

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2
3 **DIRECT TESTIMONY OF**

4
5 **JAMES R. BURT**

6
7 **Q. Please state your name and address.**

8
9 **A. My name is James R. Burt. My business address is 6450 Sprint Parkway, Overland**
10 **Park, Kansas 66251.**

11
12 **Q. By whom are you employed and in what capacity?**

13
14 **A. I am presently employed as Director - Regulatory Policy for Sprint Corporation.**

15
16 **Q. Please provide you're educational and work background.**

17
18 **A. I received a Bachelor of Science degree in Electronics Engineering from the**
19 **University of South Dakota in 1980 and a Masters in Business Administration from**
20 **Rockhurst College in 1989.**

21 I became Director – Regulatory Policy in February of 2001. I am responsible for
22 developing state and federal regulatory policy and legislative policy for Sprint
23 Corporation, including the coordination of regulatory and legislative policies across
24 the various Sprint business units and the advocacy of such policies before regulatory
25 and legislative bodies.

DOCUMENT IDENTIFICATION

05501 JUN 19 8

FPSC-COMMISSION CLERK

1 From 1997 to February of 2001 I was Director-Local Market Planning. I was
2 responsible for policy and regulatory position development and advocacy from a
3 CLEC perspective. In addition I supported Interconnection Agreement negotiations
4 and had responsibility for various other regulatory issues pertaining to Sprint's CLEC
5 efforts.

6
7 From 1996 to 1997 I was Local Market Director responsible for Sprint's
8 Interconnection Agreement negotiations with BellSouth.

9
10 I was Director – Carrier Markets for Sprint's Local Telecom Division from 1994 to
11 1996. My responsibilities included interexchange carrier account management and
12 management of one of Sprint's Interexchange Carrier service centers.

13
14 From 1991 to 1994 I was General Manager of United Telephone Long Distance, a
15 long distance subsidiary of Sprint/United Telephone Company. I had P&L, marketing
16 and operations responsibilities.

17
18 From 1989 to 1991 I held the position of Network Sales Manager responsible for sales
19 of business data and network solutions within Sprint's Local Telecom Division.

20
21 From 1988 to 1989 I functioned as the Product Manager for data and network services
22 also for Sprint's Local Telecom Division.

23
24 Prior to Sprint I worked for Ericsson Inc. for eight years with positions in both
25 engineering and marketing.

1 **Q. What is the purpose of your testimony?**

2

3 **A. Sprint and AT&T agreed to much of the language in the parties' Interconnection**
4 **Agreement ("ICA" or "Agreement"). Several issues remain disputed which are the**
5 **topic of this arbitration. My testimony will support Sprint's position for arbitration on**
6 **issues number 7 and 14. Mike Maples of Sprint will present Sprint's testimony on**
7 **issues 1 – 6 and 8 – 13.**

8

9 **Issue 7: How should traffic originated and terminated by telephone and exchanged by**
10 **the parties and transported over internet protocol (in whole or in part, and including**
11 **traffic exchanged between the parties originated and terminated to enhanced service**
12 **providers) be compensated?**

13

14 **Q. Please summarize issue number 7.**

15

16 **A. Issue 7 deals with compensation for the exchange of Internet protocol or Voice over**
17 **Internet Protocol (VoIP) traffic. AT&T would like the interconnection agreement to**
18 **be silent on inter-carrier compensation for this voice traffic. Sprint, on the other hand,**
19 **believes it is necessary to address the appropriate compensation for VoIP in the**
20 **interconnection agreement because Sprint is losing significant access revenue from**
21 **AT&T for Phone-to-Phone VoIP traffic. This is a critical issue which if not resolved**
22 **will potentially result in a massive change in how long distance carriers route their**
23 **traffic, i.e., through a packet switch, simply to classify the traffic as VoIP in order to**
24 **avoid paying access charges for the origination and termination of the traffic. It is**

1 inappropriate to have different compensation mechanisms apply simply because a
2 portion of the network used to transport a call uses a different technology.

3

4 **Q. Please explain VoIP.**

5

6 **A.** VoIP is a technology that transmits voice communications over a network using the
7 Internet Protocol.

8

9 **Q. What is the Internet Protocol or IP?**

10

11 **A.** A protocol is a set of rules that govern how devices communicate with one another.
12 The Internet Protocol is a protocol that can be used to control how devices
13 communicate on the public Internet and private networks.

