



NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

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CORRECTED

FCC APPROVES SBC/AT&T AND VERIZON/MCI MERGERS

Transactions Offer Significant Public Interest Benefits

Washington, D.C. – The Federal Communications Commission today approved the mergers of SBC Communications Inc. with AT&T Corp. and Verizon Communications Inc. with MCI, Inc.

The Commission concluded that consumers will reap the rewards of the public interest benefits that will flow from these mergers. These benefits include integration of complementary networks, which will increase efficiency and provide consumers with new services and improved network performance and reliability. The mergers will create stable, reliable U.S.-owned companies that will provide improved service to government customers and benefit national defense and homeland security. In addition, the mergers will give the companies increased economies of scale and scope, which should increase their incentives and resources to engage in basic research and development. Finally, the mergers should result in substantial cost savings, which should benefit consumers throughout the country.

The Commission's analysis of the competitive effects of the mergers focused on six key services. They are:

- **Special access competition:** The Commission found that, in a limited number of buildings where AT&T (in SBC's territory) and MCI (in Verizon's territory) is the only competitive carrier with direct connections, the mergers could have an anticompetitive effect on wholesale special access services that are provided entirely over a single carrier's facilities. The Commission found, however, that the Consent Decrees entered into on Oct. 27 between the U. S. Department of Justice and the applicants adequately address this potential harm. The Commission further found that the mergers are not likely to result in anticompetitive effects with respect to other special access services that combine one carrier's own facilities with those of another.
- **Retail enterprise competition:** The Commission found that the mergers are not likely to result in anticompetitive effects for medium and large enterprise customers because these customers are sophisticated, high-volume purchasers of

communications services and because a significant number of carriers will continue to compete in the market.

- **Mass market competition:** The Commission found that the mergers are not likely to result in anticompetitive effects for mass market customers because AT&T has ceased marketing those services and is gradually withdrawing from that market, while MCI has significantly reduced its marketing. The Commission further found that facilities-based intermodal competition, including cable VoIP and wireless services, is growing rapidly and will play an increasingly important role with respect to future mass market competition.
- **Internet backbone competition:** The Commission found that the mergers are not likely to result in anticompetitive effects in the Internet backbone market. It found that the mergers are not likely to cause the Internet to tip into monopoly or duopoly, or to give the merged entities the incentive or ability to tip the market to monopoly, increase prices to supra-competitive levels, or reduce service quality.
- **Wholesale interexchange (long distance) competition:** The Commission found that the market is likely to remain competitive after the mergers, due primarily to the presence of numerous competitive nationwide fiber networks with excess capacity.
- **International competition:** The Commission found that the mergers are not likely to result in anticompetitive effects for mass market, enterprise or global telecommunications customers.
- **Public Interest Benefits.** Among the many public interest benefits, the Commission specifically recognized the applicants' progress implementing the Commission's VoIP 911 requirements for interconnected VoIP providers.

The Commission also adopted in the Order **as enforceable conditions** certain voluntary commitments made by the applicants.

- The applicants committed not to seek an increase in state-approved rates for unbundled network elements (UNEs) for two years (except for rates that are subject to current appeals in specific states).
- The applicants committed to a one-time recalculation to exclude fiber-based collocation arrangements established by AT&T in SBC's region and MCI in Verizon's region in identifying wire centers in which SBC or Verizon claims there is no impairment pursuant to the UNE triggers in the Triennial Review Remand Order so that dedicated transport and/or high-capacity loops need not be unbundled.
- The applicants committed to implement a "Service Quality Measurement Plan," which will provide the Commission with quarterly performance results for interstate special access services. This commitment will terminate the earlier of 30 months and 45 days after the beginning of the first full quarter following the closing of the mergers, or the effective date of a Commission order adopting general special access performance measurement requirements.

- The applicants committed, for 30 months, not to increase the rates paid by existing in-region customers of AT&T in SBC's region or MCI in Verizon's region for wholesale DS1 and DS3 local private line services.
- SBC/AT&T and Verizon/MCI committed, for a period of 30 months, not to provide special access services to themselves, their interexchange affiliates, or each other or their affiliates, that are not generally available to other similarly situated customers.
- The applicants committed that for a period of 30 months, before they provide new or modified contract tariffed service to their own section 272(a) affiliate(s), they will certify to the Commission that they provide service pursuant to those contract tariffs to unaffiliated customers other than each other or their wireline affiliates.
- The applicants committed for a period of 30 months not to increase rates set forth in SBC's and Verizon's interstate tariffs for special access services, including contract tariffs, that they provide in their in-region territory that are on file with the Commission on the Merger Closing Dates.
- The applicants committed, for a period of three years, to maintain settlement-free peering arrangements with at least as many providers of Internet backbone services as they did in combination on the Merger Closing Dates.
- The applicants committed for a period of two years to post their peering policies on publicly accessible websites. During this two-year period, the applicants will post any revisions to their peering policies on a timely basis as they occur.
- SBC/AT&T acknowledged: (1) that the merger does not change carrier of last resort obligations imposed by the State of Alaska on interexchange services provided by Alascom; (2) that the merger will not alter statutory and regulatory geographic rate averaging and rate integration rules that apply on the merger closing date to Alascom; and (3) after the merger closing date, they will operate Alascom as a distinct, though not structurally separate, corporate entity.
- The applicants committed to provide, within 12 months of the Merger Closing Dates, DSL service to in-region customers without requiring them to also purchase circuit-switched voice telephone service. The companies will make the offering for two years from the time it is made available in a particular state.
- The applicants committed for a period of two years to conduct business in a way that comports with the Commission's Internet policy statement issued in September.
- Finally, the applicants committed to file annual certifications that they are complying with these enforceable commitments.

Action by the Commission October 31, 2005, by Memorandum Opinion and Order (FCC 05-183). Chairman Martin and Commissioner Abernathy, with Commissioners Copps and Adelstein concurring. Separate statements issued by Chairman Martin, Commissioners Abernathy, Copps, and Adelstein.

SBC/AT&T Docket No.: 05-65

Action by the Commission October 31, 2005, by Memorandum Opinion and Order (FCC 05-184). Chairman Martin and Commissioner Abernathy, with Commissioners Copps and Adelstein concurring. Separate statements issued by Chairman Martin, Commissioners Abernathy, Copps, and Adelstein.

Verizon/MCI Docket No. 05-75

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