is located. In such instances, AT&T identifies the state where the line is located.

The information in Exhibit 5.7 relating to dedicated services and non-local switched voice services was drawn from multiple billing databases using the "PLUSS." The "PLUSS" is an AT&T product record management system that draws from AT&T's principal billing systems related to dedicated circuits. The system include information concerning nearly 100% of local dedicated facilities and over 95% of dedicated service terminations or "customer loops" associated with non-local dedicated facilities, packet and nodal services. Another system, the Universal Biller, is used primarily to bill packet-based services bundled with some voice services. AT&T could not obtain information responsive to this specification from the Universal Biller, because the relevant data sources are corrupted, miscoded or otherwise unreliable. Also, the PLUSS does not assign capacity to certain voice services, and in some instances is missing the capacity of a particular circuit. In these circumstances, there is no capacity indicated in the exhibit.

Legacy SBC

*SBC Internet Services.* AT&T provides retail and wholesale data services through its SBC Internet Services (“SBCIS”) affiliate. Exhibit 5.2 provides AT&T’s retail and wholesale revenues,<sup>5</sup> by customer segment, and by service type, for retail services provided by SBCIS. These data are provided by customer segment, on a national and state basis by quarter from January 2005 through March 2006, and by month for April 2006 and May 2006. AT&T’s databases do not contain sufficient information to allocate these revenues by MSA.

Exhibit 5.8 provides AT&T’s retail and wholesale line counts, nationwide and by state (for dial up services only) in the Bell South franchise areas. For other services, including DSL and DIA, AT&T’s systems do not contain sufficient information to allocate these lines by state. Exhibit 5.8 provides the data by quarter from January 2005 through March 2006, and by month for April 2006 and May 2006. AT&T’s systems do not contain sufficient information to allocate these lines by MSA.<sup>6</sup>

*ASI/AADS.* AT&T provides retail and wholesale data services within its 13-state region through its ASI and AADS affiliates. Exhibit 5.3 provides AT&T’s revenues, by customer segment, and by service type, for services provided by ASI and AADS. This

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<sup>5</sup> The SBCIS wholesale service is called “Traffic Aggregation Service” (or “TAS”). This wholesale service ***[Begin Confidential Information]*** ***[End Confidential]*** is designed to allow ISPs to have coverage in a region without a presence in each LATA. The service aggregates DSL subscriber traffic and delivers this subscriber traffic directly to the public Internet or to an ISP or Corporation Point of Presence (“POP”).

<sup>6</sup> In addition, AT&T maintains different reporting systems for SBC IS’ revenue and line counts. The systems provide different treatment for certain customers, depending on whether the system records the customer by billing address or by service address.



exhibit provides the requested data, by customer segment, on a national basis by quarter from January 2005 through March 2006, and by month for April 2006 and May 2006.<sup>7</sup>

Exhibit 5.9 provides the number of lines by capacity for each ASI/AADS service category, for each quarter from January, 2005 through March, 2006, and for April 2006 and May 2006. The exhibit provides the number of circuits, by capacity, by customer segment on a national basis. In addition to DS0, DS1, DS3, and OCn circuits, this exhibit also provides counts for Inverse Multiplexing over ATM (“IMA”), which is a method of transferring data, whereby a single ATM cell stream is split across multiple access circuits from the user’s site to edge of the carrier’s ATM network. The exhibit likewise provides counts for Multilink, which is the equivalent of IMA for frame relay traffic.

*SBCLD.* AT&T also provides long-haul retail and wholesale voice and data services through the SBC Long-distance (“SBCLD”) affiliate. Exhibit 5.4 provides AT&T’s retail and wholesale revenues for services provided by SBCLD for each quarter from January 2005 through March 2006, and by month for April 2006 and May 2006.

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<sup>7</sup> Exhibit 5.3 contains revenue reported as being within the BellSouth states only through the first quarter of 2005 because ASI and AADS changed billings systems in the second quarter of 2005. Due to this change, certain customer revenue previously listed as being in BellSouth states was thereafter listed as being in the Midwest region, presumably because the billing address was in the Midwest. In addition, entries containing negative numbers appear in the exhibit due to restatement issues arising from a change in the ASI and AADS reporting system known as MR2000 that occurred in January 2006. This change transferred SBC IS from being listed as an ASI/AADS retail customer to being listed as a wholesale customer, and resulted in a negative revenue number in the retail column generally offset by a positive revenue number in the corresponding “wholesale” segment. In addition, the negative numbers for USF/FUSB charges listed in the “product” column occur because the charges are passed through to SBC IS.

These data are provided nationally, by state and by MSA (Column A),<sup>8</sup> as well as by customer segment (Column B) and by service category (Columns C and D).

SBCLD does not always separately track wholesale customers. For sales to Cingular, SBCLD does separately track its retail and wholesale revenues. Exhibit 5.4 separately identifies Cingular retail and wholesale revenues. SBCLD systems also track sales to a category of customers called “IXCs.” Notwithstanding its name, the IXC category includes some sales to non-carrier customers. Although SBCLD’s systems are unable to separate the carrier and non-carrier sales reported under the IXC category, a manual review of May 2006 records confirms that less than 10 percent of the sales reported under the IXC category are non-carrier sales. Because most of the revenues in the “IXC” category are likely to be wholesale revenues derived from sales to IXCs, the revenues from the IXC category are included in Exhibit 5.4. SBCLD also tracks another category of customers called “Retail Carrier” customers. AT&T has determined that most of these sales are retail sales. Accordingly, as noted, the revenues from these services are identified in the exhibit relating to SBCLD retail services. *[Begin*

*Confidential Information]*

*[End Confidential Information]* of all revenues from the Cingular, IXC and Retail Carrier categories.<sup>9</sup>

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<sup>8</sup> In some instances, AT&T’s systems lacked sufficient information to map SBCIS revenues or lines to an MSA. In these instances, the MSA entry is blank.

<sup>9</sup> *[Begin Confidential Information]*

Exhibit 5.10 provides the line counts, by capacity, and by service, associated with these revenues for the relevant time periods, nationally, by BellSouth franchise area, and by BellSouth MSA. AT&T notes that the long-haul services provided by SBCLD may originate and terminate in different BellSouth MSAs. SBCLD allocates the revenues to MSAs and BellSouth franchise areas as follows: revenues from port charges are allocated to the MSA in which the port is provided, and revenues from circuit charges are allocated to the MSA in which port associated with the “A” end of the circuit (as consistently assigned by the SBCLD databases) is located.

*SBC Long Distance LLC.* SBC Long Distance LLC is legacy SBC’s out-of-region business, formerly know as SBC Telecom. All SBC Long Distance LLC revenue is retail revenue. Exhibit 5.5 provides SBC Telecom’s retail revenues, by customer segment and by service type, for retail services provided by SBCIS for each quarter from January 2005 through March 2006, and by month for April 2006 and May 2006. These revenues are reported for the nation, each BellSouth state, and each BellSouth MSA. All revenues reported by SBC Long Distance LLC are, in the ordinary course, categorized in the BCS sales category. To avoid double counting, the revenues reported in this exhibit do not include internal sales to SBCLD. Sales to Cingular are included. The corresponding line counts associated with these revenues are provided in Exhibit 5.11.

*In-Region Wholesale.* AT&T’s Industry Markets Group provides retail and wholesale services within AT&T’s 13 state incumbent LEC service area. Exhibit 5.6

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*[Footnote continued from previous page]*

***[End Confidential Information].***

provides AT&T's retail and wholesale revenues for each service type for each quarter from January, 2005 through March, 2006, and for April 2006 and May 2006.

Exhibit 5.12 provides the corresponding line counts. The Industry Markets' wholesale services include special access, local wholesale (UNE-P, UNE-L, and resale), intrastate switched access, interstate switched access, and wireless access. These services account for nearly 90% of the wholesale revenues. (The remaining wholesale revenues are not reported here because they are from services that are not associated with lines, such as billing and collection services.) AT&T notes that AT&T's wholesale local voice services are sold by the minute, not by the line. Accordingly, AT&T reports the minutes, not lines, associated with these services. Further, AT&T does not distinguish between in-region interexchange and local data in its ordinary course of business and as such the information reported may pertain to both.

### **Market Shares**

As the Commission (and others) have recognized, historic market shares are at best of limited value in assessing competitive positions in a rapidly changing industry.<sup>10</sup> AT&T does not internally create responsive estimates of its own or its competitors' market shares of revenues in the ordinary course of business. AT&T contracts with certain third-party consulting companies to create certain market share estimates with

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<sup>10</sup> See, e.g., *In re Applications of SBC Commc'ns Inc. & AT&T Corp.*, Memorandum Opinion and Order, WC Dkt. No. 05-65, FCC 05-183, ¶ 103 (Nov. 17, 2005) (“*SBC/AT&T Merger Order*”) (“[market share numbers] significantly overstate the likely competitive impact of the merger”); see also *In re Applications of Time Warner Inc. & Am. Online, Inc.*, Memorandum Opinion and Order, 16 F.C.C.R. 6547, 6613 ¶ 152 (Jan. 22, 2001); *FTC v. Nat'l Tea Co.*, 603 F.2d 694, 700 (8th Cir. 1979) (“present market share [is] an inaccurate reflection of its future competitive strength”).

third-party consulting companies who create certain national market share estimates. The methodology by which these consulting companies create their estimates is as follows: AT&T provides the consultants with its own quarterly revenue and line count “actuals”; the consultants combine that data with survey data for AT&T and then use those data to derive industry sizing. The consultants also use survey results in conjunction with the publicly reported financials for other providers to create the estimates they report to AT&T. The responsive estimates excerpted from recent consultant reports are set forth in Exhibit 5.13.

AT&T does not create or commission market share estimates on a state or MSA level in the ordinary course of business.

6. **For long-haul services provided to competitive LECs, interexchange carriers, and wireless providers within the United States, provide:**
  - a. **An explanation of BellSouth’s long-haul capabilities outside its franchise areas.**

**RESPONSE:**

Request directed to BellSouth only.

- b. **AT&T’s revenues, wholesale minutes, and the corresponding nationwide market share estimate.**

**RESPONSE:**

AT&T provides long-haul services through legacy AT&T channels and through SBCLD, and AT&T maintains separate databases for long-haul services provided through the AT&T sales channels and SBCLD. Accordingly, AT&T’s response to this request provides information separately for long-haul services provided through the legacy AT&T channels and SBCLD.

*Legacy AT&T:* AT&T’s response for long-haul services provided through the legacy AT&T channel is provided in Exhibit 6.1. This exhibit provides, separately for entities listed in AT&T’s systems as competitive LECs, interexchange carriers, and wireless carriers, AT&T’s wholesale long haul revenues and minutes. Because some of AT&T’s long haul services to these entities are not sold on a minute-of-use basis, the reported revenues and minutes cannot be used to estimate average per minute charges. AT&T also provides long-haul services to Bell Operating Companies that have both wireless and local and interexchange wireline operations. All long-haul services provided to those entities are reported in AT&T’s Bell Operating Company category in Exhibit 6.1.

SBCLD: AT&T's response for long-haul services provided by SBCLD is provided in Exhibit 6.2. As discussed in AT&T's response to Specification 5, the records maintained by SBCLD in the ordinary course of business do not separately track long-haul services sold to CLECs, IXC's and Wireless carriers. SBCLD's systems do separately track services provided to Cingular. SBCLD's systems also group sales under an "IXC" category. Notwithstanding its name, the IXC category includes some sales to non-carrier customers. Although SBCLD's systems are unable to separate the carrier and non-carrier sales reported under the IXC category, a manual review of May 2006 records confirms that less than 10 percent of the sales reported under the IXC category are non-carrier sales. SBCLD's systems also group sales in a "Retail Carriers" category, but the sales reported in this category primarily reflect sales to business customers, not carriers. Although this category may include some sales to CLECs, IXC's and wireless carriers, AT&T's systems are unable to separately identify these sales. Accordingly, Exhibit 6.2 provides SBCLD's revenues and minutes for the United States separately for services provided to Cingular and services reflected in the "IXC" category. AT&T notes that SBCLD's sales to Cingular comprise *[Begin Confidential Information]* *[End Confidential Information]* of SBCLD's total sales to all carriers. Because some of SBCLD's long haul services to these entities are not sold on a minute-of-use basis, the reported revenues and minutes cannot be used to estimate average per minute charges.

- c. **BellSouth's revenues, wholesale minutes, and the corresponding nationwide market share estimate.**

**RESPONSE:**

Request directed to BellSouth only.

- d. The name and estimated nationwide market share of each facilities-based long-haul service competitor. Provide an explanation of how the estimates were arrived at, and a copy of supporting documentation.**

**RESPONSE:**

AT&T's response to the Specification 6(b) and 6(d) is contained in the documents referenced in AT&T's response to Specification 5 above.



- 7. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss competition on proposals to provide any relevant service (RFPs) for enterprise or wholesale business customers.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 8. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) relating to the company's business plans for enterprise or wholesale businesses, including strategic plans, budgets, and financial projections for these businesses. For regularly prepared budgets and financial projections, the company need only submit one copy of final year-end documents and cumulative year-to-date documents for the current year.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

9. **Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss competition for enterprise or wholesale customers (other than long-haul services), including market studies, competitive analyses, product strategies, marketing strategies, and all other documents relating to (a) the market share or competitive position of AT&T, BellSouth or any other competitor for these services; (b) supply or demand conditions for these services; (c) customers' willingness or ability to substitute to alternative competitive services or providers; (d) competitors' willingness or ability to meet increased demand for their services; and (e) attempts to win these customers from other companies or to stem losses of these customers to other companies.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 10. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss AT&T's, BellSouth's or any other company's pricing strategies for enterprise or wholesale customers (other than long-haul services), including any documents that report or estimate an elasticity of demand for services provided to these customers.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

**B. Special Access Services**

- 11. Provide a definition for each type of special access service provided by your company. Explain whether the types of service are distinguished by: whether the service is Type I, Type II or other type; capacity (e.g., DS-0, DS-1, DS-3, OCn); optional payment plan (e.g., term or volume commitment); or other factors.**

**RESPONSE:**

“Special access” is a term derived from tariff nomenclature that is generally applied to a particular kind of point-to-point dedicated service sold by incumbent LECs within their franchise areas. AT&T provides special access services in its franchise service areas in 13 states; AT&T does not provide these services in BellSouth’s franchise service areas. AT&T’s special access services are not designated as Type I or Type II services (as explained below, this nomenclature generally applies to certain private line services). AT&T’s special access services include, among others, DS-0, DS-1, DS-3, and OCn capacity services. AT&T provides special access services under state and federal tariffs. In areas where AT&T has obtained pricing flexibility, AT&T also provides these services through contract tariffs. AT&T has both “base” tariffs and “optional payment plan” and other “overlay” tariffs, many of which offer term and other discounts. AT&T’s contract tariffs also generally offer discounts. All base and discount tariffs are generally available.

