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July 23, 1999

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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RE: Joint Application of AT&T Corp. and MediaOne Group Inc.

Dear Ms. Bayo:

AT&T Corp. ("AT&T") and MediaOne Group Inc. ("MediaOne") (collectively "Applicants"), by their undersigned counsel and pursuant to section 364.33, Florida Statutes, hereby request authority to transfer control of MediaOne to AT&T. MediaOne is the holding company parent of MediaOne Florida Telecommunications, Inc. ("MediaOne Florida"), a non-dominant carrier authorized by the Commission to provide competitive local exchange services and intrastate interexchange telecommunications services within the State of Florida. AT&T is the parent company of AT&T Communications of the Southern States, Inc. ("AT&T Florida"), which is a non-dominant carrier authorized to provide competitive local exchange service within the State of Florida. Neither AT&T nor any of its affiliates are currently affiliated with MediaOne.

This Joint Application brings before the Commission part of a transaction whereby MediaOne will merge with and into Meteor Acquisition Inc. ("Meteor"), a Delaware corporation which is a wholly-owned subsidiary of AT&T. The surviving company will be a wholly-owned subsidiary of AT&T and will possess all the rights, powers, and privileges, and be subject to all of the obligations, liabilities, restrictions and disabilities of MediaOne and Meteor as provided under Delaware law. The authorizations and licenses held by MediaOne subsidiaries, including MediaOne Florida, will continue to be held by those subsidiaries, as controlled indirectly by AT&T Corp.

Now is a critical time in the development of competition in the market for local exchange services, and Applicants believe that the public interest benefits resulting from

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the merger of AT&T and MediaOne, described more fully in Part III below, are best served if AT&T and MediaOne are permitted to proceed promptly with the merger. Accordingly, Applicants respectfully request that the Commission act on this Application on or before September 30, 1999. In support of this Application, Applicants submit the following information:

THE PARTIES

MEDIAONE GROUP, INC. AND MEDIAONE FLORIDA TELECOMMUNICATIONS, INC.

MediaOne Group, Inc. is the parent company of MediaOne Florida Telecommunications, Inc., which is authorized to provide local exchange telecommunications pursuant to certification granted by this Commission to Continental Florida Telecommunications, Inc. in Order No. PSC-96-0293-FOF-TX issued on February 27, 1996 in Docket No. 951346-TX. This certificate was subsequently amended to change the corporate name to MediaOne Florida Telecommunications, Inc. in Order No. PSC-97-0905-FOF-TX, issued on July 31, 1997 in Docket No.970665-TX .

Information concerning the legal, technical, managerial, and financial qualifications of MediaOne and MediaOne Florida was provided with its application for certification, filed with this Commission in the dockets listed above. That information, which this Commission considered in determining that MediaOne and MediaOne Florida possessed the legal, technical and financial qualifications to offer telecommunications services to the public in this jurisdiction, is therefore already a matter of public record at the Commission. Applicants request that this information be incorporated by reference herein.

AT&T Corp.

AT&T Corp. is a New York corporation with headquarters at 32 Avenue of the Americas, New York, New York 10013-2412. AT&T, on its own and through a number of subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States. In Florida, AT&T's operating subsidiary -- AT&T Florida -- is authorized to provide local exchange and interexchange telecommunications services pursuant to certifications granted by this Commission in Order No. 12788, issued in Docket No. 830489-TI on December 17, 1983 (interexchange authority); in Order No. PSC-95-0619-FOF-TA, issued in Docket No. 950416-TA on May 22, 1995; (alternative access vendor authority); and in Order No. PSC-96-0615-FOF-TX, issued in Docket No. 960181-TX on May 7, 1996 (alternative local exchange telecommunications authority). AT&T also is authorized to provide pay telephone service pursuant to certification granted by this Commission.

Information concerning the legal, technical, managerial, and financial qualifications of AT&T and AT&T Florida was provided with its applications for certification, filed with this Commission in the above-referenced dockets. That information, which this Commission considered in determining that AT&T and AT&T Florida possessed the legal, technical and financial qualifications to offer telecommunications services to the public in this state, is therefore already a matter of public record at the Commission. Applicants request that this information be incorporated by reference herein. This information demonstrates that AT&T, as the country's largest telecommunications company, clearly has the requisite technical, managerial, and financial qualifications to acquire control of MediaOne.

AT&T Corp. is also the corporate parent of TCG South Florida. On July 23, 1998, AT&T Corp. merged with Teleport Communications Group, Inc. and acquired controlling interest of TCG South Florida. TCG South Florida holds certificates for interexchange and alternative local exchange telecommunications services within Florida. This Commission approved AT&T's application to acquire TCG South Florida in Order No. PSC-98-0493-FOF-TP issued April 8, 1998, in Docket No. 980158-TP. At present, TCG South Florida provides competitive local exchange services to medium and large business customers primarily in South Florida.

