

STATEMENT OF
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SBC COMMUNICATIONS INC.
BEFORE THE
ENERGY AND COMMERCE COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
ON
COMPETITION IN THE COMMUNICATIONS MARKETPLACE:
HOW TECHNOLOGY IS CHANGING THE STRUCTURE OF THE INDUSTRY
March 2, 2005

Thank you, Chairman Barton, and Members of the Committee.

I am pleased to discuss the SBC-AT&T merger, which is a very positive development for customers, for competition and for America's leadership in the global communications marketplace.

The combined SBC-AT&T will be a flagship American communications company for the 21st century. We will provide business and residential customers alike with the most complete set of services...over the most robust national and international networks...using the most advanced technology.

That's why more than 250 consumer, business and civic groups, as well as unions and elected officials of both parties...have already announced their support for the merger.

The SBC-AT&T merger is in response to market forces that are reshaping the industry landscape.

The environment in which we are operating has shifted dramatically over the last several years.

What used to be a phone call made over a wireline network until recently is now a cell phone call...a text message delivered from one cell phone to another...an email sent by Blackberry or PC or laptop at a WIFI hotspot...or an Internet call provided by a cable company.

Today there are more wireless subscribers in the U.S. than there are traditional phone lines.

Data traffic now exceeds voice traffic by a margin of eleven-to-one.

Cable companies will offer phone service to two-thirds of American homes this year. And other competitors using Voice over Internet Protocol, or IP, continue to grow.

Technology is erasing the distinction between types of services and the companies that provide them. Who can tell the difference anymore between local and long distance service, or interstate and intrastate service, or between voice and data, in an IP world?

Customer demand is changing, too. Consumers want the choice of buying all their communications services...voice, data, wireless and video...in one bundle. Business customers demand innovation and expertise for managing highly complex communications wherever they do business.

Dealing with rapid technology change and shifting customer demand is challenging enough...but it's even tougher because our industry has not been in very good shape for some time, now.

Since 2000, telecommunications service providers and equipment manufacturers have lost more than 700,000 jobs. Annual capital investment has declined by more than \$70 billion. Companies have lost more than \$2 *trillion* in market capitalization.

And in all honesty, adverse regulation has contributed to this downward spiral as well.

Wall Street is investing less and less in telecom. Telecom is investing less and less in its products and services. We can see the consequences: today, the U.S. is 11th in the world in broadband deployment.

As a result, the industry is restructuring and re-emerging...and the SBC-AT&T merger is direct product of those forces of change.

SBC and AT&T will bring together an outstanding set of state-of-the-art networks...innovative, advanced products and services... unmatched talent and expertise...and a rich tradition of customer service and reliability.

We will build on that foundation to deliver the next generation of Internet-based voice, video and data communications.

And we will ensure that the company which started it all more than one hundred years ago...will be part of it all for many years to come. AT&T will remain a viable factor in our industry, and its outstanding heritage will remain alive.

For those reasons and more, this merger is very much in the public interest.

This is a natural and healthy evolution of a dynamic, competitive communications industry. It is in response to a new competitive reality that is light years removed from when the last federal telecom law was enacted.

The forces that are transforming the telecom industry put an equal obligation on policymakers and those who regulate us to keep pace. If the distinctions between services and service providers no longer exist in the marketplace...how can we justify the regulatory burdens that remain attached to them?

We need rules that treat new technologies with the lightest touch possible and which allow the competitive marketplace to discipline retail prices.

Doing so would spur much-needed innovation, investment and growth. I am ready to work with members of this Committee to make those reforms a reality on behalf of American consumers and businesses.

Thank you.