

**DIRECT TESTIMONY OF MARTY DICKENS**

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

**June 2, 2006**

1                                   **DIRECT TESTIMONY OF MARTY DICKENS**  
2                                   **State President – Tennessee**  
3                                   BellSouth Telecommunications, Inc.\*

4   **I.     INTRODUCTION**

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

6   A.     My name is Marty Dickens. I am the State President – Tennessee 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 37 years of experience in the telecommunications industry. I  
11         received a bachelor's degree from East Carolina University and a master's degree  
12         from Georgia State University.

13         I began work for BellSouth Telecommunications, Inc. in 1969. Over the next 30  
14         years, I worked in various positions in the company's comptrollers, public affairs  
15         and regulatory departments prior to joining BellSouth International in 1992. As  
16         Executive Vice President of BellSouth International, I was a member of the senior  
17         team responsible for overseeing the management and growth of BellSouth foreign  
18         operations. I also served on the Board of Directors of the BellSouth operations in  
19         Brazil, Venezuela, Panama, Nicaragua, Israel, China and Denmark.

20         In 1999, I was named State President and remain in that position today. In this  
21         job, I have overall responsibility for BellSouth Telecommunications, Inc.'s

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

1 operations in Tennessee, including the regulatory and external affairs functions in  
2 Tennessee.

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

4 A. The purpose of this testimony is to support the March 31, 2006 joint filing in this  
5 proceeding by AT&T Inc. and BellSouth Corporation ("BellSouth") and its  
6 certificated subsidiaries.

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

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

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

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  
2 Corporation will 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 Tennessee. The merger does not require any transfer of  
5 assets or certificates. The merger does not require any amendments or adoption  
6 of tariffs. BellSouth Telecommunications, Inc. will continue to provide reliable,  
7 high-quality service in Tennessee post-merger closing just as it does today.

8 **Q. DOES BELL SOUTH CURRENTLY PROVIDE HIGH-QUALITY**  
9 **SERVICE IN TENNESSEE?**

10 A. Yes. In today's competitive marketplace, BellSouth must provide high quality  
11 customer service. Moreover, BellSouth Telecommunications, Inc. is subject to  
12 the retail service objectives set by the Tennessee Regulatory Authority ("TRA").  
13 Improving service year-over-year is a strategic objective for the company, and  
14 BellSouth Telecommunications, Inc. is proud of its record of consistent high-  
15 quality retail service in Tennessee.

16 **Q. WILL THE MERGER AFFECT THE TRA'S REGULATORY**  
17 **AUTHORITY OVER BELL SOUTH TELECOMMUNICATIONS, INC.?**

18 A. No, it will not. Nothing in this merger changes the fact that BellSouth  
19 Telecommunications, Inc. is an incumbent local exchange carrier. For example,  
20 BellSouth Telecommunications will continue to be subject to the TRA's  
21 jurisdiction to hear customer complaints and arbitrations relating to its  
22 interconnection agreements and will continue to be subject to rules and statutes  
23 governing price-regulated carriers.

1   **Q:   WILL THE MERGER HAVE ANY EFFECT ON THE WHOLESALE**  
2   **OBLIGATIONS OF BELLSouth TELECOMMUNICATIONS, INC.?**

3   A.   No, it will not. BellSouth Telecommunications, Inc. will be bound to its  
4       interconnection agreements to the same degree as before the merger. Post-merger  
5       closing, BellSouth Telecommunications, Inc. will also be required to adhere to  
6       wholesale obligations and performance standards and penalties approved by the  
7       TRA in Docket 04-00150, *BellSouth's Motion for the Establishment of a New*  
8       *Performance Plan*, and included in existing interconnection agreements filed  
9       with the TRA pursuant to section 252 of the 1996 Act, just as it does today.

