

AFFIDAVIT

STATE OF KENTUCKY

COUNTY OF JEFFERSON

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Eddy Roberts, who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Kentucky Public Service Commission in Case No. _____, Joint Application for Approval of the Indirect Transfer of Control Relating to the Merger of AT&T, Inc. and BellSouth Corporation, and if present before the Commission and duly sworn, his testimony would be set forth in the annexed testimony consisting of 12 pages and 1 exhibits.

Eddy Roberts
Eddy Roberts

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 28 DAY OF MARCH, 2006

Theresa F. Alekhi Notary Public

My Commission expires: 7-25-2008

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

JOINT APPLICATION FOR APPROVAL)
OF THE INDIRECT TRANSFER OF)
CONTROL RELATING TO THE)
MERGER OF AT&T INC. AND)
BELLSOUTH CORPORATION)

Case No. _____

DIRECT TESTIMONY OF EDDY ROBERTS

**State President – Kentucky
BellSouth Telecommunications, Inc.**

March 31, 2006

1 **DIRECT TESTIMONY OF EDDY ROBERTS**
2 **State President – Kentucky**
3 **BellSouth Telecommunications, Inc.***

4 **I. INTRODUCTION**

5 **Q. PLEASE STATE YOUR NAME AND TITLE.**

6 A. My name is Eddy Roberts. I am the State President – Kentucky for BellSouth
7 Telecommunications, Inc.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK**
9 **EXPERIENCE, AND CURRENT JOB RESPONSIBILITIES.**

10 A. I have more than 32 years of experience in the telecommunications industry. I
11 received a Bachelor of Science in Marketing from the University of Alabama in
12 1972 and a Masters in Business Administration from the University of Alabama
13 in 1973.

14 I began work for BellSouth Telecommunications, Inc.'s predecessor in May 1973
15 in Birmingham, Alabama. Over the next 18 years, I worked in various
16 management positions in marketing, product management, revenue requirements,
17 pricing, and public affairs in Alabama. In June 1991, I was promoted to
18 Regulatory Vice President for Kentucky.

19 In December 1995, I was promoted to State President and remain in that position
20 today. In that job, I have overall responsibility for BellSouth
21 Telecommunications, Inc.'s regulatory and external affairs operations in
22 Kentucky. In addition, I oversee the operations of BellSouth

* Please see the Cautionary Language Regarding Forward-Looking Statements included as Attachment A to this testimony.

1 Telecommunications, Inc. in Kentucky as they relate to employment,
2 communications, economic development, community, and government issues.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. The purpose of this testimony is to support the joint application filed with this
5 Commission on March 31, 2006, by AT&T Inc. and BellSouth Corp.
6 (“BellSouth”) and their certificated subsidiaries.

7 First, I will explain that the merger will not affect the superior service that
8 BellSouth Telecommunications, Inc. currently provides in Kentucky. Second, I
9 will discuss why the merger will benefit BellSouth and its subsidiaries and serve
10 the public interest by making BellSouth Telecommunications, Inc. a better and
11 more efficient competitor. In this regard, I will also explain that the current
12 outstanding corporate citizenship shown by BellSouth Telecommunications, Inc.
13 in the local communities it serves will continue after the merger. Finally, I
14 demonstrate that there is vigorous competition in Kentucky that will not be
15 affected by the merger.

16 **II. BELLSOUTH TELECOMMUNICATIONS, INC. WILL CONTINUE TO**
17 **PROVIDE HIGH-QUALITY SERVICE IN KENTUCKY AFTER THE**
18 **MERGER**

19 **Q. HOW WILL THE MERGER AFFECT THE SERVICE RECEIVED BY**
20 **CUSTOMERS SERVED BY BELLSOUTH TELECOMMUNICATIONS,**
21 **INC. IN KENTUCKY?**

22 A. It won’t affect the high-quality service they have come to expect. The merger is a
23 holding company transaction between BellSouth, the parent of BellSouth

1 Telecommunications, Inc., and AT&T Inc. After the merger, BellSouth will
2 become a first-tier, wholly owned subsidiary of AT&T Inc.

