



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 27, 2005
WWW.USDOJ.GOV

AT
(202) 514-2007
TDD (202) 514-1888

JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN VERIZON'S ACQUISITION OF MCI AND SBC'S ACQUISITION OF AT&T

Divestitures in 19 Metropolitan Areas Preserve Competition for Certain Business Telecommunications Services

WASHINGTON D.C. – The Department of Justice announced today that it will require Verizon Communications Inc. and SBC Communications Inc. to divest portions of certain local fiber-optic network facilities in order to proceed with their respective acquisitions of MCI Inc. and AT&T Corp. The Department said that the transactions, as originally proposed, would have resulted in higher prices for certain business customers in eight metropolitan areas in Verizon's franchised territory and 11 metropolitan areas in SBC's franchised territory. In other respects, the Department's investigation indicated that the transactions are likely to generate substantial efficiencies that should benefit consumers.

The Department's Antitrust Division filed civil lawsuits today in U.S. District Court in Washington, D.C. to block the proposed transactions. At the same time, the Department filed proposed settlements that, if approved by the court, would resolve the Department's competitive concerns and the lawsuits.

"Today's action by the Department ensures that business customers that provide or buy telecommunications services to locations in Verizon's and SBC's territories will continue to benefit from competition," said Thomas O. Barnett, Acting Assistant Attorney General in charge

(more)

of the Department's Antitrust Division. "The Division thoroughly investigated not just the local private line issues covered by today's settlement but all areas in which the merging firms compete, including residential local and long distance service, Internet backbone services and a variety of telecommunications services provided to business customers. With the exception of the cities covered by today's action, in which the merging firms control the only wireline access to numerous buildings, the Division concluded that the transactions will not harm competition and will likely benefit consumers, due to existing competition, emerging technologies, the changing regulatory environment, and exceptionally large merger-specific efficiencies."

The transactions are also subject to review by the Federal Communications Commission (FCC). The Department has coordinated with the FCC throughout its investigation.

According to the complaint against Verizon, Verizon and MCI are the only two firms that own or control a direct wireline connection to hundreds of buildings in the metropolitan areas of Washington–Baltimore; Boston; New York; Philadelphia; Tampa; Richmond, Virginia; Providence, Rhode Island; and Portland, Maine. Therefore, in the absence of new entry, the merger would eliminate competition for facilities-based local private line service to those buildings. These local private line connections are used to supply voice and data telecommunications services to business customers in these locations.

Similarly, according to the complaint against SBC, SBC and AT&T are the only two firms that own or control a direct wireline connection to certain buildings in the metropolitan areas of Chicago; Dallas–Fort Worth; Detroit; Hartford–New Haven, Connecticut; Indianapolis; Kansas City; Los Angeles; Milwaukee; San Diego; San Francisco–San Jose; and St. Louis. Therefore, in the absence of new entry, the merger would eliminate competition for facilities-based local private line service to those buildings.

(more)

Under the terms of the settlements, Verizon and SBC must each divest connections to more than 350 buildings in their respective territories, to a single buyer in each city, generally using long-term leases commonly used in the telecommunications industry, known as indefeasible rights of use or “IRUs.”

As part of its investigation, the Antitrust Division considered numerous product and geographic markets and evaluated all overlaps between the merging parties. The Division took into account competition from cable companies as well as emerging technologies such as voice over Internet protocol (VOIP). The Division also considered changing regulatory requirements such as the FCC’s Triennial Review Remand Order (TRRO) and efficiencies that the parties claimed would result from the mergers.

Verizon, headquartered in New York, is the nation’s largest regional Bell operating company. It is one of several regional Bell operating companies formed in 1984 as a result of the breakup of AT&T Corp.’s local telephone business. In 2004, Verizon earned approximately \$38.6 billion in revenues from its domestic wireline services.

MCI, headquartered in Ashburn, Virginia, is one of the nation’s largest interexchange carriers. In 2004, MCI earned approximately \$20.7 billion in revenues.

SBC is headquartered in San Antonio, Texas and is also a regional Bell operating company. In 2004, SBC earned approximately \$36.9 billion in revenues from its wireline services.

AT&T, headquartered in Bedminster, New Jersey, is the nation’s largest interexchange carrier. In 2004, AT&T earned approximately \$30.5 billion in revenues.

As required by the Tunney Act, the proposed settlement and the Department’s competitive impact statement will be published in the Federal Register. Any person may submit

(more)

written comments concerning the proposed settlement during a 60-day comment period to Nancy M. Goodman, Chief, Telecommunications and Media Enforcement Section, Antitrust Division, U.S. Department of Justice, 1401 H. Street, N.W. Suite 8000, Washington, D.C. 20530 (202-514-5621).

###

05-571