14

15 **Q. Are there different VoIP applications?**

16

17 **A.** Yes. There are a number of different applications of VoIP. They all generally fall
18 into the following categories:

19

20 **Phone-to-Phone:** This form of VoIP uses standard telephones at both ends of the
21 conversation. The analog signals coming out of the telephone are converted to IP at
22 some point in the network. The IP is used for some or all of the transport and then
23 converted back to analog at some point before termination to the telephone on the
24 other end.

25

1 Computer-to-Phone: This form of VoIP has a computer on one end of the conversation
2 and a telephone on the other. Typically, the computer originates the call to the
3 telephone, but it is possible for a telephone to originate a call to a computer. The
4 protocol exiting the computer is IP. At some point in the network the IP is converted
5 to analog for termination to the telephone.

6

7 Computer-to-Computer: This form of VoIP utilized computers at both ends.
8 Normally, there wouldn't be a conversion to and from IP since the devices on both
9 ends utilize IP.

10

11 **Q. What form of VoIP is being addressed in this proceeding?**

12

13 **A.** It is my understanding that the only form of VoIP addressed by the language proposed
14 by Sprint is Phone-to-Phone. This describes the situation where users are talking into
15 and listening to telephones on both ends.

16

17 **Q. Can VoIP be used for calls of all jurisdictions, local, intrastate toll, interstate toll,
18 etc.?**

19

20 **A.** Yes. VoIP calls that interface with the PSTN can be local, intrastate toll or interstate
21 toll depending on the originating and terminating points of the call.

22

23

24

1 **Q. Contrast VoIP to the more traditional Time Division Multiplexing (TDM)**
2 **method of transmitting voice communications.**

3
4 **A.** TDM is more commonly used today. The Public Switched Telephone Network uses
5 TDM technology which is sometimes referred to as circuit switched. The technical
6 differences between the two methods of transmitting voice communications are
7 considerable. One significant difference is that VoIP carries information in the form
8 of packets. These packets can be routed over various paths in a network and
9 reassembled at the destination, enabling communications. By contrast, TDM
10 establishes a dedicated circuit between the origination and destination points of the
11 network. Even though the technical differences are considerable, the practical
12 differences are not. Exhibit JRB-1 shows the call path of a VoIP call. Both
13 technologies attempt to provide quality communications that allow the called party to
14 receive voice exactly as sent. In fact, the technology used is transparent to the
15 customers on either end of the call. This is not significantly different from the
16 situation we have today for wireless communications, where there are several different
17 technologies used to deliver wireless calls like GSM, TDMA and CDMA, that are
18 transparent to the end user. Inter-carrier compensation treatment for wireless calls
19 does not differ based on the type of technology used. The same should apply here to
20 wireline calls.

21
22
23
24
25

1 **Q. If the intent of both circuit switched and packet switched technologies is to enable**
2 **real-time voice communications to occur, why is this an issue in the Sprint and**
3 **AT&T arbitration?**

4
5 **A.** That is correct, the intent of both forms of technology is the same. The heart of the
6 issue is the compensation AT&T would pay to Sprint for the use of its network to
7 deliver a VoIP call. AT&T does not agree that access charges should apply to toll
8 calls when VoIP is used. To my knowledge there is no technical difference in how a
9 VoIP call connects to the Sprint network and how a TDM call connects to the Sprint
10 network except for the fact that in order to avoid access charges VoIP calls are
11 delivered over local interconnection trunks rather than access trunks. For the VoIP
12 call, AT&T converts it to the TDM format before delivering the call to Sprint's
13 network, so the interconnection is exactly the same. In fact, there's no difference to
14 the end users either. They desire to communicate via voice and that is what they get,
15 nothing more.

16
17 **Q. Did Sprint and AT&T discuss the compensation AT&T should make to Sprint in**
18 **any detail?**

19
20 **A.** No. The discussion centered on whether the language proposed by Sprint should be
21 included at all.

22
23
24
25

1 **Q. What language did Sprint propose?**

2

3 **A.** Sprint's proposed language is as follows. "Calls that are originated and terminated by
4 telephone but are transmitted via the Internet network (VoIP) shall be compensated in
5 the same manner as voice traffic."

6

7 **Q. What is your interpretation of Sprint's proposed contract language?**

8

9 **A.** It is Sprint's position that a phone-to-phone VoIP call that originates or terminates on
10 Sprint's network should be subject to the jurisdictionally appropriate intercarrier
11 compensation rates. In other words, if the end points of the call define the call as an
12 interstate call, interstate access charges apply. If the end points define the call as
13 intrastate, intrastate access charges apply. If the end points of the call define the call
14 as Local Traffic, reciprocal compensation charges apply.