3 BellSouth Telecommunications, Inc., the operating subsidiary, will continue to
4 operate just as before in Kentucky. There will be no transfer of assets or
5 certificates, and no amendment or adoption of tariffs. BellSouth
6 Telecommunications, Inc. will continue to provide reliable, high-quality service in
7 Kentucky post-merger closing just as it does today.

8 **Q. IS THERE EVIDENCE THAT BELL SOUTH IS CURRENTLY**
9 **PROVIDING HIGH-QUALITY SERVICE IN KENTUCKY?**

10 A. Yes, there is. BellSouth Telecommunications, Inc. regularly meets the retail
11 service objectives set by this Commission. Indeed, as to many of those service
12 objectives, such as percent of service requests fulfilled within 5 working days and
13 average speed of answer time for calls for repair service, BellSouth
14 Telecommunications, Inc. has not missed the objective for any month since 1997.
15 Even as to the most difficult retail service objective, percentage of out-of-service
16 troubles cleared within 24 hours, BellSouth has not missed this objective in more
17 than 13 months. This is the most difficult objective to meet because of the rural
18 aspect of BellSouth Telecommunications, Inc.'s operation outside the
19 metropolitan areas of the state.

20 Improving service year-over-year is a strategic objective for the company, and
21 BellSouth Telecommunications, Inc. is proud of this record of consistent high-
22 quality retail service in Kentucky.

1 **Q. WILL THE MERGER AFFECT THE COMMISSION'S REGULATORY**
2 **AUTHORITY OVER BELL SOUTH TELECOMMUNICATIONS, INC.?**

3 A. No, it will not. Nothing in this merger changes the fact that BellSouth
4 Telecommunications, Inc. is an incumbent local exchange carrier, and, in
5 accordance with applicable law, regulations and requirements of price-regulated
6 incumbents will apply to the merged company, as well. For example, the current
7 carrier-of-last-resort responsibilities of BellSouth Telecommunications, Inc. will
8 continue.

9 **Q: WILL THE MERGER HAVE ANY EFFECT ON THE WHOLESALE**
10 **OBLIGATIONS OF BELL SOUTH TELECOMMUNICATIONS, INC.?**

11 A. No, it will not. BellSouth Telecommunications, Inc. will be bound to its
12 interconnection agreements to the same degree as before the merger. BellSouth
13 Telecommunications, Inc. will also be required to adhere to wholesale obligations
14 and performance standards established by this Commission and included in
15 existing interconnection agreements post-merger closing, just as it does today.

16 **Q. WILL THE MERGER HAVE AN ADVERSE EFFECT ON BELL SOUTH**
17 **TELECOMMUNICATIONS, INC. EMPLOYEES IN KENTUCKY?**

18 A. I do not believe so. I understand that AT&T has indicated that the merger will
19 likely result in a reduction in employees of approximately 10,000 between 2007
20 and 2009 nationwide across the combined companies, which I understand
21 currently have approximately 317,000 employees. BellSouth, alone, loses
22 approximately 580 employees per month or 6,960 per year due to normal attrition
23 – i.e., retirements and voluntary departures from the business. I further
24 understand that AT&T's normal attrition rate is even greater than BellSouth's.

1 Thus, it appears likely that much of the headcount reduction that results from this
2 merger will very easily be accomplished through natural attrition. In addition, I
3 understand that the merged entity will remain bound by the terms of BellSouth
4 Telecommunications, Inc.'s union contracts in Kentucky.

5 **III. MERGER BENEFITS TO BELLSOUTH ENTITIES AND CONSUMERS**

6 **Q. PLEASE EXPLAIN THE BUSINESS REASONS THAT THIS**
7 **TRANSACTION IS AN IMPORTANT ONE FOR BELLSOUTH TO**
8 **REMAIN COMPETITIVE.**

9 A. Currently, BellSouth Telecommunications, Inc. and the other BellSouth
10 subsidiaries are regional providers whose core strengths are local voice and data
11 services. The BellSouth entities do not have a global fiber optic network for the
12 provision of seamless end-to-end service to national and international customers,
13 nor do they have significant wireline assets of any type outside of their region.