10   **Q.   WILL THE MERGER HAVE AN ADVERSE EFFECT ON BELLSouth**  
11   **TELECOMMUNICATIONS, INC. EMPLOYEES IN TENNESSEE?**

12   A.   I do not believe so. I understand that AT&T has indicated that the merger will  
13       likely result in a reduction in employees of approximately 10,000 between 2007  
14       and 2009 nationwide across the combined companies, which I understand  
15       currently have more than 300,000 employees (including Cingular) around the  
16       globe. BellSouth, alone, loses approximately 580 employees per month or almost  
17       7,000 per year due to normal attrition – i.e., retirements and voluntary departures  
18       from the business. I further understand that AT&T's normal attrition rate is even  
19       greater than BellSouth's. Thus, it appears likely that much of the headcount  
20       reduction that results from this merger will be accomplished through natural  
21       attrition. In addition, I understand that the merged entity will remain bound by  
22       the terms of BellSouth Telecommunications, Inc.'s union contracts in Tennessee.  
23       This commitment to BellSouth employees, including those in Tennessee, is  
24       embodied in a March 4, 2006, letter from Edward E. Whitacre Jr., Chairman and

1 Chief Executive Officer of AT&T to F. Duane Ackerman, Chairman of the Board  
2 and Chief Executive Officer, BellSouth Corp. In that letter, Mr. Whitacre  
3 recognizes the “value we attach to a high quality workforce, and the experience  
4 and skills of the management and employees of BellSouth,” and indicates that  
5 AT&T intends to “broadly utilize the services of the management and employees  
6 of BellSouth following the closing of the Merger.” Moreover, Mr. Whitacre  
7 stated that “following the consummation of this merger, AT&T Inc.  
8 will...maintain Atlanta as AT&T Inc.’s regional telco headquarters and maintain  
9 state headquarters in each of BellSouth’s traditional nine-state area.”

10 I believe that the jobs and work opportunities for BellSouth employees in  
11 Tennessee will be largely unaffected by the merger.

12 **III. MERGER BENEFITS TO BELL SOUTH ENTITIES AND CONSUMERS**

13 **Q. PLEASE EXPLAIN THE BUSINESS REASONS THAT THIS**  
14 **TRANSACTION IS AN IMPORTANT ONE FOR BELL SOUTH TO**  
15 **REMAIN COMPETITIVE.**

16 A. Currently, BellSouth Telecommunications, Inc. and the other BellSouth  
17 subsidiaries are regional providers whose core strengths are local voice and in-  
18 region long distance. and data services. The BellSouth entities do not have a  
19 global fiber optic network for the provision of seamless end-to-end service to  
20 national and international customers, nor do they have significant wireline assets  
21 of any type outside of their region.

22 The BellSouth entities also have limitations in their product portfolio that place  
23 them at a disadvantage in attempting to serve the full requirements of the large

1 business customers. For instance, they must rely upon partners for the provision  
2 of complex interLATA services demanded by large business customers. Such  
3 limitations make it difficult to compete for those customers.

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

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

11 A. No, they are not. Technological and competitive changes since the  
12 Telecommunications Act of 1996 have had a significant effect on BellSouth.  
13 These changes include the exploding importance of IP technology, broadband,  
14 and the Internet. Email has become a substitute for local and long-distance  
15 traffic. In addition, cable providers, such as Charter Communications, Time  
16 Warner Cable and Comcast, have upgraded their networks and are now rolling out  
17 voice telephony services. Cable modem customers are increasingly adopting  
18 alternative technologies such as Voice over Internet Protocol ("VoIP") to permit  
19 customers to make their local and long-distance voice calls. Also, Vonage and  
20 other VoIP providers are aggressively advertising their services as alternatives to  
21 BellSouth service.

22 Beyond that, as discussed in more detail in the testimony of Dr. Aron, wireless  
23 substitution is an important reality in the telecommunications market today.

1 Considerable amounts of local and long-distance traffic have moved from  
2 wireline to wireless networks. Moreover, growing numbers of wireless customers  
3 are abandoning their wireline service altogether.

