

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

APRIL 25, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (WILLIAMS, STAVANJA) *W*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (JONES) *W*
DIVISION OF LEGAL SERVICES (EDMONDS) *W* *ALM*

RE: DOCKET NO. 960129-TX; APPLICATION FOR CERTIFICATE TO
PROVIDE ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS
SERVICE BY CABLE & WIRELESS, INC. *W* *ALM*

AGENDA: 05/07/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\960129TX.RCM

CASE BACKGROUND

Section 364 337(1), Florida Statutes, reads as follows:

(1) Upon this act becoming a law, a party may file an application for a certificate as an alternative local exchange telecommunications company before January 1, 1996, and the commission shall conduct its review of the application and take all actions necessary to process the application. However, an application shall become effective no sooner than January 1, 1996. The commission shall grant a certificate of authority to provide alternative local exchange service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served. In no event may an alternative local exchange telecommunications company offer basic local telecommunications services within the territory served by a company subject to Chapter 364.052,

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Florida Statutes, prior to January 1, 2001, unless the small local exchange telecommunications company elects to be regulated under Chapter 364.051, Florida Statutes, or provides cable television programming services directly or as video dialtone applications authorized under 47 U.S.C., Chapter 214, except as provided for in compliance with part II of this chapter. It is the intent of the Legislature that the commission act expeditiously to grant certificates of authority under this section and that the grant of certificates not be affected by the application of any criteria other than that specifically enumerated in this subsection.

STAFF DISCUSSION

ISSUE 1: Should the Commission grant CABLE & WIRELESS, INC. (CWI) a certificate to provide statewide alternative local exchange telecommunications service within the State of Florida as provided by Section 364.337(1), Florida Statutes?

RECOMMENDATION : Yes,

Florida Public Service Commission Certificate No. 4433

STAFF ANALYSIS: Pursuant to Section 364.337 (1), Florida Statutes (effective July 1, 1995), CWI filed an appropriate application with this Commission on February 5, 1996, to conduct alternative local exchange service in Florida.

CWI has been certificated to conduct intrastate telecommunication service in Florida since March, 1987 and to conduct alternative access vendor service since July 13, 1995. Staff is aware of CWI's managerial qualifications in telecommunications management, marketing and service (pages 5-6). In regard to technical capability, CWI's exhibit indicates that CWI will have the expertise (page 5) to ensure that high quality standards are maintained at their facilities.

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The Division of Auditing and Financial Analysis reviewed CWI's financial statement to determine the company's financial viability (page 7). Based on the information provided by CWI, the financial capability of the company appears adequate.

ISSUE 2: Should the Commission require CABLE & WIRELESS, INC. (CWI) to provide access to 911 service effective on the date the company begins to provide basic local telecommunications service at a level equivalent to the 911 access services of the LEC serving in the same area?

RECOMMENDATION: Yes.

STAFF ANALYSIS: To ensure that Florida end users are allowed high quality access to emergency services, Section 364.337(2) provides that each alternative local exchange telecommunications company that provides basic local telecommunications service must provide access to 911 services.

The Commission has no specific rules on what a LEC or an ALEC must provide in terms of 911 service access. Section 364.337(2), F.S., requires that an ALEC must include access to 911 in its basic service but does not define what type of 911 services must be provided. This could result in an ALEC offering access to 911 service which is inferior in some way to the 911 service access provided by the LEC in that same area. For example, a LEC might provide both automatic number identification (telephone number) and automatic location (address) information to the public safety answering point while the ALEC might only provide the telephone number of the calling party.

