

September 21, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: AT&T Inc. and BellSouth Corporation Applications for Approval of Transfer of Control, WC Docket No. 06-74

Dear Ms. Dortch

Based upon complaints that are neither accurate nor merger-related, the Georgia chapter of the Association of Community Organizations for Reform Now (“Georgia ACORN”) urges the Commission to take “concrete steps” to protect mass market consumers from “harm as a result of the AT&T/BellSouth merger.”¹ Georgia ACORN made the same allegations of “redlining,” “discriminat[ion] against low-income families,” and an “established pattern of harming consumers” to the Georgia Public Service Commission. The Georgia Commission summarily rejected them, and this Commission should do the same. AT&T and BellSouth have exemplary track records in serving consumers of all income levels, and, contrary to Georgia ACORN’s aspersions, the combined AT&T/BellSouth will continue responsibly to meet its obligations to all consumers and communities it serves.

Notably, Georgia ACORN does not even try to link its allegations to any impact of the proposed merger on mass market customers. Nor could it do so. The legacy SBC and BellSouth regions do not overlap, and legacy AT&T ceased competing for mass market customers in the BellSouth region more than two years ago. Moreover, BellSouth’s mass market services face fierce price-constraining competition from numerous cable, wireless, VoIP and other providers, all of which will be unaffected by the merger.² Under these circumstances, as the Commission recognized in its SBC/AT&T merger order, the merger of AT&T and BellSouth raises no possible mass market competitive issues.³ That would be reason enough to disregard Georgia ACORN’s claims in this proceeding even if its allegations were well founded, and, in truth, the allegations have no foundation at all.

Georgia ACORN claims that its “primary concern” is that the proposed merger “will raise phone prices” for its Georgia constituents. But Georgia ACORN does not explain how a merger that will have no material impact on the robust mass market competition that exists in Georgia and throughout the BellSouth region could have that effect. And it fails to mention that

¹ See Letter from Deacon Dana Williams (Georgia ACORN) to Chairman Kevin Martin (FCC), WC Docket No. 06-74 (Sep. 18, 2006) (“ACORN Letter”).

² See *Joint Opposition of AT&T Inc. and BellSouth Corporation*, WC Docket No. 06-74, at 48 (June 20, 2006).

³ See *SBC/AT&T Merger Order* ¶ 81.

BellSouth's local rates for basic residential and single-line businesses are capped by Georgia law, which allows these rates to increase by no more than *half* the rate of inflation.⁴

Lacking any argument as to why *this* merger would cause phone rates to go up, Georgia ACORN contends that the Commission was wrong about the SBC/AT&T merger. "Since the SBC/AT&T merger," Georgia ACORN complains, "AT&T has hiked local phone prices in Missouri, Wisconsin, Texas and Oklahoma."⁵ As Georgia ACORN is well aware, however, each of those rate adjustments reflected changes in state regulation of intrastate telephone rates that had nothing to do with any merger. In Texas, for example, the rate adjustment that followed the state law change was the first rate increase for basic local service *since 1984*. And the local and long distance fee increases for legacy AT&T services that AT&T announced "[j]ust last month," *ACORN Letter* at 2, merely reflect the continuation of the legacy AT&T exit from the mass market business that began long before the SBC/AT&T merger. These latter rate adjustments thus provide further confirmation that the Commission was correct in concluding that "[r]egardless of what role [legacy] AT&T played in the past" its "actions to cease marketing and gradually withdraw from the mass market mean it is no longer a significant provider (or potential provider) of local service, long distance service, or bundled local and long distance service to mass market customers."⁶

Georgia ACORN's allegations regarding Cingular's pricing of its wireless services are equally unfounded and equally irrelevant to this merger proceeding. Georgia ACORN complains that all Cingular customers with "older phones" must pay an extra \$5 per month. In fact, the \$5 fee applies only to the continued use of phones that rely on an outdated, obsolete TDMA/analog network. Fully 92% of Cingular's customers now have phones on Cingular's new digital GSM network and 98% of minutes are on that network. It is increasingly costly to retain the outdated network for so few customers, and there is nothing remotely wrong with ensuring that only customers that choose to remain on the outdated network bear those costs. Moreover, any customer that chooses to do so is free to terminate its analog service without penalty and either purchase a digital service term agreement from Cingular that comes with a free digital phone or purchase service from any of Cingular's many wireless competitors. And Georgia ACORN provides absolutely no support for its specious claim that Cingular "is discriminating against low income families." *ACORN Letter* at 2. In fact, Cingular offers an entire line of products designed to meet the needs of low income customers.

The Commission should likewise summarily reject the recycled broadband and video service "redlining" allegations that Georgia ACORN improperly attempts to inject into this merger proceeding. AT&T has never engaged in redlining and has no plan to begin doing so. AT&T serves tens of millions of customers throughout the nation without regard to individual or neighborhood income and has a long history of aggressively deploying its broadband DSL services widely throughout its local service territory. Relying on allegations by others that Applicants have previously refuted, Georgia ACORN speculates that AT&T will discriminate against low-income families in the deployment of its new Project Lightspeed IPTV services. But

⁴ See O.C.G.A. § 46-5-166(c).

⁵ *ACORN Letter* at 1-2.

⁶ *SBC/AT&T Merger Order* ¶ 103.

basing entry plans on illegitimate redlining considerations is even less economically rational with respect to video programming, given that video subscription rates correlate little with income and that AT&T's cable operator competitors have already begun offering the full suite of communications and entertainment services. Indeed, as Georgia ACORN is well aware from its participation in hearings before the Georgia Commission, AT&T has announced its intent to make its IPTV services available to more than 5.5 million low-income households as part of its initial build in 41 markets, making them among the first in the nation to receive these new IP-enabled video services.

Finally, there is no merit to Georgia ACORN's generic accusation that telecommunications mergers harm employees and service quality. The only support Georgia ACORN offers for this claim is an observation by the Communications Workers of America ("CWA") that AT&T announced closures of call centers in Pennsylvania, Arizona and Massachusetts and reduced its workforce at a Pennsylvania TRS relay center earlier this year. But these actions were inevitable results of the substantial declines in legacy AT&T customers and call volumes in the wake of AT&T's unilateral 2004 decision to exit the mass market business, and they have not impacted service quality to AT&T's remaining out-of-region mass market customers. Moreover, Georgia ACORN fails to note that CWA itself has recognized the "potential public interest benefits of the proposed merger."⁷

The record in this proceeding overwhelming demonstrates that the merger of AT&T and BellSouth will not harm competition in any relevant market and will only benefit mass market (and other) customers. As Applicants have demonstrated, the merger will, among other benefits, permit the combined company to bring new, converged services to consumers of all income levels faster and more efficiently than would otherwise be possible, create a more efficient video competitor and enable the faster roll out of IPTV services in the BellSouth region, and create a combined company that is better prepared to assist in disaster recovery and response.

Sincerely,

/s/ Gary L. Phillips

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⁷ See *Ex Parte* Letter from Debbie Goldman (CWA) to Marlene Dortch (FCC), WC Docket No. 06-74, at 1 (Sep. 13, 2006).

cc: Nicholas Alexander
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