15

16 **Q. Has the Commission traditionally based the classification of calls for**
17 **jurisdictional and compensation purposes on the technology used to carry the**
18 **call?**

19

20 **A.** No. Wireline voice communications technology has continually advanced over the
21 years from analog to digital and now from circuit switched to packet switched. To my
22 knowledge, regulators have not based their interpretation of the jurisdiction of a call
23 on the technology used, but instead, have consistently focused on the end points of the
24 call to determine jurisdiction and, therefore, compensation.

25

1 **Q. Is it your understanding that AT&T is suggesting anything other than Phone-to-**
2 **Phone voice telephony service is being provided?**

3

4 **A.** No. It is my understanding that the context of the service in question is nothing other
5 than Phone-to-Phone voice service. There are telephones on both ends of the service
6 that are connected to the Public Switched Telephone Network (PSTN). Somewhere in
7 between the service utilizes the VoIP protocol discussed earlier.

8

9 **Q. Does the service require the end users on either end of the voice conversation to**
10 **use Customer Premise Equipment (CPE) different from the CPE used to place a**
11 **call over the PSTN?**

12

13 **A.** No. The CPE used for Phone-to-Phone VoIP service is the same CPE used with
14 circuit switched technology.

15

16 **Q. To your knowledge would users of the AT&T service be able to place calls to**
17 **telephone service subscribers connected to the PSTN using numbers assigned in**
18 **accordance with the North American Numbering Plan?**

19

20 **A.** Yes. Subscribers to the AT&T service can place calls to the PSTN using numbers
21 assigned in accordance with the North American Numbering Plan.

22

23 **Q. To your knowledge, is the speaker's voice altered from when it enters the**
24 **network to when it exits the network?**

25

1 A. It is my understanding that the service does not alter the voice communication. The
2 users on either end of the conversation are speaking and hearing real-time voice.

3

4 **Q. To your knowledge, does the service being contemplated provide functionality**
5 **such as storing the voice, processing of the voice such that it's anything other**
6 **than the speaker's voice being heard, or allowing the end user to interact with**
7 **retrieved information in any manner?**

8

9 A. It is my understanding that the service in question is nothing more than basic voice
10 communications. What is spoken at one end is heard at the other end. There is no
11 storing of voice before it is forwarded. There is no special processing of the voice
12 such that what is being transmitted is anything other than the voice that was originally
13 spoken. And, there is no interaction with stored information.

14

15 **Q. Is there any difference in how Sprint's network is utilized when an interLATA or**
16 **intraLATA VoIP call is terminated to it versus a traditional circuit switched call?**

17

18 A. No, Sprint's network would be utilized in the same manner. When the call is
19 delivered to Sprint, it would not appear any different than any other toll call delivered
20 by an IXC. Sprint would terminate the call in the same manner using the same
21 network functionality and equipment. The same would hold true for a local call. A
22 jurisdictionally local VoIP call terminated to Sprint's network would utilize the
23 network and appear the same as any other local call that is not VoIP. The only
24 difference is that carriers are attempting to avoid access charges on terminating inter

1 or intraLATA toll calls by delivering them to Sprint over interconnection trunks rather
2 than access facilities.

3

4 **Q. Is it true that some VoIP services use the public Internet?**

5

6 **A.** It is my understanding that there are different applications of VoIP and that some of
7 them use the public Internet and some of them use private IP networks.

8

9 **Q. Is your position different if the service uses the public Internet?**

10

11 **A.** No. The fact that a VoIP service uses the public Internet does not change the fact that
12 Phone-to-Phone VoIP is a form of real-time voice communications. Use of the public
13 Internet does not change any of the fundamental characteristics of the service
14 mentioned above, the service is being positioned as a voice service, special CPE isn't
15 required, calls can be placed to and from the service using numbers associated with the
16 North American Numbering Plan, the voice is not altered in any manner and Sprint's
17 network is utilized in the same manner to originate and/or terminate the call.

18

19 **Q. Why does Sprint think this issue should be addressed at this time?**

20

21 **A.** There are considerable intrastate and interstate access revenues at risk for Sprint if this
22 issue is not decided.