14 The BellSouth entities also have limitations in their product portfolio that place
15 them at a disadvantage in attempting to serve the full requirements of the large
16 business customers. For instance, they must rely upon partners for the provision
17 of complex interLATA services demanded by large business customers. Such
18 limitations make it difficult to compete realistically for those customers.

19 These competitive limitations are only becoming more severe as more customers
20 adopt advanced Internet Protocol ("IP") based voice and data solutions. Because
21 IP services do not rely on ubiquitous local infrastructure to the same extent as
22 circuit-switched services, BellSouth's traditional ability to compete for at least the
23 in-region locations of large business customers is more challenging.

1 **Q. ARE THESE THE ONLY MARKET TRENDS THAT MAKE THIS**
2 **MERGER IMPORTANT TO THE BELL SOUTH ENTITIES?**

3 A. No, they are not. Technological and competitive changes since the
4 Telecommunications Act of 1996 have had a significant effect on BellSouth.
5 These changes include the exploding importance of IP technology, broadband,
6 and the Internet. Email has become a substitute for local and long-distance
7 traffic. In addition, cable providers (such as Insight Communications in Kentucky
8 and the municipal utilities of Frankfort and Murray) have upgraded their networks
9 and now offer voice telephony. Also, cable modem customers are increasingly
10 adopting alternative technologies such as Voice over Internet Protocol (“VoIP”)
11 to make their local and long-distance voice calls.

12 Beyond that, as discussed in detail in the testimony of Dr. Aron, wireless
13 substitution is an important reality in the telecommunications market today.
14 Considerable amounts of local and long-distance traffic have moved from
15 wireline to wireless networks. Moreover, growing numbers of wireless customers
16 are abandoning their wireline service altogether.

17 The end result of all of this is that fundamental changes in telecommunications
18 technologies are decreasing demand for traditional wireline local and long-
19 distance services, with competitors taking an ever-increasing share of the market.
20 Indeed, region-wide, BellSouth lost 4.8% of its total retail residence access lines
21 in 2005 alone.¹

¹ See BellSouth Corp., Form 10-K at 28 (SEC filed Feb. 28, 2006) (attached as Exhibit H to Joint Application).

1 **Q. HOW DOES THE MERGER ADDRESS THESE CONCERNS IN A WAY**
2 **THAT WILL HELP BELL SOUTH TELECOMMUNICATIONS, INC. AND**
3 **CONSUMERS IN KENTUCKY?**

4 A. The merger of AT&T Inc. and BellSouth will allow the combined entity to
5 compete more effectively and deploy more innovative products. That will lead to
6 more competition in the market and bring lower prices and new, improved
7 offerings to business, residential, and governmental consumers.

8 These efficiencies and exciting new product offerings are discussed in detail in
9 the direct testimony of James Kahan and Christopher Rice. As explained there,
10 after the merger, the combined AT&T/BellSouth will be able to offer such things
11 as a complete suite of local, long-distance, wireless, and, ultimately, video
12 services. These changes will result in more efficient, secure, and reliable
13 networks, all of which benefit consumers significantly. As Mr. Kahan and Mr.
14 Rice demonstrate, small and medium-sized business customers will benefit from
15 innovations that AT&T has developed in serving its large business enterprise
16 customers. And residential customers will benefit from such things as increased
17 deployment of innovative IP-based technology and the introduction of products
18 that integrate wireline and wireless technologies.