In certain areas of certain MSAs in BellSouth’s franchise areas (as well as in certain MSAs in other parts of the country), legacy AT&T provides “local private line” (“LPL”) services between customer-specified locations, which customers may view as an alternative to purchasing “special access” services from BellSouth. LPL service is a local

service between two points in the same area. In most cases, LPL services are provided entirely over AT&T's local network facilities (referred to as a "Type I" service), but the service is sometimes provided through a combination of AT&T's own facilities and special access or local private line services leased from another carrier (referred to as a "Type II" service). LPL service is available in various capacities, including DS0, DS1, DS3, and OCn. AT&T provides LPL services under both tariffs and individually negotiated contracts that may provide discounts based upon the term, volume or other factors.

- 12. For each BellSouth franchise area and each MSA within BellSouth’s region, provide separately for AT&T and BellSouth, by type and capacity (e.g., Type I-DS-1, Type I-DS-3, etc.):**
- a. The special access revenues and number of circuits.**
  - b. An estimate of your market share of revenues and circuits.**
  - c. The corresponding revenues and market share of each competitor. Provide an explanation of how the estimates were arrived at, and a copy of supporting documentation.**
  - d. The number of lines by type and capacity and market share of each competitor. Provide an explanation of how the estimates were arrived at, and a copy of supporting documentation.**

**RESPONSE:**

AT&T’s response to Specification 12(a) is provided in Exhibit 12.1, which is a spreadsheet that provides revenues and number of circuits in BellSouth’s nine states by state and by MSA for each quarter from January 2005 through March 2006, and for the months of April 2006 and May 2006. The local private line services designated as “Type I” are provided entirely over AT&T’s local network facilities. The local private line services designated as “Type II” rely, at least in part, on leased facilities.

AT&T lacks the information about other providers’ special access/local private line revenues and circuits that would be necessary to provide market shares or competitors’ circuit counts or revenues in the BellSouth franchise areas. Some, although by no means all, competitive LECs have provided AT&T with lists of the “on-net” commercial buildings they claim to serve with their own fiber connections. AT&T is providing that information as its response to Specifications 12(b) through 12(d). Specifically, Exhibit 12.2 provides this incomplete information about other providers’ local networks in the BellSouth franchise areas that AT&T obtained in the ordinary

course of business in connection with its purchase of special access and local private line services in the BellSouth franchise areas. Because it is limited to those CLECs that have provided data to AT&T, this does not provide information on circuits or revenue that can be used to approximate market shares.



- 13. For each wire center within BellSouth’s region, BellSouth shall provide in an Excel spreadsheet:**
- a. An identifier for the wire center and an identifier for the MSA in which the wire center is located.**
  - b. The name of each carrier with a fiber-based collocation at the wire center.**
  - c. Indicate whether the fiber-based collocation is “on-net” (connected to the carrier’s network with the carrier’s own facilities - a Type I connection) or “off-net” (connected to the carrier’s network via facilities leased from another carrier - a Type II connection). In the case of a Type II connection, indicate if the facilities are leased from BellSouth, AT&T, or another carrier.**

**RESPONSE:**

Request directed to BellSouth only.

**14. For each MSA within BellSouth’s region where AT&T and BellSouth have facilities (either owned or leased), provide:**

- a. A map of AT&T’s network, a listing of AT&T’s facilities, and the address of each building that AT&T plans to bring “on-net” within the next two years (by May 1, 2008).**

**RESPONSE:**

Exhibits 14.a.1 and 14.a.2 comprise maps of legacy AT&T and legacy SBC local network facilities in the BellSouth region, respectively.

Exhibit 14.a.3 provides a listing of AT&T switches (CLLI, street address, city, state, zip code, and MSA) in the BellSouth region. This exhibit has two tabs. The first tab identifies switches located in the 11 metropolitan areas where AT&T has local network facilities. The second tab identifies switches located in areas where AT&T has not deployed local network facilities (these switches are used to provide non-local services, such as long-distance service). As noted in the exhibit, AT&T has deployed three different types of circuit switches: (1) 4ESS switches manufactured by Lucent are primarily used for long distance telephone voice services (although they are also sometimes used to provide AT&T Digital Link service, which uses long distance switches to provide a limited local telephone service); (2) 5ESS switches manufactured by Lucent are used to provide local telephone voice service; and (3) DMS switches manufactured by Nortel are “class 5” switches and can be used to provide both local and long distance telephone voice service. AT&T also has packet switches in these areas. The packet switches listed in this exhibit are used to aggregate and switch data and they are principally used in AT&T’s Frame Relay and ATM networks. As specifically identified in the exhibit, AT&T has the following packet switches in the BellSouth

region: Cisco AXIS, Cisco BPX; Cisco MGX1; Cisco MGX45; Lucent C5000; Lucent CBX500, Lucent GX550, and Lucent 7670.

Exhibit 14.a.4 provides the location of each AT&T collocation in BellSouth's franchise areas. This exhibit has two tabs. The first tab identifies collocations in the 11 metropolitan areas where AT&T has local network facilities. The second tab identifies collocations located in areas where AT&T has no local network facilities. The classification of the type of collocation is provided in Columns H through J. "FB" stands for facilities-based collocations where AT&T has deployed local fiber (either local network fiber or fiber associated with AT&T's long distance facilities). "NFB" stands for non-facilities-based collocations where AT&T has typically collocated multiplexing equipment but has not collocated fiber.

Exhibit 14.a.5 provides a list of the buildings that AT&T has brought "on-net" since the building data were pulled from the database and specific buildings that AT&T has existing plans to bring "on-net" within the next two years. This list has three parts. First, AT&T's Type I building list is based on a "data pull" from March 2006.<sup>11</sup> The first part identifies buildings that AT&T has disconnected since it pulled the raw data from its systems that it has used to respond to these data requests and similar data requests from

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<sup>11</sup> It takes substantial time to process the raw data and to compile and validate the building specific information reported here. The initial data pull identified buildings where, according to AT&T's databases, AT&T has fiber connections. AT&T interviewed its building engineers with respect to each of the identified buildings to verify this information and to obtain additional information about the fiber, including whether the fiber was leased by IRU, the number of fibers and the number of lit fibers. AT&T then conducted physical inspections of a large portion of these buildings to confirm the existence of fiber and various other characteristics of the buildings. Finally, AT&T compiled the data in the table, including circuit counts, lit fibers, and fiber connections of competitors.

the United States Department of Justice. The second part identifies buildings AT&T has connected to its local fiber networks since the raw data were pulled. The third part identifies specific buildings that are currently scheduled to be connected to AT&T’s local fiber networks within the next two years. AT&T adds buildings to its local fiber networks using a “success based” strategy, whereby new connections may be built when AT&T has won a customer in that building and there is a sufficient “business case” for investment that would be required to make the building connection. Exhibit 14.a.5, therefore, identifies the buildings for which a business case has been approved.

**b. In an Excel spreadsheet:**

- (i) The address of each building for which AT&T has a Type I connection.**
- (ii) The capacity of AT&T’s Type I connection and the number of circuits, as well as the number of lit and dark fiber strands.**
- (iii) The name of each other carrier that has a Type I connection to that same building, and the capacity of each carrier’s Type I connection.**
- (iv) The name of each carrier with a Type II connection to that same building.**

**RESPONSE:**

AT&T’s response to Specifications 14(b)(i) through (iv) is provided in Exhibit 14.b, which is a spreadsheet with two tabs. The first tab identifies locations where AT&T has a Type I connection in the 11 metropolitan areas within the BellSouth franchise areas where AT&T has deployed local network facilities. The second tab

identifies other locations where AT&T has fiber connected buildings relating to AT&T's long distance services.

AT&T maintains these data separately for legacy AT&T and legacy SBC and therefore provides the data separately for these entities. In the first tab, Columns A through F identify the AT&T entity (AT&T, SBCLD or SBCT), CLLI code, street address, city, state, and MSA for each such building to which AT&T has a connection in the 11 metropolitan areas where AT&T has deployed local network facilities. The number and capacity of each circuit is provided in Columns G through L.<sup>12</sup> The numbers of lit and dark fibers are listed in Columns M through N.<sup>13</sup> These data respond to Specifications 14(b)(i) and 14(b)(ii).

In response to Specification 14(b)(iii), AT&T has attempted to identify whether the buildings served in the 11 metropolitan areas where AT&T has local networks are served by another CLEC using a Type I connection. As noted, AT&T has only very incomplete knowledge of the extent of other providers' local network facilities. To identify the presence of other providers' fiber connections to these buildings, AT&T first examined the "lit building" lists of the subset of CLECs from which it has received such lists. AT&T also conducted physical inspections of many of these buildings that revealed additional instances in which another CLEC served an AT&T "on net" building. CLECs

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<sup>12</sup> Many of SBC's fiber-connected buildings are buildings where the fiber merely passes through collocations, and no circuits are used to serve demand in those buildings. For these buildings, no demand is indicated.

<sup>13</sup> In some cases, AT&T provides a direct connection to a building using fixed wireless technology. Buildings connected to AT&T's metro fiber using fixed wireless are denoted in Exhibit 14.b by "BBW."

that AT&T believes have Type I connections to these buildings are shown in Columns Q through AB of the first tab in Exhibit 14.b.

With respect to Specification 14(b)(iv), AT&T has no data from which it can identify where other providers have Type II connections in buildings where AT&T has a Type I connection. AT&T can identify only the very small number of CLECs that have such Type II connections using AT&T's local private line facilities. Columns AC through AF of the first tab in Exhibit 14.b provide a list of AT&T Type I buildings where CLECs purchase local private line service from AT&T (presumably to provide Type II LPL service to the building). These data, of course, include only a very small subset of CLEC Type II connections because they reflect only CLEC Type II connections that rely on AT&T's local network facilities and omit CLEC Type II facilities that rely on other CLECs' local network facilities or on BellSouth's special access facilities. Because AT&T is a relatively small provider of wholesale local private line services in the BellSouth franchise areas, the vast majority of the Type II connections of other providers are provisioned over facilities obtained from BellSouth or other CLECs.

The second tab in Exhibit 14.b identifies the buildings and demand for additional buildings located outside of the 11 MSAs in the BellSouth franchise areas where AT&T has deployed local fiber networks. AT&T will occasionally deploy fiber to directly connect its long distance POP to a central office or an individual customer location outside of areas where it has deployed local networks. For example, where AT&T's POP is located in the same building as an ILEC end office, AT&T may deploy a fiber to connect the AT&T POP to the ILEC end office and thereby self-provide an entrance facility so that AT&T does not have to lease a special access facility when providing long

distance services to customers served out of that end office. This “rifle shot” fiber is effectively an extension of AT&T’s long distance network and is used solely as a means of connecting the customer location to AT&T’s long haul network. Similarly, AT&T will sometimes directly connect a customer location to an AT&T POP using a fixed wireless connection so that AT&T can provide that customer with long distance services. Thus, AT&T’s rifle shot facilities deployment does not include local metro fiber, local switches, local nodes, or the other network equipment used by AT&T to offer local services. AT&T’s central records do not allow it to determine the number of lit and dark fibers for these locations. Further, because these locations are not associated with AT&T’s local network and are widely dispersed, AT&T does not have personnel in place to physically inspect these facilities to determine the number of lit and dark fibers. For these same reasons AT&T does not have information regarding competitors in these buildings.

- c. **In an Excel spreadsheet:**
- (i) **The address of each building for which AT&T has a Type II connection.**
  - (ii) **The capacity of AT&T’s Type II connection and the number of circuits.**
  - (iii) **The name of each other carrier that has a Type I connection to that same building, and the capacity of each carrier’s Type I connection.**
  - (iv) **The name of each other carrier that has a Type II connection to that same building.**

**RESPONSE:**

AT&T’s response to Specification 14(c) is contained in Exhibit 14.c. AT&T maintains separate databases for legacy AT&T and legacy SBC Type II connections. Accordingly, the data are provided separately for legacy AT&T and legacy SBC.

Exhibit 14.c is a spreadsheet with two tabs. The first tab identifies, separately for legacy AT&T and legacy SBC, each building (by address) where AT&T has a Type II connection (*i.e.*, where it does not have a direct fiber connection to the building and instead serves the building over special access or UNE services purchased from BellSouth or over private line services purchased from a competitive LEC), and provides the number and capacity of each connection. For legacy AT&T Type II connections, AT&T’s records can identify building addresses only for special access circuits, and generally only for circuits at DS1 or higher capacities. AT&T has obtained the circuit counts and capacities for legacy AT&T’s Type II services from its Access Data Warehouse (“ADW”). The ADW does not identify building addresses. To obtain this information in the manner requested, AT&T combined information from ADW with information in its TRACE database. The TRACE database is used to determine whether



AT&T can serve the building using AT&T's local fiber network or whether AT&T can purchase circuits from a CLEC to serve the building. The TRACE database generally contains information only on DS1 or higher capacity circuits, and does not contain UNE circuits. To obtain building addresses, AT&T matched the circuit-specific information contained in the ADW with the building-specific information contained in TRACE.

These buildings are listed in the first tab of Exhibit 14.c. Because TRACE does not include circuit-specific information for all circuits used by AT&T, there are some circuits (mostly UNE and DS0 circuits) for which AT&T could not identify the building address associated with the circuit. AT&T, however, was able to identify the MSA and state where these circuits are located. These circuits without address-specific information (but with MSA and state information) are identified in the second tab of Exhibit 14.c. In some instances, multiple individual circuits listed in this tab may serve the same building.

AT&T's response to Specification 14(c)(iii) is provided in Exhibit 14.c, which identifies buildings where other CLECs have Type I connections to the buildings where AT&T has Type II connections. AT&T has a general policy of purchasing only circuits for which the seller has a Type I connection. Accordingly, most (if not all) of the CLECs listed in Exhibit 14.c from which AT&T purchases special access substitutes have Type I connections to those buildings. Of course, this list is vastly under-inclusive because it fails to identify the carriers who have Type I connections to these buildings other than the subset of carriers that provide AT&T with service. Nor does this list identify other CLECs in the buildings where AT&T purchases Type II connections from BellSouth. AT&T has no other reliable data to identify the myriad other AT&T Type II buildings where other CLECs have Type II connections.

With respect to Specification 14(c)(iv), AT&T has no data that can identify in any meaningful way the buildings where AT&T has a Type II connection and a CLEC also has a Type II connection. As shown in Exhibit 12.1, AT&T does sell some Type II local private lines to CLECs, but AT&T is a very small supplier of such services. AT&T lacks data regarding CLECs' other, much more substantial, Type II services.