23

24

1 **Q. Isn't it true that this commission has looked at this issue and decided not to**
2 **address it?**

3
4 **A.** Although I was not personally involved in the earlier proceeding, it is my
5 understanding that in Docket No. 000075-TP the Florida Public Service Commission
6 chose not to decide on the type of inter-carrier compensation that should apply to
7 VoIP traffic. The primary reason was that VoIP was a nascent technology with
8 limited applications in the marketplace. Although the Commission found the issue
9 was not ripe for consideration at that time, the Commission specifically stated that “we
10 find this shall not preclude carriers from petitioning us for decisions regarding specific
11 IP telephony service through arbitration or complaint proceedings.”

12
13 **Q. Did Sprint agree with that determination?**

14
15 **A.** At that time Sprint did not have any evidence suggesting VoIP was having a negative
16 impact on its access revenues. Since then Sprint has identified instances where access
17 charges are being avoided.

18
19 **Q. Are you aware of the Florida statute that addresses the issue of carriers**
20 **knowingly using local interconnection facilities to avoid access charges?**

21
22 **A.** Yes. Section 364.16(3)(b), Florida Statutes, states that “No local exchange
23 telecommunications company or alternative local exchange telecommunications
24 company shall knowingly deliver traffic, for which terminating access service charges

1 would otherwise apply, through a local interconnection arrangement without paying
2 the appropriate charges for such terminating access service.”

3

4 **Q. In your opinion, is this statute relevant to Issue 7 in the Sprint/AT&T**
5 **interconnection agreement?**

6

7 **A.** Although I am not an attorney, the statute appears to relate directly to Issue 7, which
8 addresses the inter-carrier compensation that applies to Phone-to-Phone VoIP. If
9 AT&T were to terminate VoIP toll traffic over Sprint local interconnection trunks, it
10 appears it would be a violation of the statute.

11

12 **Q. How do you think access charges are being avoided?**

13

14 **A.** I can't speak to all the possibilities, but one instance that has been discovered involves
15 AT&T terminating interstate and intrastate toll traffic over local interconnection
16 trunks. Sprint has been able to capture SS7 signaling information that identifies the
17 originating and terminating points of calls being passed over its local interconnection
18 trunks. Sprint's analysis of this information indicates that not all of the calls are local,
19 originating and terminating within the Local Calling Area (LCA). Instead Sprint has
20 determined that a significant amount of the traffic delivered to Sprint over local
21 interconnection trunks is toll traffic.

22

23 **Q. Do you believe this is a violation of Section 364.16(3)(b) of the Florida Statutes?**

24

25 **A.** Although I am not an attorney, it appears that it is in violation of Section 364.16(3)(b).

1 **Q. Can you quantify how much access revenue Sprint is losing?**

2

3 **A.** That's one of the reasons Sprint now thinks the Florida Public Service Commission
4 should address this issue. Until now, toll service providers purchased access services
5 to terminate and originate their traffic to and from Sprint's local service customers.
6 The systems and process were set up to ensure that accurate billing took place.
7 However, since toll providers like AT&T are now terminating some of their toll traffic
8 over local interconnection trunks, it's difficult to quantify the amount of toll traffic
9 that is not being subjected to the appropriate access charges. When Sprint suspects
10 this type of access avoidance is occurring, it can monitor the local interconnection
11 trunks and identify the toll traffic. Without revealing sensitive and proprietary Sprint
12 information, Sprint has determined that the amount of access revenue being avoided is
13 substantial and warrants action at this time by the Florida Public Service Commission.
14 In addition, the fact that there may be other forms of Phone-to-Phone VoIP access
15 avoidance occurring without the knowledge of Sprint suggests this Commission
16 should formally decide whether access charges should apply to Phone-to-Phone VoIP
17 traffic. Indecision will result in regulatory uncertainty for all parties concerned. It is
18 clear to Sprint that the technology is no longer nascent and is being utilized to a
19 greater degree month after month. Sprint believes it is now time for the Commission
20 to decide this issue.

21

22

23

24

1 **Q. Has the FCC determined if Phone-to-Phone VoIP traffic should be subject to**
2 **access charges?**

3

4 **A. The FCC looked at the issue in 1998 in CC Docket No. 96-45, the Federal-State Joint**
5 **Board on Universal Service Report to Congress. It chose not to make a decision on**
6 **how this traffic should be handled, but did state in paragraph 83 that certain “Phone-**
7 **to-Phone IP telephony” bear the characteristics of “telecommunications services.”**
8 **VoIP was in its infancy in 1998, so one might understand why the FCC chose not to**
9 **make a determination of whether or not Phone-to-Phone VoIP should be subject to**
10 **access charges.**