19 **Q. ARE THERE PARTICULAR BENEFITS OF THE MERGER FOR RURAL**
20 **CONSUMERS?**

21 A. Yes, there are. BellSouth has made substantial deployment efforts and invested
22 millions of dollars in Kentucky so that 81% of households passed in the BellSouth
23 service area have access to DSL service. Moreover, BellSouth is continuing to
24 enable remote terminals to support DSL. Nevertheless, BellSouth cannot today

1 offer broadband to all rural customers. The merger with AT&T will allow
2 BellSouth to have access to additional resources so that it can explore using
3 alternative technologies, such as fixed wireless, to bring broadband technology to
4 even more rural Kentuckians.

5 **Q. HOW WILL THE MERGER AFFECT THE COMMUNITIES WHERE**
6 **BELLSOUTH HAS BEEN ACTIVELY INVOLVED AS A CORPORATE**
7 **CITIZEN?**

8 A. Kentucky communities will continue to benefit from the company's community
9 involvement. BellSouth has a long and proud heritage of corporate citizenship
10 and leadership. Through corporate giving, sponsorships, and employee donations,
11 we support agencies and projects throughout Kentucky. Our philosophy is that
12 the people we serve aren't just our customers – they're our family, our friends,
13 and our neighbors.

14 Through the BellSouth Foundation, the company has worked to improve
15 education in the Southeast. For example, in 2005, the BellSouth Foundation
16 awarded \$100,000 to support Kentucky's Virtual School program to make
17 accelerated courses available to more students.

18 BellSouth also encourages employee involvement – which includes time, money,
19 energy, expertise, and leadership. With a corporate culture built on the same
20 spirit of service, we have the reach, the power, and the talent to make a difference
21 in the communities where our people live and work. BellSouth employees have
22 devoted millions of volunteer hours participating in community projects such as
23 park and playground clean-ups, wiring schools for access to the Internet, tutoring

1 students in math and science, and refurbishing and renovating schools and youth
2 recreational facilities – to highlight only a few examples.

3 AT&T has expressed its commitment that the merged entity will continue to be
4 involved in the communities of Kentucky. In a March 4, 2006 letter to Mr. F.
5 Duane Ackerman, the Chairman and CEO of BellSouth, Mr. Edward E. Whitacre
6 Jr., AT&T's Chairman and CEO, stated that AT&T will "continue BellSouth's
7 historic levels of charitable contributions and community activities, including the
8 continued funding of charitable activities throughout BellSouth's nine-state area
9 as has previously been provided through the BellSouth Foundation," and will
10 "continue to support economic development and education in BellSouth's
11 traditional nine-state area."²

12 **IV. THE MERGER WILL NOT HARM COMPETITION IN KENTUCKY**

13 **Q. WILL THIS MERGER ADVERSELY AFFECT COMPETITION FOR**
14 **MASS-MARKET CUSTOMERS?**

15 A. No, it will not. As has been widely reported, it is my understanding that AT&T
16 in 2004 made a unilateral and irreversible decision to discontinue actively
17 marketing local and long-distance wireline service to residential customers.

18 **Q. ASIDE FROM AT&T, DO MASS-MARKET CONSUMERS HAVE**
19 **SIGNIFICANT CHOICES FOR TELEPHONE SERVICE IN KENTUCKY?**

20 A. Yes, as BellSouth demonstrated in its August 1, 2005 filing in Case No. 2003-
21 00304, BellSouth faces at least **six** CLEC landline competitors actually providing

² Letter from Edward E. Whitacre Jr., Chairman and Chief Executive Officer, AT&T Inc., to F. Duane Ackerman, Chairman of the Board and Chief Executive Officer, BellSouth Corp. (Mar. 4, 2006) (attached as Exhibit C to Joint Application).

1 service out of every switching office in Kentucky.³ As of that date, CLECs had
2 23% of the mass market in Kentucky and 25% of the overall market. More recent
3 data show that CLECs now have 24% of the mass market and 26% of the overall
4 market.