- 15. For the nation and each BellSouth franchise area, provide separately for AT&T and BellSouth, a quarterly count of the number of RFPs for special access service in which your company submitted a bid to provide special access service.**

AT&T's response to Specification 15 is provided in Exhibit 15. AT&T describes Exhibit 15 and the sources of the data immediately below in response to Specification 16.

- 16. For each RFP for special access service to be provided within BellSouth’s region in which AT&T or BellSouth submitted a bid, provide in an Excel spreadsheet:**
- a. The name of the company requesting bids.**
  - b. The RFP designation number issued by the company requesting the proposal.**
  - c. The month and year that AT&T submitted its bid.**
  - d. The state(s) and MSA(s) in which AT&T proposed to provide the service.**
  - e. The month and year that BellSouth submitted its bid.**
  - f. The state(s), and MSA(s) in which BellSouth proposed to provide the service.**
  - g. An indication of who was awarded the contract.**

**RESPONSE:**

Under agreement with the Commission, AT&T is responding to Specifications 15 and 16 by providing information that it maintains in the ordinary course of business to track sales opportunities.

Exhibit 15 sets out the total number of sales opportunities identified in the eCRM, ICB and Horizon databases respectively. These data are provided for each quarter in 2005 and the first two quarters in 2006. The data are provided separately for the BellSouth region and for the entire United States. As detailed below, these data have significant limitations. For example, the number of opportunities among databases cannot be added together because the same opportunity may appear in more than one of these databases. There is no feasible method for identifying such overlap.

Exhibit 16 provides information from AT&T's electronic customer relationship manager ("eCRM"), which is the only database that contains local private line opportunities for the BellSouth region.

Each of the three databases used by AT&T to track opportunities has certain limitations.

*eCRM:* AT&T's web-based customer relationship manager ("eCRM") sales database was developed and used by legacy AT&T. Since January 2006, both legacy AT&T and legacy SBC data relating to sales opportunities are reflected in the eCRM. Prior to January 2006, only legacy AT&T data is reflected in the eCRM.

Certain general characteristics of the eCRM database are relevant to an understanding of the limited usefulness of that information for purposes of assessing the range of supplier options available to customers, and several specific aspects of the database's use and limitations are relevant for an understanding of responses to particular elements of the specification.

The eCRM database is principally a sales management and tracking tool rather than a tool designed to assess overall competition or market share information. Its data are the product of the incentives created for self-reporting by sales representatives, who themselves may possess very limited information regarding the competition they face, and are thus significantly underinclusive in many respects. For example, business customers frequently use formal or informal confidential bid processes in purchasing communications services and do not generally advise AT&T of the details (or even existence) of all of the other bids or bidders.

As to the particular elements of the specification, the response is shaped by the peculiarities of the database and entry practices. The request seeks information for “each RFP for special access services.” The eCRM generally tracks all sales opportunities without regard to whether the sales opportunity was generated by an RFP or by some other process. Thus, the data provided in the eCRM are overinclusive to the extent they provide not only RFP opportunities, but all opportunities.

The eCRM contains product categories that include special access/local private line services. The eCRM does not, however, track the customer-provided RFP numbers. Rather, eCRM tracks opportunities based on AT&T designated opportunity numbers. And, although the eCRM does not track the month and the year that the opportunity was submitted, it does track the date on which the commercial opportunity is closed. Accordingly, AT&T has provided opportunities expected to close by May 1, 2006 (although some of these opportunities likely will close after that date).

The location in which AT&T proposed to provide the service is not included in the database; the closest entries address the location to which the proposal is directed, which is often a procurement site or management office. Information regarding “who was awarded the contract” is not collected directly. AT&T has provided information regarding the sales representative’s most recently entered “Sales Stage,” which upon closure of the situation is entered as “Closed/Sale,” (win) “Closed/Lost” (lost to another bidder) or “Closed/No Sale” (either lost to another bidder or customer made no purchase).

Exhibit 16 identifies all instances in which AT&T has submitted a proposal to provide local private line service to a customer since January 1, 2005, with an expected

close date of May 2006. The AT&T designated opportunity number, the date the AT&T opportunity is expected to close, the services, and the location to which the proposal is directed are provided.

*ICB and Horizon:* Legacy SBC tracked opportunities in the Individual Case Basis (“ICB”) and Horizon databases. There is no feasible method for “mapping” opportunities listed in the ICB and Horizon databases to each other. Accordingly, AT&T is providing responsive data in these databases separately, even though many of the opportunities in the databases may be the same. Further, as with the eCRM databases, the ICB and Horizon databases are subject to significant limitations, because the contents of the databases are not systematically maintained and often are based on incomplete and sometimes inaccurate information available to sales or other personnel involved in the proposal. Moreover, since January 2006, AT&T has been transitioning from the ICB and Horizon databases to the eCRM. During the transition process, some opportunities continue to be entered into the ICB and/or Horizon databases while others are entered only into the eCRM.

As with the eCRM, the ICB and Horizon databases do not separately track whether a sales opportunity was generated by an RFP or by some other process. Accordingly, while some of the opportunities identified in these databases may be associated with RFPs, other opportunities arose through other channels, including informal requests from existing customers regarding additional services. In this regard, the data provided in these databases are overinclusive to the extent they provide not only RFP opportunities, but all opportunities.

Like the eCRM, it is possible to identify opportunities relating to special access/local private line products. As noted, however, the ICB and Horizon databases contain no private line opportunities for the BellSouth region. The total number of national local private line opportunities listed in each database is shown in Exhibit 15.



- 17. Separately for each MSA within BellSouth’s region 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 and number of strands of lit and 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.**

**RESPONSE:**

AT&T’s response to Specification 17 is provided in Exhibits 14.a.1-5, 14.b, and 14.c. These exhibits provide maps of AT&T’s local network facilities in the BellSouth region, lists of AT&T’s switches and collocations, lists of the addresses in these areas where AT&T has a Type I or Type II connection, and the capacity of AT&T’s connection, and, for Type I connections, the number of lit and dark fibers.

With respect to the portion of the request seeking an assessment of the geographic scope of AT&T’s local network facilities, there is no specific geographic area that can be addressed by AT&T’s local network in the sense requested. When leasing special access loops or EELs, AT&T can physically reach almost any building in the incumbent telephone company’s service area (as can any other CLEC). However, the question whether such a connection is economically viable can only be addressed on an individual case basis that incorporates a review of all of the costs (including the costs of special access or EELs) needed to serve a location and the anticipated revenues that could be earned from customers in that location.

When deploying its own direct fiber connections, there is also no defined geographic area that AT&T can serve. AT&T determines whether to deploy a dedicated fiber connection to a building on a case-by-case basis. In making that determination,

AT&T compares the committed revenues that it has at the building with the costs of deployment and leasing special access. The costs of deployment can turn on numerous factors, including (i) the hurdle rate; (ii) the distance between existing network facilities and the building; (iii) access to existing conduit; and (iv) the costs associated with building access.

Of course, these factors will not necessarily be the same in all situations or for all carriers. A building that AT&T has determined that it cannot economically serve by an AT&T direct fiber connection may be in closer proximity to another carrier's network. Other carriers may also, for example, have different hurdle rates or building access costs. Unlike many other competitive carriers, AT&T focuses on deploying local facilities to service its own retail customers rather than constructing fiber to buildings on the hopes of "wholesaling" local private line services to other carriers.

- 18. For each BellSouth franchise area, describe the state regulation, if any, that applies to intrastate special access service.**

**RESPONSE:**

Request directed to BellSouth only.

- 19. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss competition on RFPs for special access customers.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 20. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) relating to the company's business plans for special access services (whether wholesale or retail), including strategic plans, budgets, and financial projections for this business. For regularly prepared budgets and financial projections, the company need only submit one copy of final year-end documents and cumulative year-to-date documents for the current year.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 21. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss competition for special access services (whether wholesale or retail), including market studies, competitive analyses, product strategies, marketing strategies, and all other documents relating to (a) the market share or competitive position of AT&T, BellSouth or any other competitor for these services; (b) supply or demand conditions for these services; (c) customers' willingness or ability to substitute to alternative competitive services or providers; (d) competitors' willingness or ability to meet increased demand for their services; and (e) attempts to win these customers from other companies or to stem losses of these customers to other companies.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 22. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss AT&T's, BellSouth's or any other company's pricing strategies for special access services, including any documents that report or estimate an elasticity of demand for services provided to these customers.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

**C. Wireless Broadband Services**

**23. For all WCS, BRS and EBS spectrum that AT&T, BellSouth, or Cingular owns, leases or otherwise controls (including through wholesale or resale arrangements), provide separately for AT&T, BellSouth, and Cingular in an Excel spreadsheet:**

**a. A designation of the geographic area in which the spectrum is located (e.g., basic trading area, major economic area or, if the entity only holds or controls spectrum in a partial license area, county or undefined area).**

**RESPONSE:**

AT&T holds WCS licenses and leases WCS spectrum, but does not hold BRS or EBS licenses or lease or otherwise control BRS or EBS spectrum. AT&T's WCS spectrum is listed by major economic area ("MEA") in Exhibit 23.1.

Cingular does not hold WCS, BRS or EBS licenses or lease or otherwise control WCS, BRS or EBS spectrum.

**b. A listing of the MSAs and/or RSAs in which there is overlap of the geographic areas where the entities hold the spectrum.**

**RESPONSE:**

There is only one *de minimis* overlap in a portion of one county in Indiana RSA 8, specifically, in those parts of the southeastern corner of Orange County, Indiana, that are located within 35 miles of 38.173611° North, 85.913889° West. A total of 2,022 persons live in this area, according to the 2000 census. The overlap involves a 5 MHz WCS license held by AT&T, KNLB325, and BRS/EBS spectrum held by BellSouth.



- c. The amount of spectrum owned, leased or otherwise controlled in each geographic area by AT&T, BellSouth, or Cingular.**

**RESPONSE:**

Please see Exhibit 23.1.

- d. An indication of whether the spectrum is owned, leased or otherwise controlled.**

**RESPONSE:**

Please see Exhibit 23.1.

- 24. Provide separately for AT&T, BellSouth, and Cingular in an Excel spreadsheet:**
- a. Revenues earned using WCS, BRS and EBS spectrum, separately by customer class and service offering.**
  - b. The number of end-users served via WCS, BRS and EBS spectrum, separately by customer class and service offering.**

**RESPONSE:**

AT&T is developing and refining WiMax and other fixed wireless technologies that enable delivery of a range of networking services — such as Voice over IP, Internet access, and private business network access — over broadband wireless connections. These fixed wireless technologies are a potential way for AT&T to complete its DSL footprint and deliver broadband services to hard-to-reach in-region customers in remote rural and other areas.<sup>14</sup>

AT&T has launched limited fixed wireless offers in Girdwood, Aniak, and Northway, Alaska, which already have proven to be successful enough that AT&T plans to offer services on an ongoing, commercial basis in those communities. AT&T also has launched a limited service offering of wireless broadband Internet access in Frisco, McKinney, Prosper, Centennial, and Little Elm, Texas, with price points starting at \$39.95 per month. Additional limited offerings soon will be launched in Red Oak and

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<sup>14</sup> See Declaration of Christopher Rice ¶ 16; Joint Opposition 72-73; Letter from Joan Marsh, AT&T, to Marlene H. Dortch, FCC, CC Docket No. 06-74 (May 9, 2006); Press Release, AT&T Inc., AT&T Initiatives Expand Availability of Advanced Communications Technologies (May 8, 2006), *available at*: <http://att.sbc.com/gen/pressroom?pid=5097&cdvn=news&newsarticleid=22272>.

Midlothian, Texas, and Pahrump, Nevada. AT&T also has been testing fixed wireless technologies in several locations.

These deployments will provide opportunities to evaluate various technology solutions under a number of conditions, using both licensed and unlicensed spectrum, and including both rural and urban settings and for both business and residential customers.

***[Begin Confidential Information]***

***[End Confidential Information]*** The offerings that soon will be launched in Pahrump, Nevada, will use 2.3 GHz spectrum.

- 25. For any spectrum identified in Specification 23, provide in a separate Excel spreadsheet, by geographic area (e.g., basic trading area, major economic area), a listing of all other firms owning, leasing or otherwise controlling spectrum in these frequencies and the amount of spectrum assigned to each of these firms.**

**RESPONSE:**

Exhibit 25.1 lists, for each MEA in which AT&T holds WCS spectrum, the other WCS licensees that hold spectrum in that MEA and the amount of their spectrum holdings. Exhibit 25.1 is derived from a review of the Commission's ULS database.

- 26. Provide all documents prepared expressly for AT&T, BellSouth or Cingular (whether prepared internally or by outside advisors) that discuss competition between wireless broadband services and other broadband services (e.g., DSL, cable modem), including market studies, competitive analyses, product strategies, marketing strategies, and all other documents relating to (a) the market share or competitive position of any firm providing wireless broadband services; (b) supply or demand conditions for wireless broadband services; (c) consumer willingness or ability to use wireless broadband services; and (d) wireless broadband providers' ability to meet increased demand for their services.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 27. Provide all documents prepared expressly for AT&T, BellSouth, or Cingular (whether prepared internally or by outside advisors) relating to the company's business plans for WCS, BRS, and EBS spectrum assigned to, leased by or otherwise controlled by AT&T, BellSouth or Cingular, or any wireless broadband service offering in other bands, including strategic plans, budgets, and financial projections for such services.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

**D. Internet Services<sup>15</sup>**

**28. Provide separately for AT&T and BellSouth:**

- a. A description of each Internet service offered by your company.**

**RESPONSE:**

AT&T provides three types of Internet services to its retail and wholesale customers: (1) narrow-band Internet services, consisting of dial-up services; (2) broadband Internet services, primarily consisting of digital subscriber line (“DSL”) services; and (3) dedicated Internet connectivity services.

AT&T provides narrowband Internet services to both business and consumer customers. These dial-up services, primarily provided to residential customers within the thirteen states in which AT&T is the incumbent local exchange carrier, provide connection speeds of up to 56 Kbps.

AT&T also provides broadband Internet services to both business and consumer customers. AT&T provides DSL service to residential customers within AT&T’s region, and to business customers throughout the United States. AT&T’s out-of-region DSL service is offered through a wholesale arrangement with Covad Communications. These services provide connection speeds of 384 Kbps to 6.0 Mbps downstream, and up to 608 Kbps upstream. AT&T also offers Internet services to a limited number of

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<sup>15</sup> For a significant portion of the time period covered by these questions, the Internet services were offered by the pre-merger AT&T and SBC companies, and because there continue to be separate Internet networks with their own Autonomous System (AS) numbers, the information in many of the exhibits is provided separately for each of the legacy companies.

customers through other broadband technologies, including both WiMAX and “fiber-to-the-node” architecture.

