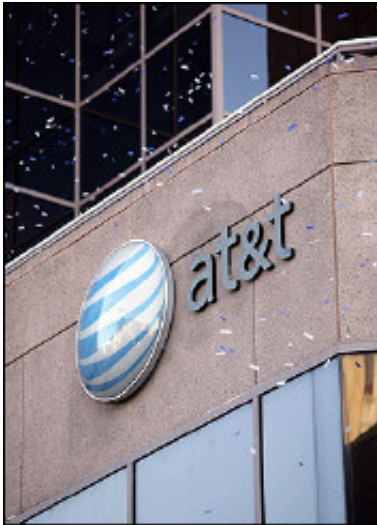


AT&T's BellSouth buyout plan worries many

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While some industry analysts worry that AT&T's eyes may have become bigger than its stomach in bidding for BellSouth, consumer groups fear that the deal will only lead to bigger profits for the telecommunications giant and lead to higher prices for phone users.

Certainly, the deal comes with a heavy price tag for the San Antonio-based company. On Sunday AT&T announced that it plans to buy out BellSouth of Atlanta for approximately \$67 billion by paying \$37.09 per share in stock of the company, which is about 18 percent higher than BellSouth's closing price Friday. In addition, AT&T will be assuming about \$17 billion of BellSouth's outstanding debt.

Nevertheless, AT&T remains bullish that not only will the buyout be worth it in the long run; the company also stated that the financial burden will not even hurt its earnings projection for this year.

One of the biggest gains for AT&T is acquiring Cingular Wireless, which it has been a joint stakeholder together with BellSouth since the mobile carrier was launched. By having full control of the wireless group, AT&T will be able to invest more and have more initiatives in what is the hottest and most profitable area in the industry at the moment. In addition, it will allow the company to increase its hold as a provider of the four major sectors of the industry, namely fixed-line, broadband, voice over Internet Protocol and wireless.

The buyout will combine "the Cingular, BellSouth, and AT&T networks into a single fully integrated wireless and wireline Internet protocol network offering a full range of advanced solutions," the company said.

In short, the deal will "strengthen Cingular through unified ownership and a single brand. And we are confident that this is a merger we can execute, based on our track record with previous integrations and our experience working closely with BellSouth to create and build Cingular Wireless, and operate Yellowpages.com," said AT&T Chief Executive Edward Whitacre.

BellSouth too expressed its eagerness for the deal to go through, and Chief Executive Duane Ackerman stated that "technology changes and convergences are shaping a new competitive dynamic and creating tremendous opportunity. We're creating a company with much better capabilities to seize these opportunities while maintaining its strong focus on customer service.

"This combination is good for our employees, our customers, and our stockholders," Ackerman added.

The deal is subject to government approval, but analysts by and large expect the agreement to go through.

But consumer groups are strongly opposed to what effectively will be the re-emergence of AT&T after being split up into seven separate carriers known as Baby Bells in 1984.

Of course, AT&T itself was bought out by SBC Communications late last year, which was formerly Southwestern Bell Corp. and decided to take on AT&T's name even though it had bought out the company. Former Baby Bell Ameritech as well as the Pacific Telesis Group also became part of the current AT&T group in the late 1990s. As a result, if the buyout of BellSouth is approved, four of the seven former AT&T companies that were split up by the government to prevent a monopoly in the industry will be reunited once again.

So consumer groups are arguing that the re-establishment of a larger AT&T will only lead to less competition and higher prices for consumers, leaving only Verizon as its major competitor.

"If approved, this merger will lead to higher local, long distance and cell phone prices for consumers across the country," said Gene Kimmelman, vice president for federal and international affairs for Consumers Union.

Consumer Federation of America Director of Consumer Research Mark Cooper agreed.

"Telecommunications has now gone from a regulated monopoly to an unregulated duopoly with just two major players," Cooper said.

As a result, some legislators are urging fellow lawmakers to consider carefully the downside risks of the deal before they approve it.

"Twenty years after the government broke up Ma Bell, this deal represents a mother and child reunion. Our nation's telecommunications markets must be vigorously competitive and open to innovation," said Rep. Ed Markey, D-Mass., the ranking Democrat on the Telecommunications and Internet Subcommittee of the House Energy and Commerce committee.

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