



December 1, 2006

The Honorable Kevin Martin
The Honorable Michael J. Copps
The Honorable Jonathan S. Adelstein
The Honorable Deborah Taylor Tate
The Honorable Robert M. McDowell
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: Notice of Ex Parte Communication
In the Matter of Review of AT&T Inc. and BellSouth Corp. Application
For Consent to Transfer of Control, WC Docket No. 06-74

Dear Chairman and Commissioners:

Over the course of the past several months, we have engaged in a protracted process to discuss the issues presented by merger opponents in the aforementioned proceeding. None of those issues is related to any harm that can be reasonably asserted to have been caused by the merger. As indicated by the extraordinary support from a broad spectrum of consumer groups, customers, unions, members of Congress from both sides of the aisle, not to mention the 3 foreign countries, 19 State Commissions and the US Department of Justice who approved this transaction without a single one of these types of conditions, this transaction and the conditions proposed by AT&T and BellSouth serves the broad public interest. Moreover, we have always believed that it is simply not appropriate for this merger review process to be used to benefit the commercial interests of our competitors as opposed to the public interest.

Nevertheless, in hopes of receiving an expeditious and unanimous approval, AT&T set forth on October 13, 2006, a set of additional commitments, over and above the public interest benefits described in our public interest statement that will flow from the merger itself. Those extensive commitments include, from the competitor special interest perspective, freezing special access rates in both the AT&T and BellSouth regions for 30 months, freezing the rates for DS1/DS3 wholesale services sold by Legacy AT&T in both regions, and an extensive set of performance metrics for the provision of special access services in both regions. In addition, with respect to the perspective of Internet application and content providers, AT&T and BellSouth committed to abide by the FCC's Four Internet Policy Principles adopted by the Commission on September 23, 2005. Since that filing, the Commission sought and received comments regarding AT&T/BellSouth's commitments, and the Commissioners and their staffs have discussed those commitments with the applicants and other interested parties. Despite the breadth of the commitments made on October 13, merger opponents have continued to insist

upon, particularly in the special access and net neutrality areas, broad conditions to which AT&T and BellSouth simply cannot foresee a set of circumstances under which we could or would agree.

In particular for special access services, certain CLECs and other competitors have requested that AT&T submit to unconstrained, baseball-style, binding, commercial arbitration with a “fresh look” for existing contracts throughout the post-merger, combined companies’ 22 state region of the rates, terms, and conditions on which we provide special access services where we have achieved pricing flexibility. Although disingenuously couched as a market-oriented, deregulatory proposal, in fact that proposal would take the unprecedented step of turning pricing *flexibility* into pricing *mandates*. The services at issue were granted pricing flexibility because competition existed for those services. Pricing flexibility was granted by the Commission to allow AT&T and BellSouth the flexibility to offer negotiated discounts off of standard, tariffed rates to meet this competition. The pricing flexibility regime has never been one by which regulators, under the guise of arbitration or otherwise, could force discounts off of tariffed rates that are, in themselves, presumptively lawful under Commission rules.

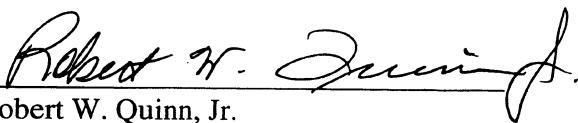
While pricing-flexibility for those contracts is fully justified under your rules, those services are still subject to the “just and reasonable” and not unreasonably discriminatory provisions of Sections 201 and 202 of the Communications Act of 1934, as amended (unlike the program access issues raised in prior mergers). Any purchaser who believes that the contracts at issue violate those provisions has the ability to file a complaint and seek expedited dispute resolution under the Commission’s rules (also unlike the program access issues in prior mergers). And as we have stated, no one has made such a complaint. Under all of those circumstances, the request for baseball-style, commercial arbitration with “fresh look” rights is unwarranted, unrelated to the merger itself and inconsistent with the Act and the Commission’s rules. Moreover, these issues are already before the Commission in an industry-wide rulemaking proceeding, which is the proper forum for these types of issues to be addressed. To be clear, the alternative proposed by these special interests - that all special access services be placed back under price caps and rates be re-initialized despite the presence of competitive entry that meets the levels of the Commission’s rules for pricing flexibility - is equally unacceptable.

Nor does the commercial arbitration provision stand alone. Opponents also insist that we be limited to charging only consumers to recover the costs of network upgrades required to add capacity to the facilities used to provide broadband not only in our last mile, but also in our Internet backbone network under the guise of a fifth non-discrimination principle that would apply throughout the network. As has been previously identified at this Commission and elsewhere, the market for Internet backbone services is highly competitive. As noted above, AT&T is already, by voluntary action, subject to the FCC’s Four Internet Policy Principles and AT&T and BellSouth have voluntarily agreed to abide by those principles in both the AT&T and BellSouth region for a period of 30 months after the merger closing. As with the arbitration conditions discussed above, the issues raised by application service providers and others who seek to prevent network owners from managing their networks are not specific to any alleged

harm caused by this merger as evidenced by the fact that proponents for these regulations unsuccessfully fought for these very regulations in legislative battles last year. Again, the appropriate forum for addressing those types of concerns is a proceeding with broad industry application not in a merger proceeding involving only one company in a highly competitive market.

One electronic copy of this Notice is being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,



Robert W. Quinn, Jr.
Senior Vice President-Federal Regulatory
AT&T Services, Inc.



James G. Harralson
Vice President & Associate General Counsel
BellSouth Corp.