Finally, AT&T provides a variety of dedicated Internet services to its wholesale and business customers. These services, referred to as Dedicated Internet Access (“DIA”) or Managed Internet Services (“MIS”), provide ISP and business customers with dedicated, high capacity connections between the customer’s facilities and the AT&T global network. AT&T offers a variety of dedicated Internet connectivity services, including Frame Relay, Private Line, ATM, Metro Ethernet, IP/VPN, and SONET, at speeds up to OC192.

- b. A description of the different types of peering arrangements or transit agreements that your company has with Internet backbone providers.**

**RESPONSE:**

AT&T’s relationships with other Internet Backbone providers (“IBPs”) consist primarily of settlement-free peering relationships, which allow for the exchange of Internet traffic destined for customers on the respective networks of the peers without any financial compensation paid by either party. Rather, each party bears some of the cost of interconnection, such as payments made to the carrier hotel, as well as the costs associated with the routers and other hardware required to effect the interconnection. These settlement-free relationships are based on the assumption that each of the peers is benefiting from the networks’ interconnection, and that each is assuming a fair share of the costs associated with that interconnection

AT&T has a limited number of paid peering relationships with IBPs, where the traffic exchanged with the peer does not meet AT&T’s traffic balance or other



requirements for settlement-free peering. Paid peering involves the same general terms of interconnection and routing as in settlement-free peering, but the peer provides AT&T with some financial consideration in order to offset the additional costs borne by the AT&T network.

For both settlement-free and paid peering, the peering connections between AT&T's AS7018 network (the legacy AT&T backbone) and other IBPs is conducted through private transmission facilities that provide a link between the AS7018 network and the peer's network. In some cases, these connections are made at one of the carrier hotels, such as Equinix, PAIX, and Terremark, and in other cases the connection is through a direct private line connection between the two networks. For AT&T's AS7132 network (the legacy SBC backbone), most of its peering connections are facilitated through third-party carrier hotels, rather than through direct private connections.

AS7018 does not purchase transit from, or sell transit to, other IBPs. AS7132 continues to purchase transit from one Tier 1 IBP (*see* response to Specification 30(d)), but does not sell transit to other IBPs.

- c. **A description of your company's current policies and contractual requirements for permitting providers access (e.g., peering, transit, dedicated access, and xDSL) to your Internet backbone service.**

**RESPONSE:**

Unaffiliated ISPs and other customers may gain access to AT&T's Internet backbone or other transmission facilities by either entering into a peering relationship with AT&T or by purchasing one of its Internet access services, such as MIS or DIA. The terms and conditions of peering with AT&T's networks are provided in

Exhibit 28.c.1, and are publicly available on AT&T's website at [www.att.com/peering](http://www.att.com/peering). See Exhibits 28.c.2 and 28.c.3 for AT&T's standard terms and conditions for the provision of Managed Internet Services and Dedicated Internet Access. In addition, see Exhibits 28.c.4 through 28.c.6 for AT&T's standard subscriber agreements for DSL and narrowband Internet access.

- d. An explanation of the fees your company charges for transit and an explanation for any material differences in these charges assessed to particular ISPs or enterprise customers or classes thereof.**

**RESPONSE:**

AT&T does not provide transit services. To the extent that "transit" is intended to mean global Internet connectivity for customers, however, AT&T does sell such global connectivity in the form of narrowband, DSL and dedicated Internet services to both resellers and end-user customers. These include Managed Internet Services and Dedicated Internet Access, both of which provide dedicated, high capacity connections to the AT&T networks and access to the Internet as a whole. The standard charges for these services are provided in Exhibits 28.d.1 and 28.d.2. However, AT&T typically negotiates contracts and prices with MIS and DIA customers on an individual basis. In some cases, AT&T gives customers significant discounts off of its list prices for these services. Competition in this industry is significant, and consumer pressure and choice have forced companies to lower prices considerably in order to retain and attract customers.

- e. **The total amount of domestic outbound volume of traffic (in terabytes/day or a similar measure) carried on your network, and the total amount of domestic inbound volume of traffic (in terabytes/day or a similar measure) carried on your network.**

**RESPONSE:**

AT&T has provided, in Exhibit 28.e.1, the total inbound and outbound volume of traffic, in Gigabits/second, carried on the AT&T networks.

- f. **A description of how your company assesses its market presence for the Internet services described in subsection a. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss the market share or competitive position of AT&T, BellSouth or any other competitor for these services.**

**RESPONSE:**

AT&T does not, in the ordinary course of business, assess its “market presence” in the Internet services business. As discussed in the Reply Declaration of Dr. Marius Schwartz (the “Schwartz Declaration”), however, the economic theory for assessing the competitive position of an Internet backbone provider is based on the concept of an “installed base” of unique customers. The closest proxy for such an “installed base” is the retail broadband customers of an IBP’s affiliated ISP. As shown in the table on page 103 of the Public Interest Statement, AT&T accounts for approximately 16% of residential and small business broadband connections. In addition, other metrics that have been used to assess the relative position of Internet services providers include traffic and revenue. To the best of AT&T’s knowledge, the most current information regarding these metrics is as presented in the Schwartz Declaration.

Any documents responsive to this request, to the extent that they exist, are included in AT&T's document production.

**29. For the nation and BellSouth’s franchise areas, provide separately for AT&T and BellSouth in an Excel spreadsheet:**

**a. By customer class (as defined in specifications 1 and 3) and Internet service (as identified in specification 28).**

**(i) The number of customers.**

**RESPONSE:**

This information is provided in Exhibit 29.a.1.

**(ii) The number and type of circuits connecting those customers to the Internet backbone.**

**RESPONSE:**

This information is provided in Exhibit 29.a.2.

**b. Revenues for each Internet service, e.g., dedicated internet access (DIA) revenue, wholesale upstream transit revenue, wholesale down-stream transit revenue.**

**RESPONSE:**

This information is provided in Exhibit 29.b.1.

**c. Payments to AT&T, BellSouth and all others for each Internet service provided to your company, e.g., DIA revenue, wholesale up-stream transit revenue, and wholesale down-stream transit revenue.**

**RESPONSE:**

AT&T has provided, in Exhibit 29.c.1, the amount of any payments made to a third party for the provision of transit services to AT&T. These are the only Internet services provided to AT&T for which AT&T pays a third party.

**30. Provide separately for AT&T and BellSouth in an Excel spreadsheet:**

- a. The name of each person with which your company has a settlement-free peering relationship, the volume of outbound traffic (megabits per second) provided to that person, and the volume of inbound traffic (megabits per second) received from that person.**

**RESPONSE:**

AT&T has provided in Exhibits 30.a.1 and 30.a.2 the name of each person with which AT&T has a settlement-free peering relationship, as well as the volume of inbound traffic received from that person and the volume of outbound traffic provided to that person. In the case of AS7132, for the reasons noted in Exhibit 30.a.1, AT&T is able to provide only maximum traffic information for the 2005 periods and has therefore provided maximum and average data for the 2006 periods reported.

- b. The name of each person with which your company has a paid peering relationship, the volume of outbound traffic (megabits per second) provided to that person, and the volume of inbound traffic (megabits per second) received from that person.**

**RESPONSE:**

AT&T has provided, in Exhibit 30.b.1, the name of each person with which AT&T has a paid peering relationship, as well as the volume of inbound traffic received from that person and the volume of outbound traffic provided to that person.

- c. **The names of the top 20 persons (in terms of revenues) for which your company provides transit service, the volume of outbound traffic (megabits per second) provided to each of these persons, and the volume of inbound traffic (megabits per second) provided to each of these persons.**

**RESPONSE:**

As noted above, AT&T does not provide “transit” services. However, AT&T does provide dedicated Internet connectivity which is used by ISPs and other customers to access the entire Internet. AT&T has provided, in Exhibit 30.c.1, the names of AT&T’s twenty largest MIS customers as well as the volume of inbound traffic received from that person and the volume of outbound traffic provided to that person.

- d. **The name of each person that provides transit to your company, the volume of outbound traffic (megabits per second) provided from your company, and the volume of inbound traffic (megabits per second) provided to your company.**

**RESPONSE:**

AT&T has provided, in Exhibit 30.d.1, the name of each person that provides transit service to AT&T, as well as the volume of inbound traffic received from that person and the volume of outbound traffic provided to that person.

**31. Provide:**

- a. **An estimate of the current total domestic level of Internet traffic, based upon an accepted industry standard (e.g., terabytes/day). Provide an explanation of the methodology used and a copy of supporting documents.**

**RESPONSE:**

AT&T does not have documents or other information from which it can estimate the total current domestic level of Internet traffic. AT&T has provided in Table 1 to the Schwartz Reply Declaration North American traffic data as compiled by RHK for the fourth quarter of 2004. AT&T is not aware of any updated traffic information or studies. AT&T itself has experienced considerable growth in traffic since that time period, but does not believe that its experience is materially different from the traffic growth experienced by other IBPs, and thus AT&T does not believe that its relative share of traffic has materially changed from what RHK reported.

- b. **The name and estimated national market share for each Tier 1 IBP measured in terms of Internet backbone revenue, and traffic (megabits per second). Provide an explanation of the methodology and a copy of supporting documents.**

**RESPONSE:**

The most current information available to AT&T on Internet backbone revenue and traffic is the information contained in Tables 2 and 1, respectively, of the Schwartz Reply Declaration. The source documentation for the Internet Backbone revenues is the IDC data for 2003 cited by Dr. Schwartz, as modified by actual data for AT&T and BellSouth. As RHK does not identify other parties in its traffic reporting, AT&T is only able to identify the traffic for AT&T and Verizon (based on the Reply Declaration of Dr.

Michael Kende filed in the Verizon-MCI proceeding). Based on information provided by RHK to AT&T in 2003, and on AT&T's peering experience, AT&T believes that Company B in Table 1 to the Schwartz Reply Declaration is Level 3.



**32. Provide separately for AT&T and BellSouth:**

- a. The name of each person with whom your company has a peering relationship, where that peering relationship has changed from a settlement-free to paid or a paid to a settlement-free basis. Provide the date of the change and an explanation of the reason for change in the arrangement.**

**RESPONSE:**

AT&T has provided, in Exhibit 32.a.1, the name of each person with whom AT&T has a peering relationship, where that peering arrangement has changed from a settlement-free to paid basis or a paid to settlement-free basis, as well as the date and an explanation for that change.

- b. For each person identified in specification 32.a, the volume of outbound traffic (megabits per second) provided to that person and the volume of inbound traffic (megabits per second) received from that person and the revenues attributed to this person for the time period identified in the instructions.**

**RESPONSE:**

AT&T has provided, in Exhibit 32.a.1, the volume of inbound traffic received from each person identified in Specification 32(a), as well as the volume of outbound traffic provided to that person.

- 33. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) relating to the company's business plans for Internet services, including strategic plans, budgets, and financial projections for this business. For regularly prepared budgets and financial projections, the company need only submit one copy of final year-end documents and cumulative year-to-date documents for the current year.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 34. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss competition for the Internet services described in specification 28.a, including market studies, competitive analyses, product strategies, marketing strategies, and all other documents relating to (a) supply or demand conditions for these services; (b) customers' willingness or ability to substitute to alternative competitive services or providers; (c) competitors' willingness or ability to meet increased demand for their services; and (d) attempts to win these customers from other companies or to stem losses of these customers to other companies**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 35. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss AT&T's, BellSouth's or any other company's pricing strategies for the Internet services described in specification 28.a, including any documents that report or estimate an elasticity of demand for services provided to these customers.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

**E. Mass Market Services**

**36. For each BellSouth franchise area, BellSouth shall provide:**

- a. The number of BellSouth’s residential wireline lines and:
  - (i) The number of these lines for which BellSouth, AT&T (or SBC), Verizon (or MCI), Sprint, Qwest, or another long distance carrier is the presubscribed interstate long distance carrier.**
  - (ii) The number of these lines for which there is no presubscribed interstate long distance carrier.**
  - (iii) The number of these lines for which the consumer subscribes to a combined BellSouth local and long distance plan. Indicate the proportion of consumers that subscribe to: a usage per minute plan; and a plan that includes a bucket or an unlimited number of interexchange minutes.****
- b. The number of residential lines resold by BellSouth, and the name and corresponding line counts for the top 3 purchasers of resold lines.**
- c. The number of residential UNE-P lines provided by BellSouth, and the name and corresponding line counts for the top 3 purchasers of UNE-P lines.**
- d. The number of residential UNE-L lines provided by BellSouth, and the name and corresponding line counts for the top 3 purchasers of UNE-L lines.**
- e. The number of BellSouth’s residential DSL lines and the proportion of these customers for which BellSouth does not also provide wireline local exchange service.**
- f. The number of residential access lines provided by facilities-based competitive local exchange providers (e.g., based on E-911 listings), and the name and corresponding line counts for the top 3 facilities-based providers.**
- g. An estimate of the total number of residential consumers relying upon over-the-top VoIP for all of their voice telecommunications needs. Provide an explanation of the derivation of the estimate and a copy of the supporting documentation.**

- h. An estimate of the total number of residential consumers that subscribe to a mobile wireless service instead of wireline local exchange and long distance service. Provide an estimate of the proportion of these consumers that subscribe to Cingular’s service. Provide an explanation of the derivation of these estimates and a copy of the supporting documentation.**
- i. An estimate of the number of residential cable broadband (e.g., cable modem) subscribers. Provide an explanation of the derivation of this estimate and a copy of the supporting documentation.**

**RESPONSE:**

Request directed to BellSouth only.

- 37. For each BellSouth franchise area, AT&T shall provide:**
- a. The number of AT&T’s residential wireline lines and:**
    - (i) The number of these lines for which BellSouth, AT&T (or SBC), Verizon (or MCI), Sprint, Qwest, or another long distance carrier is the presubscribed interstate long distance carrier**
    - (ii) The number of these lines for which there is no presubscribed interstate long distance carrier.**
    - (iii) The number of these lines for which the consumer subscribes to a combined AT&T local and long distance plan. Indicate the proportion of consumers subscribing to: a usage per minute plan; and a plan that includes a bucket of or an unlimited number of interexchange minutes.**
  - b. The number of AT&T’s residential CallVantage lines. Provide an estimate of the proportion of these lines in which the consumer is relying upon CallVantage for all of their voice telecommunications needs. Provide an explanation of the derivation of the estimate and a copy of the supporting documentation.**
  - c. An estimate of the total number of residential consumers that subscribe exclusively to wireless service instead of wireline local exchange and long distance service. Provide an explanation of the derivation of this estimate and a copy of the supporting documentation.**
  - d. An estimate of the total number of residential consumers that use over-the-top VoIP instead of wireline local exchange and long distance service. Provide an explanation of the derivation of the estimate and a copy of the supporting documentation.**
  - e. An estimate of the number of residential cable broadband (e.g., cable modem) subscribers. Provide an explanation of the derivation of this estimate and a copy of the supporting documentation.**

**RESPONSE:**

AT&T has not yet integrated the legacy AT&T and legacy SBC records for residential customers. Accordingly, AT&T provides its response separately for legacy AT&T and legacy SBC.