4 The end result of all of this is that fundamental changes in telecommunications  
5 technologies are decreasing demand for traditional wireline local and long-  
6 distance services, with competitors taking an ever-increasing share of the market.  
7 Indeed, region-wide, BellSouth lost 4.8% of its total retail residence access lines  
8 in 2005 alone.<sup>1</sup>

9 **Q. HOW DOES THE MERGER ADDRESS THESE CONCERNS IN A WAY**  
10 **THAT WILL HELP BELL SOUTH TELECOMMUNICATIONS, INC. AND**  
11 **CONSUMERS IN TENNESSEE?**

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

16 These efficiencies and exciting new product offerings are discussed in greater  
17 detail in the direct testimony of James Kahan and Christopher Rice. As explained  
18 there, after the merger, the combined AT&T/BellSouth will be able to offer such  
19 things as a complete suite of local, long-distance, wireless, and, ultimately, video  
20 services. These changes will result in more efficient, secure, and reliable  
21 networks, all of which benefit consumers significantly. As Mr. Kahan and Mr.  
22 Rice demonstrate, small and medium-sized business customers will benefit from

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<sup>1</sup> See BellSouth Corp., Form 10-K at 28 (SEC filed Feb. 28, 2006).



1 innovations that AT&T has developed in serving its large business enterprise  
2 customers. And residential customers will benefit from such things as increased  
3 deployment of innovative IP-based technology and the introduction of products  
4 that integrate wireline and wireless technologies.

5 **Q. ARE THERE PARTICULAR BENEFITS OF THE MERGER FOR RURAL**  
6 **CONSUMERS?**

7 A. Yes, there are. BellSouth has made substantial deployment efforts and invested  
8 millions of dollars in Tennessee so that a high percentage of households passed in  
9 the BellSouth service area have access to DSL service. Moreover, BellSouth is  
10 continuing to enable remote terminals to support DSL. Nevertheless, BellSouth  
11 cannot today offer broadband to all rural customers. The merger with AT&T will  
12 allow BellSouth to have access to additional resources so that it can explore using  
13 alternative technologies, such as fixed wireless, to bring broadband technology to  
14 even more rural Tennesseans.

15 **Q. HOW WILL THE MERGER AFFECT THE COMMUNITIES WHERE**  
16 **BELLSOUTH HAS BEEN ACTIVELY INVOLVED AS A CORPORATE**  
17 **CITIZEN?**

18 A. Tennessee communities will continue to benefit from the company's community  
19 involvement. BellSouth has a long and proud heritage of corporate citizenship  
20 and leadership. Through corporate giving, sponsorships, and employee donations,  
21 we support many agencies and projects throughout Tennessee. Our philosophy is  
22 that the people we serve aren't just our customers – they're our family, our  
23 friends, and our neighbors.

1 Through the BellSouth Foundation, the company has worked to improve  
2 education in the Southeast. For example, Project Connect, a game based learning  
3 system supported by the BellSouth Foundation and Telecom Pioneers, has helped  
4 thousands of Tennessee children learn to use the Internet in a fun and exciting  
5 way. In addition, BellSouth employees serve on many charitable boards and  
6 contribute generously to United Way and many other non-profit organizations  
7 serving Tennessee.

8 BellSouth also encourages employee involvement – which includes time, money,  
9 energy, expertise, and leadership. With a corporate culture built on the same  
10 spirit of service, we have the ability to make a difference in the communities  
11 where our people live and work. BellSouth employees have devoted millions of  
12 volunteer hours participating in community projects such as park and playground  
13 clean-ups, wiring schools for access to the Internet, tutoring students in math and  
14 science, and refurbishing and renovating schools and youth recreational facilities  
15 – to highlight only a few examples.