11

12 **Q. Is the issue currently before the FCC?**

13

14 **A. Yes. AT&T filed a Petition For Declaratory Ruling in October, 2002 suggesting the**
15 **FCC find that access charges should not apply to Phone-to-Phone VoIP services.**
16 **Comments and Reply Comments have been filed, but the FCC has yet to issue an**
17 **order.**

18

19 **Q. Is there any certainty as to when the FCC is going to issue an order?**

20

21 **A. No. Even if there were some certainty, there is the chance for reconsideration and**
22 **appeal on any order the FCC issues. Therefore, it is impossible to say when there will**
23 **be a final enforceable order from the FCC.**

24

25

1 **Q. Would an order by the FCC resolve the issue for the State of Florida?**

2

3 **A.** Not necessarily. It is possible that the FCC may issue an order in the docket opened
4 for the AT&T Petition that would have no effect on Florida intrastate traffic. It is my
5 layman's understanding that an FCC order may only address jurisdictionally interstate
6 traffic and that Florida may be required to address the issue for services that are
7 jurisdictionally intrastate. If that were the case, an order by the FCC could only serve
8 to provide direction but not a legally binding precedent to the State of Florida.

9

10 **Q. You mentioned the State of Florida may have to address this issue for intrastate**
11 **traffic even if the FCC issues an order in the FCC petition. Are there services**
12 **other than intrastate toll that the Florida Public Service Commission should**
13 **consider?**

14

15 **A.** Depending on the basis for the decision regarding the application of access charges to
16 Phone-to-Phone VoIP, other services besides intrastate toll could also be impacted. If,
17 for example, a decision is made that access charges shouldn't apply, then service
18 providers might use that decision to suggest other IP-based services shouldn't be
19 subject to regulation, including perhaps local service.

20

21 **Q. Are you aware of any state commission orders that address inter-carrier**
22 **compensation for Phone-to-Phone VoIP**

23

24 **A.** Yes. The New York Public Service Commission issued an order in Case No. 01-C-
25 1119, a complaint of Frontier Telephone of Rochester, Inc. against US DataNet

1 Corporation for failure to pay intrastate access charges. The Commission found that
2 DataNet was liable for past and present access charges.

3

4 **Q. What rationale did the New York Public Service Commission use in determining**
5 **US DataNet was responsible for paying intrastate access charges to Frontier?**

6

7 **A.** The New York Commission looked at several issues and determined that it was
8 appropriate for DataNet to pay Frontier intrastate access charges. The issues
9 considered by the New York Commission are as follows:

- 10 • DataNet held itself out as providing voice telephone service
- 11 • DataNet does not provide enhanced functionality to its customers, such as storing,
12 processing or retrieving information
- 13 • DataNet customers are not required to use CPE different from the CPE used to
14 place ordinary calls over the public switched telephone network
- 15 • DataNet customers place calls to telephone numbers assigned in accordance with
16 the North American Numbering Plan
- 17 • DataNet's use of the Internet protocol is only incident to its own private network
18 and does not result in any net protocol conversion to the end user
- 19 • A substantial portion of DataNet's traffic uses no IP conversion at all
- 20 • DataNet uses the same circuit-switched access as obtained by IXCs and imposes
21 the same burdens on the local exchange as do IXCs

22

23

24

1 **Q. Are you aware of any other state Commission orders addressing the applicability**
2 **of access charges on VoIP service?**

3

4 **A.** Yes. The Public Utilities Commission of Colorado has addressed this issue in two
5 proceedings. In Decision No. C00-858 the Colorado Commission determined that
6 switched access should not apply to VoIP traffic, but instead parties in a competitive
7 marketplace can negotiate appropriate rates. However, in Decision No. C00-760 the
8 Colorado Commission appeared to come to the opposite conclusion by ruling that
9 “regardless of the technology used, the provision of interexchange services without
10 payment of access charges is improper.”

11

12 **Q. Do you expect the use of VoIP to increase or decrease over time?**

13

14 **A.** I would expect the use of VoIP to increase over time. There are inherent advantages
15 to this technology that lead to its use. Recent quotes from the nation’s two largest
16 IXCs, MCI and AT&T, support this idea as well. Fred Briggs, MCI President of
17 Operations and Technology was quoted in a June 3 press release as saying "By 2005,
18 MCI plans to move 100 percent of our traffic to an all IP core." (See attached Exhibit
19 JRB-2) In addition, AT&T’s CEO David Dorman recently stated in an interview with
20 Forbes.com that “(AT&T) expect[s] to be a leader in VOIP traffic.” (See attached
21 Exhibit JRB-3)

22

23

24

1 **Q. In other words, you see this issue getting larger rather than smaller, is that**
2 **correct?**

3
4 **A.** That is correct. As carriers migrate to VoIP technology, the inter-carrier
5 compensation issue continues to grow. Therefore, it is appropriate to address this area
6 of uncertainty now rather than later.