AT&T's response to Specification 37(a) is set forth in Exhibit 37.a, which is a spreadsheet with two tabs. The first tab provides the requested information for legacy AT&T, and the second tab provides the requested information for legacy SBC. Specifically, Exhibit 37.a shows, for each BellSouth franchise area, the number of legacy AT&T and legacy SBC residential wireline lines; the number of those lines for which AT&T is the presubscribed interstate long distance carrier; and the number of those lines for which AT&T is not the presubscribed interstate long distance carrier. If AT&T is not the presubscribed interstate long distance carrier, legacy AT&T does not know the identity of the other carrier or whether the customer has no presubscribed carrier (legacy SBC, however, can determine whether the customer has no presubscribed carrier, and that information is shown in the exhibit). Exhibit 37.a also shows the number of lines for which the customer subscribes to a combined legacy AT&T local and long distance plan, broken down by the number that purchase an unlimited bucket of minutes and the number that purchase long distance usage on a per-minute basis. (SBC does not offer such plans in the BellSouth region.)

The answer to Specification 37(b) is set forth in Exhibit 37.b. AT&T does not have any reliable information on the proportion of these lines in which the consumer is



relying on AT&T CallVantage service for all of their voice telecommunications needs in the BellSouth franchise areas.

With respect to Specification 37(c), AT&T does not have access to the requested information on the total number of residential customers that subscribe exclusively to wireless service instead of wireline local exchange and long distance service in the BellSouth franchise areas. AT&T does subscribe to a report prepared by TNS Telecom. According to that report, the penetration rate of wireless-only household customers in the BellSouth states for 1Q05, 2Q05, 3Q05, 4Q05 and 1Q06 is *[Begin Confidential Information]* *[End Confidential Information]* respectively. AT&T understands that these data are based on surveys of between 15,000 and 20,000 households.

With respect to Specification 37(d), AT&T does not have any reliable information on the total number of residential customers that rely on VoIP for all of their telecommunications needs. AT&T did conduct a limited survey of about 200 of its VoIP customers in August 2004, where 73 percent of those surveyed used AT&T CallVantage to replace another telephone line in their homes. The fact that these customers used AT&T CallVantage to replace a telephone line, however, does not necessarily mean that those customers rely on VoIP for all of their wireline telecommunications needs (*i.e.*, the replaced line could have been a second line).

With respect to Specification 37(e), AT&T does not have access to the requested information on the total number of residential cable broadband (*e.g.*, cable modem) subscribers in the BellSouth franchise area.

- 38. For the nation and each BellSouth franchise area, provide separately for AT&T and BellSouth the number of residential presubscribed interstate carrier access lines regardless of whether AT&T (SBC) or BellSouth is the residential customer's local exchange carrier.**

**RESPONSE:**

AT&T's response to Specification 38 is set forth in Exhibit 38, which shows for the nation and for each BellSouth franchise area the number of legacy AT&T and legacy SBC residential presubscribed interstate carrier access lines, regardless of whether AT&T is the residential customer's local carrier.

- 39. For each BellSouth franchise area, describe the state regulation, if any, that applies to a combined local and long distance service package for residential customers.**

**RESPONSE:**

Please see the BellSouth response.

- 40. Explain how AT&T has complied with applicable rate integration and geographic rate averaging requirements of section 254, and how the merged entity would comply with these requirements if the merger is approved.**

**RESPONSE:**

AT&T regulatory personnel perform quarterly rate integration audits of AT&T's interstate interexchange telecommunications service offerings. Prior to launching a new or modifying an existing interstate interexchange telecommunications service offering, the company follows a checklist, which, among other things, includes a checkbox about whether rate integration is required. Moreover, AT&T has internal rate integration principles detailing the company's rate integration obligations. To the extent that issues are identified, AT&T's regulatory, compliance, business, and marketing personnel work expeditiously to resolve them.

AT&T 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 BellSouth to ensure compliance with the applicable rate integration and geographic averaging requirements of section 254 and the Commission's implementing rules. Because AT&T likely will not know all of the relevant details of BellSouth's rate plans until after the merger is approved, AT&T's current plan is to seek a limited, short-term waiver of the rate integration and geographic deaveraging requirements to allow AT&T to evaluate BellSouth's various rate plans and the contractual obligations that BellSouth has incurred under those plans, to rationalize the BellSouth and AT&T plans, and to make any

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changes necessary to ensure compliance with all applicable requirements of section 254 and the Commission's rules.

- 41. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss: (a) AT&T's and BellSouth's market share for residential or mass market telephony services in BellSouth's region; (b) consumer willingness to subscribe to residential or mass market telephony services offered by AT&T; or (c) BellSouth's loss of mass market or residential customers to AT&T's service offerings within BellSouth's region.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 42. Provide all documents prepared expressly for AT&T or BellSouth (whether prepared internally or by outside advisors) that discuss the extent to which residential or mass market consumers within BellSouth’s region subscribe to VoIP services or to mobile wireless services in lieu of wireline local exchange and exchange access services.**

**RESPONSE:**

Documents responsive to this request are included in AT&T’s document production.

**F. International**

**Submarine Cable Ownership and Capacity.**

- 43. The application for transfer of control of BellSouth's cable landing licenses, SCL-T/C-20060331-00003, provides information on three cable systems in which BellSouth has an ownership interest - MAYA-1, TAT-14, and the Pan American Cable. It does not, however, include any ownership interests that BellSouth or its affiliates may have in cable landing stations. Please describe any (including less than 5 percent) ownership interests that BellSouth or its U.S. affiliates may have in any cable landing stations on these or other cable systems.**

**RESPONSE:**

Request directed to BellSouth only.



- 44. The Public Interest Showing states that BellSouth holds an Indefeasible Right of Use (IRU) in the South American Crossing cable. Please provide information on this IRU and any other IRU that BellSouth or its U.S. affiliates may have, including the capacity included in the IRU and the total capacity of the cable system.**

**RESPONSE:**

Request directed to BellSouth only.

- 45. Please provide information on any ownership interest or IRU that AT&T may have in any cable system or cable landing station in which BellSouth has an ownership interest or IRU, including, but not limited to, TAT-14, MAYA-1, the Pan American Cable and the South American Crossing cable. Specifically, consistent with section 1.767(a)(11)(i) of the rules, please identify, on a segment-specific basis, the ownership interests held by AT&T and its affiliates collectively as set out in each cable's Construction and Maintenance Agreement (C&MA).**

**RESPONSE:**

AT&T's response to Specification 45 is contained in Exhibit 45, which identifies AT&T's and BellSouth's ownership interests in the following cable systems: Columbus III, MAYA-1, PAN AM, and TAT-14. The exhibit also identifies AT&T's and BellSouth's voting interests in these cables and AT&T's and BellSouth's respective rights of use of the cables by segment.

**International Telecommunications Services.**

- 46. For AT&T and its U.S. affiliates (but not Cingular), please provide in Excel spreadsheets, for reporting year 2004 and for the most recent year, the following information: (1) the minutes and revenues for U.S.-international traffic that AT&T carried over its own facilities on a route-by-route basis for all destination markets; (2) the minutes and revenues for U.S.-international traffic that AT&T provided as a pure reseller on a world-total basis; and (3) the underlying carriers AT&T uses when providing U.S.-international resale services, and the relative percentage of AT&T's minutes of U.S.-international resale traffic carried by each underlying carrier.**

**RESPONSE:**

AT&T's response to this request is contained in Exhibits 46.1 through 46.5.

AT&T has not integrated the data for international traffic carried by legacy AT&T, for international traffic carried by SBC Long Distance Inc. ("SBC-LD"), or for international traffic carried by SBC-East ("SNET"). Accordingly, the information provided in response to this specification and to the remaining data requests concerning international traffic will be provided separately for each of these entities. The U.S. international traffic revenues provided in response to subparts (1) and (2) of Specification 46 do not include pass-through charges for the recovery of USF charges, which are billed to customers collectively for their total interstate and international service subject to those charges and accordingly are not billed separately for international services collectively or for international services provided over particular routes.

**Legacy AT&T:** Exhibit 46.1 provides the minutes and revenues for U.S.-international traffic that legacy AT&T carried over its own facilities on a route-by-route basis for 2004 and for 2005. Exhibit 46.2 provides the world-total minutes and revenues for international traffic resold by legacy AT&T for 2004 and for 2005, and Exhibit 46.3

provides the percentage of that traffic carried by each of the underlying carriers for the services resold by legacy AT&T.

**SBC-LD:** SBC-LD does not have any international facilities. All of its international service is provided by reselling the services of other carriers. Further, SBC-LD's electronic data warehouse retains data for only a rolling 24-month period and thus data is not available for the first five months in the ordinary course of business. In order to provide the Commission with 24 months of data, Exhibit 46.4 provides the world-total minutes and revenues for international traffic for the period for the last seven months of 2004, for all of 2005 for SBC-LD and for the first five months of 2006. All of SBC-LD's international resale traffic was carried by Wiltel throughout these periods.

**SNET:** SNET does not have any international facilities. All of SNET's international service is provided by reselling the services of other carriers. Exhibit 46.5 sets forth the world-total minutes and revenue information for international traffic for 2004 and for 2005. That exhibit also provides the percentage of that traffic carried by each of the underlying carriers for the services resold by SNET for each of 2004 and 2005.

- 47. For BellSouth and its U.S. affiliates (but not Cingular), please provide in Excel spreadsheets, for reporting year 2004 and for the most recent year, the following information: (1) the minutes and revenues for U.S.-international traffic that BellSouth carried over its own facilities on a route-by-route basis for all destination markets; (2) the minutes and revenues for U.S.-international traffic that BellSouth provided as a pure reseller on a world-total basis; and (3) the underlying carriers BellSouth uses when providing U.S.-international resale services and the relative percentage of BellSouth’s minutes of U.S.-international resale traffic carried by each underlying carrier.**

**RESPONSE:**

Request directed to BellSouth only.

- 48. For Cingular and its U.S. affiliates (but not AT&T and BellSouth), please provide in Excel spreadsheets, for reporting year 2004 and for the most recent year, the following information: (1) the minutes of traffic and revenues for U.S.-international traffic that Cingular carried over its own facilities on a route-by-route basis for all destination markets; (2) the minutes and revenues for U.S.-international traffic that Cingular provided as a pure reseller on a world-total basis; and (3) the underlying carriers Cingular uses when providing US.-international resale services and the relative percentage of Cingular's minutes of U.S.-international resale traffic carried by each underlying carrier.**

**RESPONSE:**

Cingular does not have any international facilities and provides all of its international service on a resale basis. Exhibit 48 contains the world-total minutes and revenues for the international traffic provided by Cingular for each of 2004 and 2005. That exhibit also provides the percentage by carrier of the minutes resold by Cingular for each of 2004 and 2005.

- 49. For (1) AT&T and its U.S. affiliates (but not Cingular), (2) BellSouth and its U.S. affiliates (but not Cingular), and (3) Cingular and its U.S. affiliates (but not AT&T and BellSouth), please provide in Excel spreadsheets for reporting year 2004 and for the most recent year, the world-total minutes and revenues for facilities-based U.S.-international traffic and pure resale U.S.-international traffic (combined) received from the following classes of customers: (1) residential; (2) business and government; (3) other U.S. carriers; (4) foreign carriers (except for traditional transit); and (5) the world-total minutes and revenues received for providing traditional transit.**

**RESPONSE:**

The international traffic revenues provided in response to this Specification 49 do not include pass-through charges for the recovery of USF charges, which are billed to customers collectively for their total interstate and international service subject to those charges and accordingly are not billed separately for international services collectively or for international services provided over particular routes.

**Legacy AT&T:** Exhibit 49.1 contains the information for legacy AT&T requested by Specification 49. Minutes and revenues listed under “other U.S. carriers” include sales to resellers of pre-paid cards, ISPs and cable providers. To identify U.S.-international traffic minutes received from different customer categories, AT&T has used billed minute data, rather than the settlement minute data used to identify traffic volumes carried on a route-by-route basis in response to Specification 46. The minute totals provided in response to these requests therefore differ.

**SBC-LD and SNET:** Exhibit 49.2 contains the information for SBC-LD and for SNET for residential and for business and government requested by this specification for 2004 and for 2005. Cingular does not retain data which would permit it to break down either revenue or minutes of use by class of customers. Neither SBC-LD, nor SNET, nor

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Cingular provided any U.S.-international traffic or pure resale U.S.-international traffic to other U.S. carriers or foreign carriers, nor did they provide any traditional transit service.



- 50. For (1) AT&T and its U.S. affiliates (but not Cingular) that provide U.S.-international service through prepaid calling cards, and (2) BellSouth and its U.S. affiliates (but not Cingular) that provide U.S.-international service through prepaid calling cards, please provide in Excel spreadsheets information on the revenues and minutes associated with the calls placed using those prepaid calling cards. Please describe how (1) AT&T and its U.S. affiliates (but not Cingular) and (2) BellSouth and its U.S. affiliates (but not Cingular) market those prepaid calling cards.**

**RESPONSE:**

**Legacy AT&T:** The response to Specification 50 for legacy AT&T is contained in Exhibit 50.1. Legacy AT&T markets consumer prepaid card service on a wholesale basis to retail establishments and governmental bodies. These entities in turn resell AT&T's prepaid card service directly to end users. A very small number of legacy AT&T prepaid cards are sold directly by AT&T to end users via AT&T's web site.

**SBC-LD:** Neither SBC-LD nor any of its U.S. affiliates offers prepaid calling cards. Before the merger with AT&T and the change in SBC's name, SBC-LD entered into arrangements with Telmex USA, LLC, that involve the resale of prepaid calling cards by distributors and others under agreements with Telmex USA, LLC. The calling cards are Telmex-USA offerings, and none of the cards carry an AT&T logo. Some of the cards in inventory contain the SBC logo and are still being sold. Neither AT&T nor any of its U.S. affiliates receive any revenue for the provision of telecommunications services to end users nor do they receive revenue from these services that is subject to federal excise taxes. To the extent that AT&T has access to information concerning end-user minutes of use and revenue, those data are subject to confidentiality agreements that

limit AT&T's ability to provide the data to others. Under its agreement, AT&T receives a royalty for the use of the SBC logo and shares in the profits.

AT&T also provides prepaid calling cards to correctional institutions and other institutions, such as airports, in connection with payphone services. These institutions resell the prepaid cards. AT&T is paid a percentage of the revenues generated by the sales of these cards.