5 The July 2005 *Local Competition Report* of the Federal Communications
6 Commission (“FCC”) points to more than 220,000 end-user switched access lines
7 being provided by CLECs in Kentucky.⁴ However, this is just a starting point,
8 because CLECs voluntarily report lines for use in this FCC report. CLEC reports
9 filed with this Commission indicate that for the same time period nearly 95,000
10 more lines than the FCC *Local Competition Report* are being provided by
11 competitors.⁵ Clearly, there is an abundance of competitors in the Kentucky
12 telecommunications market.

13 **Q. IS THE COMPETITION FACED BY BELLSOUTH**
14 **TELECOMMUNICATIONS, INC. IN KENTUCKY LIMITED TO**
15 **WIRELINE RESALE CLECS?**

16 A. Not at all. BellSouth Telecommunications, Inc. faces significant mass-market
17 competition from cable, wireless, and VoIP, among other forms of intermodal

³ This includes CLECs that are facilities-based, use resale, or purchase only pieces of the BellSouth network. Excluded from this number are wireless carriers and VoIP providers.

⁴ See Industry Analysis & Technology Division, Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of December 31, 2004*, at Tables 10, 12 (July 2005), available at http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/lcom0705.pdf.

⁵ CLEC reports for the 2004 reporting period were obtained from CLEC financial reports available at the Public Service Commission Utility Information System website. The link to the Utility Financial Reports site is <http://psc.ky.gov/ufnnet/PublicRepSelect.aspx>. Data for 2004 are considered to be End of Year 2004 data.

1 competition. According to the FCC's data, there are now *more* wireless
2 subscribers in Kentucky than total end-user switched access lines in service in
3 Kentucky as of December 2004. *See Local Competition Report* at Tables 6, 13.
4 Moreover, Insight Communications, one of the largest cable providers in
5 Kentucky, has offered phone service to its customers in Louisville and Lexington,
6 Kentucky, since July 2004 and is now the fourth-largest phone provider in
7 Kentucky.⁶ Two additional examples of voice service provided over cable are the
8 municipal utilities of Frankfort and Murray, Kentucky.

9 **Q. WILL THE MERGER ADVERSELY AFFECT BUSINESS CUSTOMERS?**

10 A. No, it will not. BellSouth Telecommunications, Inc. competes mostly for the
11 business of small and medium-sized companies located within either the State or
12 the BellSouth region. As noted above, the limitations of owning a regional
13 network and technological changes in the marketplace make it difficult for
14 BellSouth Telecommunications, Inc. to compete realistically for large business
15 enterprise customers that operate nationally and internationally. It is my
16 understanding that AT&T's subsidiaries, on the other hand, focus mainly on those
17 kinds of large business customers with a national and international presence. The
18 companies' businesses are thus largely complementary.

19 In any event, as demonstrated in Dr. Aron's and Mr. Kahan's testimony and as
20 found by the FCC in the closely analogous SBC/AT&T Corp. merger last year,

⁶ See Insight Press Release, *Insight Announces Agreement to Transition Local Phone Service* (July 8, 2004), available at http://www.insight-com.com/releases_2624.htm; John Stamper, *The Cost of Phone Service for Most Kentuckians Would No Longer Be Regulated*, Lexington Herald-Leader, Mar. 8, 2006, at D1.

1 business customers are sophisticated consumers that have and will continue to
2 have numerous competitive choices after this merger.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes, it does.

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ATTACHMENT A

Cautionary Language Concerning Forward-Looking Statements

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and BellSouth Corporation and are subject to significant risks and uncertainties and outside of our control.

Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by AT&T with the SEC, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of AT&T and BellSouth or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of BellSouth shareholders to approve the merger; (3) the risks that the businesses of AT&T and BellSouth will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that any savings and other synergies relating to the resulting sole ownership of Cingular Wireless LLC may not be fully realized or may take longer to realize than expected; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which AT&T and BellSouth operate. Additional factors that may affect future results are contained in AT&T's, BellSouth's, and Cingular Wireless LLC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website (<http://www.sec.gov>). Neither AT&T nor BellSouth is under any obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

This document may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at www.sbc.com/investor_relations.