16 AT&T has expressed its commitment that the merged entity will continue to be  
17 involved in the communities of Tennessee. In a March 4, 2006 letter to Mr. F.  
18 Duane Ackerman, the Chairman and CEO of BellSouth, Mr. Edward E. Whitacre  
19 Jr., AT&T's Chairman and CEO, stated that AT&T will "continue BellSouth's  
20 historic levels of charitable contributions and community activities, including the  
21 continued funding of charitable activities throughout BellSouth's nine-state area  
22 as has previously been provided through the BellSouth Foundation," and will

1 “continue to support economic development and education in BellSouth’s  
2 traditional nine-state area.”<sup>2</sup>

3 **IV. THE MERGER WILL NOT HARM COMPETITION IN TENNESSEE**

4 **Q. WILL THIS MERGER ADVERSELY AFFECT COMPETITION FOR**  
5 **MASS-MARKET CUSTOMERS?**

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

9 **Q. ASIDE FROM AT&T, DO MASS-MARKET CONSUMERS HAVE**  
10 **SIGNIFICANT CHOICES FOR TELEPHONE SERVICE IN**  
11 **TENNESSEE?**

12 A. Yes. BellSouth faces landline competition from a number of CLECs in  
13 Tennessee.

14 The TRA’s most recent Annual Report to the General Assembly states that as of  
15 June 30, 2005, fifty CLECs and 26 resellers were providing local  
16 telecommunications service in Tennessee. As of December 31, 2005, 3.3 million  
17 regulated wired telephone lines were in service in Tennessee with more than  
18 730,000 or 22% of those regulated lines being provided by CLECs.<sup>3</sup>

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<sup>2</sup> 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).

<sup>3</sup> See Tennessee Regulatory Authority 04-05 Annual Report submitted to the General Assembly during February, 2006.

1 As James Kahan notes in his testimony the April 2006 *Local Competition Report*  
2 of the Federal Communications Commission (“FCC”) points to approximately  
3 500,000 end-user switched access lines being provided by CLECs in Tennessee.<sup>4</sup>

4 **Q. IS THE COMPETITION FACED BY BELL SOUTH**  
5 **TELECOMMUNICATIONS, INC. IN TENNESSEE LIMITED TO**  
6 **WIRELINE RESALE CLECS?**

7 A. No. BellSouth Telecommunications, Inc. faces significant mass-market  
8 competition from wireless, cable, and VoIP, among other forms of intermodal  
9 competition. According to the FCC’s data, there are now *more* wireless  
10 subscribers in Tennessee than total end-user switched access lines in service in  
11 Tennessee as of June 2005. *See Local Competition Report* at Tables 7, 14.  
12 Moreover, as James Kahan notes, cable operators – including Time Warner and  
13 Charter – have deployed VoIP service in Tennessee and are aggressively  
14 marketing service.

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

16 A. No, it will not. BellSouth Telecommunications, Inc. competes mostly for the  
17 business of small and medium-sized companies located within either the State or  
18 the BellSouth region. As noted above, the limitations of owning a regional  
19 network and technological changes in the marketplace make it difficult for  
20 BellSouth Telecommunications, Inc. to compete realistically for large business  
21 enterprise customers that operate nationally and internationally. It is my

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<sup>4</sup> See Industry Analysis & Technology Division, Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of June 30, 2005*, at Tables 7, 11, 12 (Apr. 2006), available at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-264742A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-264742A1.pdf) (“*Local Competition Report*”).

1 understanding that AT&T's subsidiaries, on the other hand, focus mainly on those  
2 kinds of large business customers with a national and international presence. The  
3 companies' businesses are thus largely complementary.

4 In any event, as demonstrated in Dr. Aron's and Mr. Kahan's testimony and as  
5 found by the FCC in the closely analogous SBC/AT&T Corp. merger last year,  
6 business customers are sophisticated consumers that have and will continue to  
7 have numerous competitive choices after this merger.

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

9 **A.** Yes, it does.

## 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](http://www.sbc.com/investor_relations).