**Global Telecommunications Services (GTS).**

- 51. Please provide individually for AT&T and BellSouth the total number of GTS customers. Please provide for the total of AT&T's GTS customers for the reporting year 2004 and for the most recent year, the following information: (1) the aggregate revenues for U.S.-international traffic that AT&T carried over its own facilities or provided as a pure reseller; and (2) aggregate revenues for all traffic originating outside the United States that AT&T carried over its own facilities or provided as a pure reseller. Please provide for the total of BellSouth's GTS customers for the reporting year 2004 and for the most recent year, the following information: (1) aggregate revenues for U.S.-international traffic that BellSouth carried over its own facilities or provided as a pure reseller; and (2) aggregate revenues for all traffic originating outside the United States that BellSouth carried over its own facilities or provided as a pure reseller.**

**RESPONSE:**

AT&T does not separately track revenue (or other) data for Global Telecommunications Services ("GTS"); rather, AT&T's systems track individual voice, data, converged and managed services that are sold to both GTS and non-GTS customers. AT&T also does not separately track GTS customers as a customer segment. Rather, AT&T assigns its customers to AT&T-designated customer "segments" that group customers based upon the balancing of a number of criteria described in response to Specification 1. AT&T's largest business customers, including its large GTS customers, are generally divided among a handful of customer segments. The largest AT&T business customers that AT&T serves with U.S. account teams are generally designated as "Signature" customers. All other large business customers that AT&T serves with U.S. account teams are generally designated as "Enterprise" customers. AT&T also provides GTS services to the U.S. government and to wholesale customers. AT&T provides only domestic U.S. services to many of these business, government and

wholesale customers. The large business customers that AT&T serves with non-U.S. based account teams are generally designated as “Global” customers. These Signature, Enterprise, Government, Wholesale and Global customers are the principal purchasers of services purchased by GTS customers.

To respond to Specification 51, AT&T first identified the individual services most likely to be purchased by GTS customers. AT&T then identified all customers within the Signature, Enterprise, Government, Wholesale and Global customer segments who purchase these services. Using this approach, which may differ significantly from the manner in which other classify GTS customers, revenues, and lines, AT&T determined current customer count, which is reported in Exhibit 51. AT&T’s records do not contain sufficient information to identify the number of historical customers.

To determine the aggregate revenues for U.S.-to-international traffic for its response to Specification 51, AT&T summed all revenues for the services identified as described above billed to locations in the U.S. In general, customers that originate calls in the U.S. do so out of offices located within the U.S., and AT&T’s billing systems bill such services to those U.S. locations. These revenues are likely overinclusive and may substantially overstate actual GTS revenues because they will also reflect revenues for service generated by purely domestic communications. These revenues are provided in Exhibit 51.

To determine the aggregate revenues for traffic originated outside of the U.S. that AT&T carried over its own facilities or provided as a pure reseller, AT&T summed all revenues for service identified as described above billed to locations outside of the U.S. In general, customers that originate calls outside of the U.S. do so out of offices located

outside the U.S., and AT&T's billing systems generally bill such services to those non-U.S. locations. These revenues are provided in Exhibit 51.

Because AT&T does not separately track GTS revenues and the estimation approach used here likely differs from the manner in which other providers and third parties estimate company-specific and industry GTS revenues, these revenue figures cannot be used to calculate market shares or to compare AT&T's revenue to "GTS" revenues that may be reported by other providers that directly track their GTS revenues or use other estimation approaches.

- 52. In Excel spreadsheets please identify all suppliers (not just U.S. suppliers) of GTS and their respective shares of the GTS market, including each of AT&T's and BellSouth's market share. Please provide the information sources for the answers, including sources for the definition of the GTS market.**

**RESPONSE:**

There are numerous international and domestic providers of GTS. Although AT&T does not have comprehensive knowledge of the full range of GTS providers, the list includes numerous carriers with substantial resources and established reputations for offering GTS, such as BT-Infonet, Cable & Wireless, Colt, CSC, EDS, Equant-France Telecom, Hewlett Packard, IBM, Level 3, Global Crossing, MCI-Verizon, NTT, PCCW Global, Saavis, SingTel, StarHub, Sprint, Telecom Italia, Telstra, T-Systems-Deutsche Telekom, Qwest, and Vanco. As result, the GTS segment is “very competitive, with operators competing hard on prices as well as improving their service offers.”<sup>16</sup> As BellSouth currently does not offer GTS, the merger will not decrease competition in this market at all.

AT&T does not have access to the information necessary to provide the market shares of the many GTS suppliers. In particular, AT&T does not have accurate knowledge of either the overall size of the GTS market or the GTS revenues of any particular carrier.

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<sup>16</sup> See BRC Consultancy, *World Data Networks*, at 16 (Feb. 2004).

The Commission found in the *AT&T/BT JV Order* that AT&T had a 16% segment share.<sup>17</sup> Since that time, GTS competition has only grown and AT&T's current share is almost certainly even lower. A recent report from Forrester estimates that AT&T has approximately a 12% share of multi-regional enterprise WAN service.<sup>18</sup> The report also concludes that Equant, BT, MCI, T-Systems, Cable & Wireless, Sprint, and NTT are strong competitors in this area (with Equant being considered the top firm of all providers).<sup>19</sup>

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<sup>17</sup> *In re AT&T Corp., British Telecomm. et al.*, Memorandum Opinion and Order, 14 FCC Rcd. 19140, ¶ 42 (1999).

<sup>18</sup> *Forrester Wave: Global WAN Services, Q2 2005*, at 3 (May 11, 2005).

<sup>19</sup> AT&T is aware of a report by Ovum that purports to provide segment share data for some GTS providers. Ovum, *MNC Providers in Europe - 2004* (Oct. 2004). AT&T, however, believes that the Ovum report substantially overstates AT&T's share and cannot be relied upon. Indeed, the Ovum report itself expressly acknowledges that, because of data limitations, the report cannot be used as a reliable indicator of AT&T's GTS segment share. *See id.* at 18. Ovum reports as "GTS" revenue for AT&T *all* of AT&T's business services revenues, including entirely domestic U.S. services that are not provided to multi-national customers and that account for the vast majority of AT&T's business service revenues. *See id.* at 22. In addition, to overstating AT&T's revenues, the Ovum report understates total industry GTS revenues. Ovum considered only the GTS revenues associated with "MNC Providers in Europe," and did not include the GTS revenues of such prominent providers as Sprint, NTT, SingTel, China Netcom, Telefonica, Telstra and VSNL.

**G. Public Interest Analysis**

**53. Provide:**

- a. A description of each asserted benefit or efficiency arising from the merger, including the steps that AT&T, BellSouth, and Cingular will take to achieve these benefits or efficiencies, the costs the company will incur to achieve these benefits or efficiencies, the risks involved in achieving these benefits or efficiencies, the underlying assumptions for achieving these benefits or efficiencies, and the time required to achieve these benefits or efficiencies.**
- b. An estimate of the yearly benefits, costs, and risks attributable to the merger, and an explanation of whether these benefits, costs and risks will have a one-time or multi-time period effect.**
- c. A detailed explanation of the methodology used to estimate the benefits, costs, and risks, and a detailed explanation of the methodology's underlying assumptions.**
- d. A detailed explanation of how the proposed transaction permits the merged company to achieve these benefits, why the merger of AT&T and BellSouth is necessary to achieve these benefits, and why these benefits could not be reaped by AT&T alone or by merging with another firm.**
- e. A discussion of whether and how these benefits will be passed on to residential, business and government customers with regard to price reductions, enhanced quality of existing services, new services, or any other benefits. In addition, quantify the size of these benefits to these customers, whether this will be a one-time or multi-period benefit, and an explanation of why the merger is necessary for AT&T and BellSouth to achieve these benefits for these customers.**
- f. A copy of all documents and spreadsheets prepared expressly for AT&T, BellSouth, or Cingular (whether prepared internally or by outside advisors) that were used to prepare the response to specification 53.**



**RESPONSE:**

Based on its experience in prior transactions, its due diligence, and its integration planning to date, AT&T expects to realize significant cost, technological, and quality synergies as a result of the proposed transaction, all of which are more fully described below. One major category of synergies will be derived from integrating AT&T's national and international IP network with BellSouth's regional IP network to reduce cost and improve service quality. A second category will be accelerated development and deployment of new products and services from AT&T to small and medium business customers in BellSouth's region. Third, the streamlined management of Cingular will greatly enhance the ability of the combined companies to develop and offer new converged wireless/wireline services for consumers and businesses. Fourth, the combined company will be able to provide enhanced national security and government services as well as improved disaster response capabilities. A fifth category involves the more rapid roll out of video services to offer millions of consumers in BellSouth's region a new network-based choice for video services. Finally, the total synergies of approximately \$18 billion will allow the combined company to be even more competitive in the dynamic telecommunications marketplace. None of these efficiencies could be realized as quickly or, in most cases, at all without the merger of AT&T and BellSouth.

Because of the preliminary stage of the integration planning process, these synergies necessarily are described at a relatively high level of generality, and quantification of synergies necessarily is preliminary. However, AT&T has utilized the same analytical framework utilized in prior mergers. In addition, AT&T will utilize the

same integration process that it utilized in prior mergers to realize the expected efficiencies. This is significant as, based on prior transactions, these estimates are likely to understate both the size of the efficiencies to be realized and, in many cases, the speed with which the efficiencies will be realized. In fact, AT&T has already determined that the estimated efficiencies anticipated to be obtained in the SBC/AT&T merger will be exceeded. In addition, as noted in the Declaration of Christopher Rice, AT&T has already begun to realize the significant efficiencies of that transaction to the benefit of its customers.

In responding to this interrogatory, AT&T cannot identify all opportunities for synergies, as some will become apparent only after the transaction is closed, when more complete integration planning can occur. As a result, just as was true in the SBC/AT&T merger, where the initial estimates of synergies to be achieved proved to be understated, this response may well understate the magnitude of ultimate synergies. In estimating the synergies for the present transaction, AT&T has utilized the same basic methodology that it employed in SBC/AT&T and in prior acquisitions.

While AT&T has not yet made specific and detailed plans for achieving the synergies of the proposed transaction, in general AT&T 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. As the planning and implementation process proceeds, AT&T's initial assessment of synergy opportunities will be confirmed and any additional synergies opportunities will be identified as more information becomes available.
2. Expand AT&T's knowledge of each synergy area -- consistent with legal and regulatory limitations -- to confirm their expected value and timing.

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.

AT&T is unaware of any alternative to the transaction that would allow it to recognize efficiencies of the same magnitude and with the same speed and likelihood of realization (and thus with concomitant benefits to consumers and to competition).

Although AT&T has underway various efforts to improve quality, cut costs, and introduce new products independent of this transaction, those efforts are in no way substitutes for the efficiencies enabled by the proposed merger. To the extent that those efforts continue after the merger, they will offer greater efficiency, greater improvement in quality, and greater cost savings as a result of the merger.

In connection with the proposed transaction, AT&T expects to achieve efficiencies of approximately \$2 billion per year by 2008, rising to nearly \$3 billion per year by 2010, with a net present value of approximately \$18 billion, net of costs to achieve. AT&T expects cost and capital reductions to make up approximately 90% of these synergies. In addition to these quantifiable synergies, there are significant efficiencies related to improved quality and service that are anticipated to result from the transaction, the value of which cannot be quantified reliably at present, but which nonetheless represent very real benefits to residential, business and government customers of the merged entity.

These synergies were described initially by the Applicants in the Public Interest Statement and accompanying declarations filed with the Commission on March 31, 2006

and in a presentation to securities analysts on March 6, 2006.<sup>20</sup> The discussion below will summarize and, where appropriate, expand upon those prior statements based on information available to date. In response to Specification 53(f), AT&T is submitting the March 3, 2006 Project Mountain Board of Directors Briefing Book, which was used in preparing this response.

1. **Quality, Service and Innovation Synergies**
  - a. **Cingular**

Unified ownership and management of Cingular will lead to significant efficiencies including enhanced quality of service, more rapid introduction of product enhancements such as converged wireline/wireless services for Cingular customers in the merged company's territory, and capital and operating cost savings. The integration planning relating to Cingular is in the early stages and, consequently, AT&T has not yet developed a more specific estimate of the total value of the efficiencies attributable to Cingular integration; however, an estimate of cost savings attributable to the Cingular integration relating to network and IT, capital expenditures, advertising and other areas are discussed below in section 2. We discuss below the types of qualitative and financial efficiencies that will flow from the unified ownership of Cingular to consumers, businesses and government customers.

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<sup>20</sup> See Description of Transaction, Public Interest Showing and Related Demonstrations ("Public Interest Statement"); AT&T, BellSouth Merger, Substantial Synergy Opportunities, Strengthened Growth Platforms in Wireless, Business and Integrated Services," March 6, 2006, available at [http://att.sbc.com/Common/files/pdf/bls\\_ib.pdf](http://att.sbc.com/Common/files/pdf/bls_ib.pdf).

1. Management Efficiencies

Although Cingular has been a very successful joint venture, its dual ownership and resulting governance structures do not contribute to the streamlined decision-making and rapid innovation required in today's highly competitive telecommunications business. One example that illustrates how unified ownership will enhance competitiveness is the current effort to develop "converged" wireless, wireline and VoIP services.

New services that involve the convergence of wireless, wired and broadband networks typically require seamless exchanges across those networks. For example, a dual-mode (wireless/wireline) phone would seamlessly transition from accessing the mobile wireless network to a fixed broadband network as the consumer moves from outside to inside the home. While such "seamless" mobility offers enhanced consumer value, and lowers cost, it likely will result in a migration of usage minutes away from the mobile wireless network and onto the lower cost broadband network. It also requires networks to be engineered to communicate with each other, as well as an extensive database to allow the location of the customer to be identified along with means of access at each location.

In a decision-making structure involving three companies, decisions about the development of seamless mobility can become negotiations among entities with different goals and visions. For example, and understandably, Cingular's management would prefer an outcome that retains as many minutes as possible on the wireless network, while AT&T's management would prefer an outcome that makes more use of the

broadband network and the capacity of its IP backbone. And BellSouth's management may well prefer the outcome that is most likely to maximize its revenue from Cingular.

This presents more than a simple question of how Cingular should be "compensated" for lost wireless minutes when a customer transfers a wireless call initiated on the Cingular network to, for example, a BellSouth wireline phone or WiFi VoIP running over an AT&T DSL broadband network. In a structure involving three companies with divergent interests, decisions relating to technology choices, utilization of multiple networks and databases, and when and where to make essential capital investments become more difficult, and -- more importantly in the rapidly changing telecommunications market -- more time-consuming. *[Begin Confidential Information]*

*[End Confidential Information]* By combining the three companies, the proposed transaction will align incentives and focus to facilitate more rapid and efficient decision-making, more efficient use of resources in delivering on the promise of new technologies, and more rapid development and deployment of new products.

