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FEDERAL COMMUNICATIONS COMMISSION APPROVES BELL ATLANTIC-GTE MERGER WITH CONDITIONS

Required Spin-Off of GTE's Internet Assets Increases Incentives for Bell Atlantic to Swiftly Open its Local Phone Territory to Competitors

Washington, D.C. – Today, the Federal Communications Commission (FCC) approved applications to transfer control of FCC licenses and lines from GTE Corp. (GTE) to Bell Atlantic Corp. (Bell Atlantic), subject to enforceable merger conditions and spinning off substantially all of GTE's nationwide Internet business into a separate public corporation. The 25 merger conditions are designed to enhance local phone competition in the markets in which Bell Atlantic or GTE is the incumbent local exchange carrier (incumbent LEC), strengthen the merged company's incentives to enter local phone markets outside of its territories, and promote equitable and efficient advanced services deployment.

To ensure that the transaction does not violate the Telecommunications Act prohibition on providing long distance services without the necessary authorization, Bell Atlantic and GTE voluntarily proposed to spin-off GTE's Internet assets and offered a set of pro-competitive conditions.

<u>Internet Assets Spin-Off</u>

To comply with section 271 of the Telecommunications Act, the merged company will transfer substantially all of GTE's Internet business into a separate public corporation to be known as Genuity (formerly GTE Internetworking). This section of the Act forbids a Bell Operating Company, such as Bell Atlantic, from providing long distance voice or data services to customers in its service territory before it demonstrates that its local phone market is open to competitors. To date, Bell Atlantic has only received authorization to offer long distance services in New York state.

Under the ruling adopted today, Bell Atlantic cannot convert its permissible 10% interest in Genuity into a greater equity ownership unless it receives long distance approvals covering 95% of its region where Genuity operates within five years.

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Additionally, the merged company will not receive any economic benefit from the long distance services of Genuity for those states in which Bell Atlantic is restricted from providing long distance services. Specifically, the merged company will give to Genuity shareholders any gain in Genuity's value that is attributable to Genuity's operations in states during the period of time in which the combined company is restricted from offering long distance services. This provides a powerful incentive for Bell Atlantic to accelerate its efforts to open its local phone markets to competitors (see attached fact sheet for additional details of the Internet spin-off).

Merger Conditions

The merger conditions are designed to accomplish the following five public interest goals:

1) promote advanced services deployment;
2) enhance the openness of the merged company's in-region local telecommunications markets;
3) foster out-of-region local competition;
4) improve residential phone service; and,
5) provide for enforcement of the merger.

Absent the merger conditions, the merger would likely lead to the following public interest harms:

1) The merger would remove one of the most significant potential participants in local telecommunications mass markets within Bell Atlantic's existing territory.

2) The merger would reduce the Commission's ability to implement the market-opening requirements of the 1996 Act through comparative practice oversight (benchmarking) methods.

3) The merger would increase the incentive and ability of the merged entity to discriminate against its rivals, particularly with respect to the provision of advanced telecommunications services.

Wireless Issues

The FCC's Order finds that the merger of the companies' wireless operations would be pro-competitive and grants the companies' applications to transfer control of GTE's wireless licenses to Bell Atlantic on the condition that they comply with the Commission's cellular cross-ownership and CMRS spectrum cap rules. Absent divestiture, the merger of Bell Atlantic and GTE would create nearly 100 overlaps under these rules. A number of these overlaps will be resolved by the recently approved sale of properties to ALLTEL. The companies have informed the Commission that negotiations to sell the remaining properties are proceeding, and that additional filings are imminent. Certain properties, however, will be placed in trust for purposes of divestiture to third parties, and applications to place properties in trust are on file with the Commission.

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International Issues

The FCC's Order also finds that the public interest will be served by transferring control of GTE's international section 214 authorizations to Bell Atlantic, subject to the condition that the merged company's subsidiaries be classified as dominant international carriers in their provision of service on the U.S.-Gibralter, U.S.-Dominican Republic, and U.S.-Venezuela routes.

Action by the Commission June 16, 2000, by Memorandum Opinion and Order (FCC 00-221). Chairman Kennard, Commissioners Ness, and Tristani with Commissioner Furchtgott-Roth and Powell concurring in part and dissenting in part. Commissioners Ness, Furchtgott-Roth, Powell and Tristani issuing statements.

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