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FCC chief pushes OK of merger

AT&T/BellSouth deal wouldn't have strings

By [Scott Leith](#)

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The head of the Federal Communications Commission has circulated a proposal to approve the AT&T/BellSouth merger without conditions, kicking off a debate that could be settled sometime in October.

FCC Chairman Kevin Martin sent out a plan late Thursday that calls for the commission to sign off on the deal, several people familiar with the matter said. The FCC, which meets monthly, could vote Oct. 12. Meeting dates often change, however, so there's a good chance the matter won't be handled until later in October or beyond, although Martin has previously said he wants to approve the AT&T/BellSouth deal before November.

Much behind-the-scenes wrangling is in store in the meantime.

While observers widely expect the merger to be approved, it remains to be seen whether the deal will be saddled with special conditions. In the past, the FCC has split along political lines, with Democrats arguing for limitations.

At the moment, the FCC has three Republican commissioners and two Democrats. But one Republican has avoided meetings on the issue because of a conflict of interest. If that commissioner remains recused, Martin, a Republican, will need to win support from at least one Democrat to break a 2-2 tie.

The FCC also is watching for a decision from the Department of Justice, which must review the merger as well.

In virtually all merger cases, the FCC lets Justice go first. There's an added wrinkle this time, however, as a federal judge is reviewing Justice's approval last year of two other big telecommunications mergers, including the deal that created today's AT&T. That review could affect what Justice decides, and how quickly it does so.

AT&T and BellSouth are, like their opponents, lobbying their cases in Washington. The companies issued identical statements Friday, reiterating that they believe the merger is "strongly in the public interest." The companies didn't comment on reports of Martin's proposal for approval without restrictions.

"While we don't know what's in the order, we're gratified the FCC is bringing its review to a conclusion," the companies said. "We look forward to bringing the benefits of increased innovation and competition to consumers once the merger is approved."

Opponents hope the FCC reins in the merger. Jason Oxman, a spokesman for the Competition Coalition, said there is a "mountain of undisputed evidence" that the deal will hurt consumers.

"We have urged, and continue to urge, the commission to place concrete conditions on the merger that protect competition and consumers," Oxman said.

Andrew Schwartzman, president of the Media Access Project and a member of the Competition Coalition, said in a statement Friday that he was disappointed with Martin's disregarding of the opposition. "By all accounts, the only voice calling for a rubber-stamp approval of this merger is AT&T itself," Schwartzman said.

The FCC's Democrats could seek a variety of conditions. Some advocates want the FCC to freeze prices on certain services that AT&T and BellSouth provide to competing phone companies. Others want provisions to prevent the company from charging extra for faster delivery of some kinds of Internet traffic, an issue known as "network neutrality."

In a potentially related move, the FCC has circulated a "notice of inquiry" on net neutrality. By conducting a separate inquiry, Martin could try to placate the Democrats while moving forward on the AT&T/BellSouth agreement.

Blair Levin, an analyst for Stifel Nicolaus and a chief of staff to former FCC Chairman Reed Hundt, said the FCC approved last year's mergers of SBC Communications/AT&T and Verizon/MCI while also in the midst of a 2-2 split between Democrats and Republicans.

"They were able to work out a set of conditions that both sides could live with," Levin said.

If the fight turns nasty, however, Martin could seek a way to get the third Republican, Robert McDowell, involved in the vote instead of remaining recused.

AT&T's planned purchase of BellSouth was announced in March. The giant deal also will put Atlanta-based Cingular Wireless under full ownership of AT&T, which currently is a joint venture of AT&T and BellSouth.

Atlanta will lose the headquarters of BellSouth, along with possibly thousands of jobs. But the vast majority of positions at BellSouth and Cingular are expected to remain. Both brand names will be dropped in favor of AT&T's.

The deal, when announced, was valued at about \$67 billion. At current stock prices, the transaction is valued at a glitzy \$79.5 billion. Adding in AT&T's assumption of about \$22 billion in BellSouth debt, the total value would currently stand at \$101.5 billion. Both companies' stocks traded Friday at 52-week highs.


Generally, the FCC tries to complete merger reviews within six months. In the AT&T/BellSouth deal, that would be October. Previously, it had been thought that the FCC might complete its review as soon as this month.

Already, a number of state regulators have signed off, including public service commissions in Georgia and other states.

The Associated Press contributed to this article.

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