REQUEST FOR APPROVAL OF AT&T'S ACQUISITION OF MEDIAONE

Pursuant to an Agreement and Plan of Merger dated May 6, 1999, (the "Agreement"), AT&T Corp. will effectively become the parent company of MediaOne Group, Inc. The stockholders of MediaOne will exchange their shares of stock in MediaOne for shares of AT&T common stock, cash, or a combination of both. Specifically, AT&T Corp. will create Media Acquisition, Inc., a wholly-owned subsidiary that does not hold any Commission licenses, and will merge MediaOne into that company; Media Acquisition, Inc. will be the surviving company of the Merger, continuing to be wholly owned by AT&T Corp. and succeeding to all the assets, liabilities and businesses of MediaOne. The authorizations and licenses held by MediaOne subsidiaries will continue to be held by those subsidiaries, as controlled indirectly by AT&T Corp.

The proposed merger will result in a change in the ultimate owners of MediaOne Florida but will not involve any immediate change in the manner in which MediaOne Florida provides service to its Florida customers. The services currently being provided by MediaOne Florida will continue to be offered pursuant to tariffs currently on file with this Commission. Moreover, following the merger, MediaOne Florida will continue to be led by a team of well-qualified managers, including existing MediaOne personnel. Therefore, the merger will have no immediate impact on MediaOne Florida's customers in terms of the services that they receive, and MediaOne Florida will honor all of its commitments to MediaOne's existing customers.

PUBLIC INTEREST CONSIDERATIONS

AT&T's acquisition of MediaOne will clearly and demonstrably benefit the public interest in increased competition in the market for telecommunications services in Florida. The combination of AT&T and MediaOne will greatly enhance and expand MediaOne's and AT&T's ability to offer telecommunications services to customers in Florida. It will give Florida consumers new options for telecommunications services that previously have not existed, or which have been available only on a limited basis. AT&T plans to utilize the existing facilities of MediaOne to provide telecommunications services to Florida consumers, facilities that AT&T does not currently have. And the merger with AT&T – and the resulting access to AT&T's technology, assets and telecommunications services experience – will enhance MediaOne's current telecommunications offerings.

As this merger makes new telecommunications options available, existing telecommunications providers can be expected to introduce new services, utilize new technologies, and lower their prices to remain competitive. Thus, the acquisition of MediaOne by AT&T will result in Florida consumers receiving new and enhanced services at lower prices. Further, the merger of AT&T Corp. and MediaOne Group, Inc. will promote the provision of high quality telecommunications services to Florida at rates that can be expected to be lower than what they pay today. More than three years after the passage of the Telecommunications Act of 1996, few Florida residential consumers have any meaningful choice for their local exchange telecommunications services. Although competition for medium and large business customers is beginning to develop in some urban areas in Florida, mass-market residential and small business local exchange competition is virtually non-existent. This reduces customer choice and keeps prices higher than they would be in a competitive environment.

In order to bring much-needed competition to the local exchange market, AT&T intends to provide telecommunications services over the facilities of multi-channel service operators, such as MediaOne. Through its recent acquisition of TCI,¹ and through this merger with MediaOne Group, Inc., AT&T is putting in place the means to effectuate those plans. The AT&T-MediaOne transaction will accelerate the deployment of cable telephony, make cable telephony more competitive with the services offered by incumbents BellSouth and GTE, among others, and will bring alternative choices to even more consumers.

¹ AT&T Corp.'s acquisition of TCI was approved by the FCC on February 18, 1999. Memorandum Opinion and Order, *Applications for Consent to Transfer of Control of Licenses and Section 214 Authorizations from Tele-Communications, Inc., Transferor, to AT&T Corp., Transferee*, CS Docket No. 98-179, at ¶ 50 (FCC Feb. 18, 1999) (“*AT&T-TCI*”). The transaction was closed on March 9, 1999.

One of the key strengths of the AT&T and MediaOne merger is that it combines two companies with complementary assets. As the FCC has noted, "AT&T is one of only a few firms that currently possesses the experience, brand name assets, and financial resources that are essential for quick and substantial entry into the retail residential local exchange and exchange access markets."² Likewise, the FCC has recognized that while cable companies possess important "last mile" assets, they "do not have the same kind of brand-name reputation and expertise with respect to telecommunications services" as AT&T.³ Thus, by combining existing cable facilities with AT&T's strong telephony brand, sophisticated knowledge of marketing telephony services, and technical expertise in establishing and managing telephone networks, "the combined firm will be able to provide an alternative to the incumbent LECs' services for residential customers far more quickly and effectively than either could separately."⁴ These conclusions, reached in the context of the AT&T/TCG merger case, also describe the root of the benefits to be achieved from the merger between AT&T and MediaOne.

Finally, the merger will create economies in providing local exchange services in competition with BellSouth and other Florida ILECs. Deployment of cable telephony requires a large fixed investment in the development of engineering protocols and operating standards and practices; construction and furnishing of central offices, transport facilities and databases; hiring and training of installation and maintenance crews; and establishment and staffing of customer care centers. Similarly, the costs of marketing new services to residential consumers are substantial. The AT&T – MediaOne merger will allow AT&T to spread such costs over a wider base.

CONCLUSION

For the reasons stated herein, AT&T and MediaOne respectfully request that the Commission approve this Application to permit them to consummate the proposed transfer of control and grant all other relief as necessary and appropriate to effectuate the transaction described herein. AT&T and MediaOne respectfully request that the Commission grant its approval on or before September 30, 1999.

² *AT&T-TCI* at ¶ 47.

³ *Id.* at ¶¶ 47-48.

⁴ *Id.* at ¶ 48.

Respectfully submitted,

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