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April 6, 2006

T-03346A-05-0149
T-03811A-05-0149
T-03116A-05-0149
T-02428A-05-0149
T-03016A-05-0149
T-03182A-05-0149
T-03327A-05-0149
T-02428-06-0203 et al

Mr. Wayne Watts
Senior Vice President and Associate General Counsel
AT&T
175 E. Houston Street, Room 1230
San Antonio, TX 78205

Re: AT&T/SBC Merger and AT&T's announced closing of its Small Business Customer Care Center in Mesa, AT&T/BellSouth Merger; Docket Nos. T-03346A-05-0149, T-02428A-06-0203.

Dear Mr. Watts:

As you know, in the aftermath of this Commission's approval of its Merger with SBC, AT&T announced its intention to close its Small Business Customer Care Center in Mesa. Yesterday, I received a letter from David Blackburn, President of the Communications Workers of America Local 7050, stating that this move has resulted in the layoff or early retirement of 47 Mesa AT&T employees. Mr. Blackburn also expressed his opinion that these layoffs are in direct contravention of promises made by AT&T at our hearing on the Merger, and he has called on us to investigate the matter.

I believe that Mr. Blackburn has raised legitimate questions about whether AT&T misrepresented its true intentions during the hearing. The apparent layoffs also call into question whether AT&T is intending to comply with provisions in our Order approving the Merger between AT&T and SBC.

As you will recall, I offered a successful amendment in the AT&T/SBC matter requiring AT&T to file a report with the Commission within two months of the effective date of any layoffs detailing why it was necessary to conduct those layoffs, and what efforts the Company is making to redeploy those individuals elsewhere in the Company. The Order also required AT&T to formally notify the Commission 60 days prior to conducting any merger related layoffs. The Company announced the closing of its Small Business Customer Care Center in Mesa on February 21, 2006, and stated that it would shutter the facility permanently on April 21, 2006. In accordance with the 60-day requirement, AT&T did file a notice with the Commission on January 5, 2006 informing the Commission of one potential merger related job reduction. To date, the Commissioners have only received phone calls from AT&T regarding the Mesa facility closings, informing us that the Company did not believe the facility closing was "Merger related", but that the Company also was making arrangements to find these individuals jobs at other locations within the Company.

If the information provided to us by Mr. Blackburn is correct, and if AT&T has actually conducted layoffs at the Mesa Small Business facility and has failed to locate or attempt to locate alternative positions for these individuals, I believe AT&T at a minimum must comply with the provision in our Order requiring an accounting of the layoffs and of any steps the Company is taking or took to find alternative jobs for these employees. Please state why AT&T chose not to comply with the 60-day provision contained in the Order and why it has so far not complied with the provision mandating a report on the layoffs. Please also state what the Company has done to attempt to find alternative work for the affected individuals.

Moreover, I believe the layoffs may represent a violation of the spirit of the comments made repeatedly by AT&T officials during our questioning of them at the hearings and during the Open Meeting in this matter.

For instance, at Open Meeting, I asked you whether you agreed with testimony offered by the Parties to the case that there would likely be no significant layoffs in Arizona as a result of the Merger. You said that you agreed with this testimony. You went on to reiterate SBC's contention that there would not likely be significant layoffs in Arizona because there were few redundancies between the two Companies' operations here.[1] You also pointed out that AT&T's strength was in the enterprise, or business market, while SBC's core business was residential in a different region, thus suggesting that there would be little overlap necessitating facility closings or layoffs here.[2]

These layoffs are of obvious concern for our state, for the City of Mesa, whose Economic Development Department lists AT&T as one of that city's largest employers, and for this Commission. I cast a reluctant vote in favor of this Merger in part on the strength of the assurances we received from SBC that it was highly unlikely that layoffs were to ensue. I believe this Commission should in fact investigate whether these layoffs were related to the Merger, and whether the newly Merged Company has properly and fully complied with our Order.

Specifically, I would like to know when the Company decided to close the Mesa Small Business Customer Care Center. Did this decision occur before or after the Merger with SBC was approved? Additionally, I would like to know the timeline surrounding the recent decision by AT&T not to close a call center in Pittsburgh, PA. When did the Company decide to close this center and when did the Company reverse course and decide to keep the center open? Did this decision impact the decision to close the Mesa Small Business Customer Care Center? Additionally, I would like to know whether the 10 employees moving from the AT&T Small Business Customer Care Center in Mesa to Reynoldsburg, Ohio will be working in an AT&T building or an SBC building.

Finally, although I have not prejudged this matter, I want to make clear to Staff and to my fellow Commissioners that I have serious concerns about granting a waiver of our affiliated interest

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[1] See transcript from Nov. 2, 2005 Open Meeting at pg. 13.
[2] Id, at pg. 26.

rules in AT&T's upcoming attempt to merge with BellSouth. In a recent visit with the Commission, you indicated that the Company would seek such an expedited review of its Merger application. The layoffs in Mesa and the broader question of consolidation in the telecommunications industry lead me to request that the pending AT&T/BellSouth merger be given a full evidentiary hearing before the Commission. I believe a full airing of all of these issues is necessary.

I anticipate discussing these issues with the other Commissioners at an appropriate Open Meeting and look forward to your response to my questions.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Brian McNeil
Ernest Johnson
Heather Murphy
David Blackburn