## 2. Creation of a Single IMS Network

A related illustration arises out of the on-going efforts to deploy IMS networks. AT&T, BellSouth and Cingular each has announced that it will be deploying IP Multimedia Subsystems (IMS) architecture for delivery of IP-based services. As

described in the Public Interest Statement, IMS architecture allows network interoperability to provide voice, data and video applications in any combination on any network (fixed or mobile) and will enable devices and services combining the best attributes of wireline and wireless platforms, transitioning seamlessly among telephone, personal computer and television at a cost that reflects the most efficient delivery route available for any given application at the time the consumer is using it.

There are numerous applications that can be used with the basic IMS architecture, and, because of their different service profiles -- Cingular as a mobile wireless only provider, BellSouth as a regional phone company, and AT&T as a national and international provider of a broad suite of communications services -- the three companies have purchased different combinations of the many components of an IMS system. Because the three companies operate independently, each is separately developing, and separately investing the time and capital to deploy, three different IMS systems with three distinct customer databases. In addition, through the joint venture structure, each parent company is attempting to implement separately the necessary interoperability between that parent's and Cingular's IMS network. All of these tasks obviously add additional layers of complexity and cost which can be avoided through the proposed transaction.

The interoperability that is a key benefit of many "converged" services also will be significantly enhanced as a result of the merger. Each IMS system has a customer information repository with detailed real-time information about that company's customers. Indeed, it is the ability of IMS networks to know information about the customer (where the customer is located, what device is being used, how much

bandwidth is available, etc.) that helps make IMS such a powerful architecture and critical to implementing converged services. After the proposed transaction, only a single repository will be necessary rather than three. This will facilitate a service that charges a single monthly recurring charge (MRC) for access, which cannot occur today since AT&T, BellSouth and Cingular would all want that revenue on their books. The ability of the merged firm to create an interoperable IMS network with a single repository of customer information could not be achieved absent the proposed transaction in any timeframe that would allow the introduction of competitively necessary converged services.<sup>21</sup>

In short, the proposed transaction will enhance significantly the timely development and introduction of new products and services. The costs and time to develop these products and services will be reduced as a result of the proposed transaction. However, it is not possible to predict at this time either how much more quickly the products will come to market or how much the development and deployment costs will be reduced. As discussed in detail in the Public Interest Statement, the benefit of faster and more efficient deployment of new converged products and services facilitated by an integrated wireless-wireline network will flow directly to residential, business and government customers of the merged firm.

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<sup>21</sup> *[Begin Confidential Information]*

*[End Confidential Information]*



- **Benefits for Businesses<sup>22</sup>:** Business customers -- large and small -- will be able to deal with a single sales representative and a single customer service representative, instead of the two separate organizations they must deal with today. And AT&T will have the pricing flexibility -- which it does not have today -- to take a customer's wireless purchases into account in providing volume based and other combined discounts. Customers will be able to receive a single bill for all of their telecommunications services -- the enhancement most requested by business customers -- and they will be able to apply AT&T's electronic business analysis tool (which provides the ability to code and bill calls to different internal accounts) for wireless and wireline calls. In addition, governments, as large enterprise customers, will share in these benefits as well as in the government-specific benefits identified below.
- **Benefits For Consumers<sup>23</sup>:** The merged firm will be able to more effectively deliver a wide array of new services to residential customers including common service and content across the three screens (TV, PC and mobile phone), a common network address book and calendar accessible from all three devices, a common voicemail or email box for wireless, wireline and broadband accessible from any computer link or phone device, and enhanced wireless handset functionality (e.g., to control digital video recorders and other home appliances). Similarly, the merged firm will be in a better position to more effectively develop new convergence devices as consumers indicate what functions they would like to be able to perform with their wireless handsets. Residential consumers also will benefit from the convenience of a single bucket of minutes to be used across all devices with a single MRC.
- **Benefits for Government<sup>24</sup>:** Providers of essential public services, including federal and state government personnel and first responders, also will share the benefits of new converged services. The more efficient delivery of services such as push-to-talk, WLAN, unified communications and wireless data support is especially critical during natural disasters and other emergency situations in order to enable quick and reliable communications to mobile workers and government officials.

b. **IPTV Deployment Synergies**

AT&T believes that the combined company will be able to deploy IPTV service in the nine-state BellSouth region more rapidly and at lower cost than would have been

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<sup>22</sup> See also Public Interest Statement at 16-17 (discussing additional benefits).

<sup>23</sup> See also *id.* at 14-16 (discussing additional benefits).

<sup>24</sup> See also *id.* at 17-18, 32-40 (discussing additional benefits).

possible absent the transaction. The merger thus will produce significant benefits for consumers by creating enhanced video competition to the incumbent cable providers in the BellSouth region, and that competition will arrive more quickly as a direct result of the merger, assuming that local franchising requirements do not delay deployment. Indeed, as illustrated in the Reply Declaration of Drs. Carlton and Sider, mass market consumers stand to benefit significantly by the accelerated deployment of IPTV service in the BellSouth region. By their estimation, overall consumer welfare benefits that would flow directly to residential consumers could range from more than \$1 billion up to \$2.9 billion, depending on the price decline, demand elasticity and acceleration period assumed.<sup>25</sup> By the same token, by enabling a more cost-effective deployment of IPTV service, the merger will generate significant cost savings related to video services.

1. Accelerated IPTV Deployment in the BellSouth Region

AT&T's substantial investments in IPTV development to date to facilitate the rollout of IPTV in the thirteen-state region where AT&T affiliates are the ILEC will enable AT&T to accelerate launch of IPTV service to the millions of consumers in BellSouth's region. Hundreds of AT&T employees have spent the past three years developing and preparing for the widespread commercial deployment of AT&T's Lightspeed IPTV service, offered under the U-verse<sup>sm</sup> brand, and the company has already invested several hundred million dollars in sunk costs in support of the IPTV

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<sup>25</sup> Reply Declaration of Dennis W. Carlton and Hal S. Sider at ¶¶ 177-182.

service.<sup>26</sup> AT&T has announced that it will spend more than \$4 billion through 2008 on Project Lightspeed, demonstrating its strong commitment to a broad commercial rollout of the service.<sup>27</sup>

BellSouth, on the other hand, has made no decision to launch IPTV service on a broad scale commercially.<sup>28</sup> BellSouth has begun a \$2.2 billion upgrade of its broadband access network and core network infrastructure to facilitate its offering of high-speed DSL service. Should BellSouth decide to launch IPTV service on a wide scale, it would still need to make substantial investments to develop IPTV-related technology and upgrade back office and business support systems -- BellSouth's existing support systems used for its video offerings are not comparable to the systems needed to support a large scale IP-video deployment to millions of customers -- as well as carry out an array of

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<sup>26</sup> Capital investments include the construction of a super hub facility and video hub offices as well as the planned addition of approximately 40,000 miles of new fiber to AT&T's network as part of Lightspeed's initial deployment. Other AT&T investments to date include development of specialized back office and support systems, the purchase of video-specific network facilities and equipment, the acquisition of customer premise equipment, the development of marketing materials and the negotiation of content agreements.

<sup>27</sup> AT&T anticipates that, by the end of 2008, its U-verse<sup>sm</sup> IPTV service will be available to approximately 19 million households in its thirteen-state region as part of its initial deployment. AT&T recently increased this estimate of homes passed to 19 million to include additional low income households.

<sup>28</sup> BellSouth is continuing to conduct technical trials of IPTV. It has decided to pursue video business opportunities on a small scale to a small number of newly constructed multifamily communities, which may be provided using IPTV technology, and BellSouth has a contract under which it intends to offer IPTV to one such multifamily community in mid-2007. BellSouth's offering of IPTV to those communities will not require the investments in infrastructure (such as super hub offices) or IT systems that AT&T has made and that would be required to support a broad-scale commercial launch of IPTV. BellSouth is in the process of negotiating arrangements for programming for its video offerings, but those arrangements may not support a generally available commercial offering of IPTV.

tasks in preparation for commercial deployment that AT&T has already successfully completed or is close to completing.

Therefore, by leveraging AT&T's investments and commitment to IPTV with BellSouth's substantial in-region fiber network upgrade, the combined company will be able to launch IPTV service throughout the BellSouth region faster and more cost-effectively than would be possible absent the transaction. By creating a wireline video competitor in the BellSouth region, the merger will bring the benefits of a more competitive video market to consumers in the BellSouth states, with attendant lower prices, more choices, higher quality service, and greater programming diversity.

## 2. IPTV-Related Cost Savings

In addition, the merger will generate significant cost savings related to IPTV service because AT&T's considerable investments in IPTV development to date will enable the combined company to avoid duplication of time and expense.

- Absent the merger, if BellSouth decided to deploy IPTV, AT&T and BellSouth would each have to build two super hub office facilities. Only two facilities will be necessary for the merged company to provide video service in the combined region, resulting in a cost savings of *[Begin Confidential Information]* *[End Confidential Information]*.
- AT&T spent more than *[Begin Confidential Information]* *[End Confidential Information]* on developing back office systems to support large-scale IPTV deployment, including ordering, billing, customer care, troubleshooting and other systems. The merger will thus avoid the duplication of these costs by BellSouth.
- AT&T can bring its experience in constructing regional video hub offices (VHOs) and its established procedures, protocols and controls for VHO construction to the merged firm, generating cost savings in the construction of VHOs in the BellSouth region.

- The merger will avoid the need for BellSouth to negotiate IPTV programming content agreements necessary for the commercial roll-out of IPTV. AT&T's programming acquisition team has been working full-time for over a year to acquire content for AT&T's IPTV service. BellSouth will be able to avoid these significant costs in time and expense as a result of the merger.
- The merged firm will be in a position to achieve additional cost savings from larger-volume purchases of set-top boxes and other IPTV-related equipment and services.

c. **Network Synergies**

By combining the complementary network and assets of AT&T and BellSouth, the merger will bring about the same types of vertical integration synergies that the Commission recognized in approving the SBC/AT&T and Verizon/MCI transactions.<sup>29</sup> As detailed in the Public Interest Statement, AT&T has already made significant progress in integrating the legacy networks of SBC and AT&T to the benefit of the combined company's customers.<sup>30</sup> AT&T will be able to achieve the same types of synergies as in the SBC/AT&T transaction through integration of AT&T's MPLS-based backbone network with BellSouth's fiber-rich network in its nine-state region, resulting in significant consumer benefits and cost savings. By the same token, the merger, by unifying management of Cingular, will enable the integration of Cingular's IP network with the IP networks of AT&T and BellSouth.<sup>31</sup> Specifically, the network integration will result in improved network efficiency, higher quality of service, more innovation,

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<sup>29</sup> See *SBC/AT&T Merger Order* ¶ 191; see generally *id.* ¶¶ 190-92; *Verizon/MCI Merger Order* ¶¶ 202-04.

<sup>30</sup> Public Interest Statement at 41-42, Declaration of Christopher Rice at ¶¶ 7-12.

<sup>31</sup> Synergies resulting from the combined company's ability to create an integrated IP-based wireless/wireline network are discussed above.

and new products and services more rapidly distributed to a wider set of customers, as well as enhanced national security and disaster response capabilities.

1. Enhanced network security

BellSouth (and Cingular) customers will benefit from the enhanced network security that AT&T's customers enjoy today as a result of the integration of the SBC and AT&T IP backbones and networks. Specifically, once the Cingular and BellSouth core IP networks are combined into the AT&T core network, all of their customers -- residential, business, and government -- will benefit from the suite of advanced security features in the AT&T IP backbone. Security also will be easier and more efficient to manage with a single network, which will result in enhanced network security for all customers on the AT&T network.

2. Enhanced national security and disaster response capabilities

The merger of AT&T and BellSouth will enhance national security and government services as well as disaster response capabilities. The combined firm's creation of an integrated IP-based network will provide government customers with more efficient routing for their communications, while at the same time improving end-to-end security for classified communications due to the integration of BellSouth's and AT&T's separate local and long-distance networks. The combined network also will have more alternative routing available, thus increasing reliability and recoverability in case of a catastrophic natural or man-made disaster. In addition, the merger will accelerate restoration of services following a disaster by enabling faster deployment of equipment and personnel, including Cingular's wireless facilities and capabilities which can be used

to supplement AT&T's and BellSouth's landline networks. The combined company also will have access to the unique disaster response assets of both AT&T and BellSouth.<sup>32</sup>

3. More efficient traffic distribution and network performance

The merged firm's combined IP-based network will be able to distribute traffic more efficiently than is otherwise possible with three separate networks. With three separate networks, traffic must be exchanged through a limited number of peering points and is therefore not always routed in the most direct or efficient manner. A single network, by eliminating these traffic hand-offs or peering points and by taking advantage of additional routing paths within the unified network, will be able to significantly improve inter-network traffic handling, resulting in improved reliability, reduced packet latency and reduced risk of packet loss. The benefit of improved network efficiency and performance will accrue to all customers of the combined firm's network.

4. Improved quality of service

Improved network performance will in turn translate into the ability to offer higher quality of service ("QoS") to the combined entity's customers, which is particularly critical to business customers running "real time" applications such as VoIP, video and video conferencing as well as to government and public safety customers.

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<sup>32</sup> Legacy AT&T has invested several hundred million dollars to develop unique disaster response assets primarily to serve large enterprise and government customers, including, for example, a fleet of emergency communications vehicles with satellite uplink facilities. Similarly, BellSouth has developed its own unique assets, including specialized teams for responding to hazardous materials disasters, and has a wealth of experience in planning for and responding to natural disasters in the hurricane-prone Southeast region.

5. Network-related cost savings

Significant cost savings also will be generated by network integration. First, cost savings will result from eliminating the fee-based transiting (voice and data) and backbone access arrangements that BellSouth currently has with third parties that require BellSouth to pay in order to transport and/or switch traffic it moves from its network to another. Second, moving off-network traffic onto an integrated network will decrease the off-network mileage charges that BellSouth, Cingular and AT&T must currently pay in order to utilize other networks. Third, a consolidated network can be designed more efficiently, reducing network elements and facility connections and otherwise reducing network operation costs through redeploying redundant equipment and facilities. In addition, the combined firm will be able to avoid certain network-related capital expenditures that each company would have had to make individually. These specific cost savings, and other network operation cost savings, are discussed in section 2 below.