Inferior 911 access could result in loss of life which is not something that can be corrected at a later date. The issue of 911 access was to some extent addressed in the number portability docket and the individual local interconnection agreements. If that issue is ultimately resolved, we may be able to remove this provision, but for now, it should be a specific requirement of the order that the ALEC's 911 service be at a level equivalent to that provided by the LEC serving that same area.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

STAFF ANALYSIS: Accordingly, this docket should be closed if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

ATTACHMENT 2

15. Cable & Wireless, Inc.'s Financial, Managerial, and Technical capabilities to provide Alternative Local Exchange Service in Florida

A. Financial Capabilities

Cable & Wireless, Inc. ("CWI") has achieved strong financial results since initiating service in 1986. CWI has reported robust revenue growth in recent years. Total revenues for 1995 were \$672 million, an increase of 16 percent over the prior year; revenues for 1994 increased 14 percent from 1993. This increase in revenues was largely due to a 15 percent increase in switched network traffic. This growth represents increases in all market segments -- international and domestic. As a result of this growth in traffic, and an effective restructuring and recapitalization strategy, CWI has reported strong net income growth and expects to maintain such growth in the future. Thus, CWI asserts that it has the ability to make the necessary financial commitment to enter the local exchange market in Florida.

Financial statements are included in this attachment. Because CWI is privately held, however, this information is not typically available to the public. Therefore CWI requests that the Commission treat this information as confidential.

B. Managerial Capabilities

CWI's parent, Cable & Wireless, PLC ("CWPLC"), has been involved in the telecommunications industry for over 120 years. CWPLC's subsidiaries operate in more than 54 countries -- more locations than any other telecommunications company. CWI's senior management team has a wealth of experience in the telecommunications industry. CWI's CEO has been involved in the telecommunications and computing services industry for over 27 years, and has put together a management team well qualified to provide local service in Florida. The expertise of this management team is clearly demonstrated by the robust growth of CWI.

CWI has undergone unprecedented growth since originally obtaining its Florida certification. Such growth is primarily due to increasing traffic volume, as measured in minutes of use (MOU). CWI's MOU growth, which is attributable to its innovative marketing strategies, has resulted in record revenue.

CWI believes that its strong performance plainly indicates that it possesses the managerial qualifications required to provide local exchange resale service.

C. Technical Capabilities

CWI currently offers a wide range of interexchange services on a statewide basis in Florida. CWI has been providing consistently high quality services to consumers in 48 states.

CWI routes its interexchange traffic through 56 DCSs, 7 DMS-250 switches, 375 SST switches and 13 SSTII switches; all of which is managed 24 hours a day/7 days a week by a centralized national network management center. CWI is in the process of replacing its SSTs and SSTIIs with five additional enhanced DMS-250s and is expanding the number of DCSs in the network to 68. The new structure will allow CWI to have greater capability to leverage AIN technologies and to create a more stable and reliable network.

CWI plans to provide local exchange service in Florida purely on a resale basis. CWI's local traffic will be routed entirely over the network of its underlying carriers. Consequently, the quality of service that CWI's local exchange customers receive will be equivalent to that provided by the incumbent LEC.

Additionally, CWI is one of a very limited number of interexchange carriers actually providing local service in the Manhattan, New York area. CWI has gained valuable experience in its initial provision of local service, which will have a direct benefit for Florida consumers.

With expertise in the provision of interexchange, toll, and now local exchange services as well, and the provision of high quality telecommunications and customer services, CWI is well qualified from a technical standpoint, to provide resale exchange telecommunications service in Florida.



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: March 29, 1996
TO: Tom Williams, Division of Communications
FROM: Sonja Jones, Division of Auditing and Financial Analysis *ALM*
RF: Docket No. 960129-TX, Cable & Wireless, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *1998*

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

- (3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest and
- (4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets
- ...

Regarding the showing of financial capability, the Finance staff has analyzed the audited financial statements of Cable & Wireless, Inc. (CWI) for the period ending March 31, 1995. The company has requested confidential treatment of its financial statements. Based on our review, CWI has adequate liquidity, ownership equity, and profitability.

In this matter, CWI is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability of the company appears adequate.

cc: Division of Legal Services
Division of Records and Reporting