6. Enhanced innovation and deployment of products and services

These cost savings, by improving the utilization of existing resources, will enable the combined firm to deploy capital in more efficient ways and also to innovate in developing new products and services. Moreover, scale economies resulting from the merger – both in terms of reduced per unit costs of R&D investment and in reduced procurement costs – will further enhance the combined entity's ability to invest more in R&D and innovation. In addition to enhancing R&D, the merger also will enable the more rapid deployment of new products, services and innovations to a broader set of small and medium-sized business customers in BellSouth's region, as AT&T is currently doing today with legacy SBC customers.



In sum, consumers of all types -- individuals, businesses and governments of all levels -- will accrue significant benefits from the integration of the three companies' networks, and AT&T is not aware of any alternative to the transaction that would allow it to recognize network efficiencies to the same extent and with anything approaching the same speed and likelihood of achievement. AT&T lacks broadly deployed last-mile facilities of its own in BellSouth's region, while BellSouth lacks an extensive nationwide MPLS network. Neither company would be able to build the network capabilities it lacks within any reasonable period of time.

2. **Cost Synergies**<sup>33</sup>

AT&T estimates that it will achieve cost and capital expenditure synergies from the proposed transaction with a net present value of approximately *[Begin Confidential Information]* *[End Confidential Information]*.<sup>34</sup> The majority of these savings fall into the following categories: Network/IT, Operations, Corporate and Advertising. With respect to cost synergies, it is important to note that this transaction will result in the integration of *three* companies – AT&T, BellSouth, and Cingular. Therefore, the merger will enable significant cost synergies by streamlining all three companies' operations. These cost synergies are similar to those estimated to be obtained from the merger of SBC and AT&T. As noted in the Public Interest Statement, AT&T is

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<sup>33</sup> The specific cost synergies described in Section 2 are itemized in the Project Mountain Board of Directors Briefing Book, March 3, 2006, pp. 12-25, submitted in response to specification 53(f).

<sup>34</sup> Before transaction costs of *[Begin Confidential Information]* *[End Confidential]*.

achieving these synergies to a greater extent and more rapidly than anticipated following the closing of the SBC/AT&T merger.

a. **Network and IT**

Cost savings in the network area will stem from a number of sources, including: procurement improvement, migrating BellSouth long distance voice traffic to AT&T's network, elimination of expenses related to off-net providers of local access within BellSouth's region, capital expenditure and operating expenditure savings relating to Cingular, and reduced headcount. AT&T estimates that these network IT/expense and capital expenditure synergies will amount to approximately *[Begin Confidential Information]* *[End Confidential Information]*.

Based on experience in past transactions, AT&T projects that it will be able to achieve synergies of approximately *[Begin Confidential Information]* *[End Confidential Information]* on BellSouth and Cingular materials and services operating expenditures (excluding wireless handsets), for an annual savings of *[Begin Confidential Information]* *[End Confidential Information]* by 2009. AT&T anticipates this will come largely from economies of scale in consolidating BellSouth's and Cingular's purchases with those of AT&T.

AT&T and BellSouth have largely complementary networks. AT&T contemplates shifting BellSouth's long distance voice transport to AT&T's network from third-party providers, including proportionate traffic from Cingular. AT&T expects this process to take two years, with annual run-rate savings of *[Begin Confidential Information]* *[End Confidential Information]*, and a total of *[Begin*

**Confidential Information]** **[End Confidential Information]** in cost to achieve.

AT&T also anticipates transitioning BellSouth's long distance data traffic to AT&T's network from third-party providers. This includes the transfer of Frame Relay, Private Line, ATM and dedicated access, phased in over three years. AT&T projects annual-run rate savings of **[Begin Confidential Information]** **[End Confidential Information]**, plus a one-time transport capital benefit of **[Begin Confidential Information]** **[End Confidential Information]**. AT&T anticipates **[Begin Confidential Information]** **[End Confidential Information]** in operating expenditures over three years to handle this transition. AT&T anticipates other network operating expenditure synergies relating to this transition at an annual run-rate of **[Begin Confidential Information]** **[End Confidential Information]**, with a one-time integration cost of **[Begin Confidential Information]** **[End Confidential Information]** over two years.

AT&T intends to transfer BellSouth's corporate communications long distance voice and data traffic to AT&T's long distance network over three years, at annual run-rate savings of **[Begin Confidential Information]** **[End Confidential Information]**, and a cost of **[Begin Confidential Information]** **[End Confidential Information]** to transition the traffic.

After the transaction, AT&T intends to shift its local access traffic currently on third-party networks in BellSouth's region onto BellSouth's network. AT&T anticipates this to yield annual run-rate savings of **[Begin Confidential Information]**

*[End Confidential Information]*. The cost to achieve this synergy is expected to be *[Begin Confidential Information]* *[End Confidential Information]*. AT&T also anticipates a one-time ILEC integration cost of approximately *[Begin Confidential Information]* *[End Confidential Information]*.

In relation to Cingular, AT&T anticipates operating expenditure savings at an annual run-rate of *[Begin Confidential Information]* *[End Confidential Information]*, with integration costs of *[Begin Confidential Information]* *[End Confidential Information]* over two years. In addition, it expects capital expenditure synergies of the following:

- ATM/Frame Relay -- *[Begin Confidential Information]* *[End Confidential Information]*.
- IP Network -- *[Begin Confidential Information]* *[End Confidential Information]*.
- Voice network -- *[Begin Confidential Information]* *[End Confidential Information]*.
- Transport network -- *[Begin Confidential Information]* *[End Confidential Information]*.

In relation to IT systems, AT&T anticipates cost savings from both BellSouth's and Cingular's activities. It anticipates the following cost savings in relation to BellSouth: *[Begin Confidential Information]* *[End Confidential Information]* per year attributable to renegotiating BellSouth outsourcing contracts;

*[Begin Confidential Information]* *[End Confidential Information]* per year in capital expenditures and *[Begin Confidential Information]* *[End Confidential Information]* per year in operating expenditure savings attributable to network integration; *[Begin Confidential Information]* *[End Confidential Information]* per year in capital expenditure savings and *[Begin Confidential Information]* *[End Confidential Information]* per year in operating expenditure savings attributable to software integration. In order to achieve these synergies, AT&T anticipates incurring the following costs: *[Begin Confidential Information]* *[End Confidential Information]* over three years attributable to the integration of Frame Relay, ATM, IP, Long Distance and Transport networks; *[Begin Confidential Information]* *[End Confidential Information]* in capital expenditures and *[Begin Confidential Information]* *[End Confidential Information]* in operating expenditures over two years attributable to network-driven IT integration; *[Begin Confidential Information]* *[End Confidential Information]* in capital expenditures and *[Begin Confidential Information]* *[End Confidential Information]* in operating expenditures over three years attributable to business-driven IT integration.

AT&T anticipates realizing the following IT related cost savings in relation to Cingular: *[Begin Confidential Information]* *[End Confidential Information]* per year attributable to IT development and *[Begin Confidential Information]* *[End Confidential Information]* per year attributable to IT capital. To achieve these synergies, AT&T anticipates incurring the following costs:

*[Begin Confidential Information]* *[End Confidential Information]* in capital expenditures and *[Begin Confidential Information]* *[End Confidential Information]* in operating expenditures over two years attributable to network driven-IT integration; *[Begin Confidential Information]* *[End Confidential Information]* in capital expenditures and *[Begin Confidential Information]* *[End Confidential Information]* in operating expenditures over three years attributable to business-driven IT integration.

AT&T anticipates *[Begin Confidential Information]* *[End Confidential Information]* in the network area, resulting in cost savings of *[Begin Confidential Information]*

*[End Confidential Information]*. AT&T estimates *[Begin Confidential Information]* *[End Confidential Information]* to achieve this. AT&T has not yet made a determination of how those will be allocated between AT&T, BellSouth and Cingular.

b. **Operations**

AT&T expects synergies in the operations area to come primarily from *[Begin Confidential Information]*

*[End Confidential Information]* It anticipates *[Begin Confidential Information]* *[End Confidential Information]* in the operations area, resulting in cost savings of *[Begin Confidential Information]*

*[End Confidential Information]*. AT&T

estimates *[Begin Confidential Information]* *[End Confidential Information]* to achieve this.

c. **Corporate**

AT&T expects synergies in the corporate area to come primarily from *[Begin Confidential Information]*

*[End Confidential Information]*. It anticipates *[Begin*

*Confidential Information]* *[End*

*Confidential Information]* in the corporate area, resulting in cost savings of *[Begin Confidential Information]*

*[End*

*Confidential Information]*. To achieve these synergies, AT&T estimates *[Begin*

*Confidential Information]* *[End Confidential*

*Information]*.

d. **Advertising**

AT&T expects to realize significant synergies in relation to advertising, due to consolidating the BellSouth and Cingular brands under the AT&T name. Today (excluding the one-time expense of transitioning from the SBC to the AT&T brand), AT&T, BellSouth and Cingular spend approximately \$2.5 billion annually on advertising. Because there is already considerable consumer goodwill attached to the AT&T brand, AT&T anticipates it will be able to capitalize on the brand equity attached

to its name and offer a unified marketing and advertising campaign, enabling it to achieve a *[Begin Confidential Information]* *[End Confidential Information]* synergy on its advertising expense. This will result in savings of *[Begin Confidential Information]* *[End Confidential Information]* per year on a run-rate basis, with a one-time expense of *[Begin Confidential Information]* *[End Confidential Information]* to effect the brand-name change. In total, AT&T estimates the net present value of advertising expense reductions at approximately *[Begin Confidential Information]* *[End Confidential Information]*.

e. **Directories**

AT&T also anticipates *[Begin Confidential Information]* *[End Confidential Information]* in the directories business. It expects these reductions to result in cost savings of *[Begin Confidential Information]* *[End Confidential Information]*. AT&T estimates *[Begin Confidential Information]* *[End Confidential Information]* to achieve this.

f. *[Begin Confidential Information]*

*[End Confidential Information]*



3. **Increased Sales Potential**

In addition to cost savings, AT&T anticipates achieving synergies in the form of increased sales in several areas. The resulting revenue enhancements are expected to result from making available to BellSouth's base of small and medium-sized business customers various AT&T products and services that are currently offered by AT&T primarily to larger businesses. By offering these advanced products and product features to the BellSouth customer base, the combined company will provide small and medium-sized businesses that are current BellSouth customers access to a wider array of better-quality products and services than they would have had absent the transaction.

The cumulative revenue synergies from these offerings are projected to increase over time, with incremental revenue of approximately *[Begin Confidential Information]* *[End Confidential Information]* in 2008 and *[Begin Confidential Information]* *[End Confidential Information]* in 2015. AT&T estimates the net present value of these revenue synergies at approximately *[Begin Confidential Information]* *[End Confidential Information]*.<sup>35</sup>

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<sup>35</sup> Project Mountain Board of Directors Briefing Book, Mar. 3, 2006, at 14.

**54. Provide:**

- a. A copy of all documents prepared expressly for AT&T, BellSouth, or Cingular (whether prepared internally or by outside advisors) that discuss the merger integration strategy.**
- b. A copy of all documents prepared expressly for AT&T, BellSouth, or Cingular that discuss the benefits the merged entity could reap from a larger footprint, including the effect of the merger on the company's incentives or abilities to discriminate against other companies.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 55. Provide all documents prepared expressly for AT&T, BellSouth, or Cingular (whether prepared internally or by outside advisors) that discuss the proposed acquisition's impact:**
- a. On AT&T's, BellSouth's, or the merged entity's control of Cingular.**
  - b. On the modification or development of Cingular's strategic goals and pricing structure for its service offerings offered in-region or out-of-region of the merged entity's combined franchise areas.**

**RESPONSE:**

Documents responsive to this request are included in AT&T's document production.

- 56. Provide all documents cited in the Public Interest Statement and supporting declarations, as well as any data or competitive analyses relied upon in preparing those documents, grouped by declaration/ Public Interest Statement.**

**RESPONSE:**

The AT&T document production being submitted simultaneously with this narrative contains the documents that were cited in the Public Interest Statement, its appendices, and the Kahan, Rice and Carlton/Sider declarations, as well as any data or competitive analyses relied upon in preparing those documents. There were no responsive documents for the other declarations.

AT&T's response conforms to the following modifications of this request to which the Commission staff has agreed. First, AT&T is not producing any FCC documents (including any citations to the Communications Act or other parts of the United States Code or the Code of Federal Regulations). Second, where the request calls for the production of third parties' proprietary documents, AT&T is producing only the page, paragraph, table, or similar limited portion of the document that actually is cited. To protect those copyright holders further, AT&T is designating those portions as Confidential Information that is "Copying Prohibited" under the terms of the Protective Order in this proceeding.

In certain cases, however, all or a substantial portion of a third party's copyrighted work was cited. In those cases, AT&T has sought permission from the copyright holders to produce those documents. When AT&T has received such permission, it has designated the document with the confidentiality level requested by the

copyright holder.<sup>36</sup> Such permission has not yet been granted for the following

documents:

1. Bruce Kogut, *The Stability of Joint Ventures, Reciprocity & Competitive Rivalry*, 38 *J. Indus. Econ.* 183 (1989);
2. *Covad Debuts Package for Businesses with PBXs*, *VoIP Bus. Weekly*, Jan. 19, 2006;
3. *International Telecommunications, Intelligence Telecommunications*, *ESPICOM Business Intelligence Ltd.* (Feb. 8, 2005);
4. *The Wall Street Transcript*, “Special Focus: Telecom Services,” October 10, 2005;
5. Jaison R. Abel, “Entry into regulated monopoly markets: The development of a competitive fringe in the local telephone industry,” 45 *Journal of Law and Economics* 289 (2002);
6. Jaison R. Abel and Michael E. Clements, “Entry under asymmetric regulation,” 19 *Review of Industrial Organization* 227 (2001);
7. James Zolnierrek, James Eisner, and Ellen Burton, “An empirical examination of entry patterns in local telephone markets,” 19 *Journal of Regulatory Economics* 143 (2001); and

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<sup>36</sup> Harvard Business School Publishing holds the copyright in Joel Bleeke & Davide Ernst, *Is Your Strategic Alliance Really a Sale?*, 73 *Harv. Bus. Rev.* 97 (1995). It conditioned its permission on AT&T’s informing those who receive a copy of this article from AT&T that (a) Harvard Business School Publishing generally does not authorize the production of electronic copies such as the PDFs being produced today and (b) recipients may not forward or distribute this copy “in any fashion without permission and a fee.”

8. Donald L. Alexander and Robert M. Feinberg, “Entry in local telecommunications markets,” 25 *Review of Industrial Organization* 107 (2004).

When AT&T’s permission request has not yet been granted, AT&T has not produced the cited document but will do so once permission is received.

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 (*e.g.*, a section of the Public 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. 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 and Mr. Kahan did not rely upon any documents that they did not cite.

Notwithstanding the previous paragraph, each document only is being produced once – filed according to where it is first cited. AT&T is providing an index with this production to indicate where each document may be found.