7
8 **Q. Please summarize your position on issue 7.**

9
10 **A.** Phone-to-Phone VoIP is a real-time voice service that utilizes a different technology at
11 some point along the transmission path. It is Sprint's position that the use of a
12 different technology does not change the nature of the service being provided or the
13 use of Sprint's network at the originating or terminating end of the call. Therefore,
14 access charges should apply for Phone-to-Phone interexchange VoIP traffic that
15 originates and terminates on Sprint's network. Furthermore, the access charge
16 revenue being placed at risk and the overall regulatory uncertainty created by this
17 dispute warrants Florida Public Service Commission action at this time.

18
19 **Issue 14: Should the terms and conditions of the Performance Measures approved by**
20 **the Commission be incorporated by reference into the agreement, or should separate**
21 **terms and conditions be set forth in the agreement?**

22
23
24
25

1 **Q. Please summarize issue 14.**

2

3 **A.** Issue 14 deals with Sprint's wholesale performance measurements, adopted by this
4 Commission on January 9, 2003 in Docket No. 000121B. There is agreement between
5 the parties that Sprint will initially report its performance to AT&T in accordance with
6 the measurements adopted by the Commission. However, AT&T's proposed language
7 seeks to incorporate all of the measurements into the interconnection agreement and to
8 impose ongoing requirements on Sprint that are in addition to the processes
9 established by the Commission for reviewing and modifying Sprint's performance
10 measurements. Sprint believes the Commission has already established a process for
11 review of Sprint's performance measurements in its order in Docket No 000121B, and
12 that the agreement should simply incorporate by reference the Commission's
13 performance measurements and review process.

14

15 **Q. What provisions regarding Sprint's performance measurements were adopted by**
16 **the Commission in its order in Docket 000121B?**

17

18 **A.** In that proceeding, the Commission adopted Sprint's Performance Measurement
19 Cookbook and Performance Measurement Plan Methodology, which established 38
20 performance measures to be used in capturing and reporting Sprint's wholesale
21 performance metrics in Florida. The Commission also established a structured plan
22 for ongoing review of Sprint's performance measurement plan. Specifically, the
23 Commission established a six-month review process, to be conducted by its Staff, with
24 the opportunity for any interested CLECs to participate.

25

1 **Q. What are the implications of AT&T's proposed language on this issue?**

2

3 **A.** AT&T's proposal sets up the opportunity for duplicative and potentially contradictory
4 reviews of Sprint's performance measurements. AT&T seeks to require Sprint to
5 update its performance measurements quarterly, and to allow AT&T to suggest
6 additions, deletions or other modifications to the performance measurements on an
7 ongoing basis. The Commission has already established a six-month review process
8 to address Sprint's performance measurements and consider any necessary changes.
9 By attempting to establish a separate opportunity to seek changes to Sprint's
10 performance measurements outside of the Commission's established process, AT&T
11 creates the potential for divergence from the performance measurements adopted by
12 the Commission. AT&T has the opportunity to participate in the Commission's six-
13 month review process and provide suggested changes at that time. There is no need to
14 create an additional opportunity for AT&T to seek modifications to Sprint's
15 performance measurements.

16

17 Furthermore, AT&T's proposal to include the actual performance measurements in the
18 agreement would require the parties to continually modify the agreement any time
19 changes to the performance measurements are ordered or approved by the
20 Commission in the future. From a practical, contract administration perspective,
21 Sprint's proposed language, which incorporates by reference the current performance
22 measurements and any changes ordered by the Commission, eliminates the need for
23 repeated contract modifications whenever the performance measurements are changed.
24 In addition, Sprint maintains the most current performance measurement plan on its

1 performance measurements website. AT&T along with any other CLEC, can refer to
2 this website at any time for information on Sprint's performance measurements.

3

4 **Q. Please summarize Sprint's position on this issue.**

5

6 **A.** Sprint is bound by the Commission's order in Docket 000121B to track and report its
7 performance to CLECs based on an approved set of 38 performance measurements.
8 Furthermore, Sprint's performance measurements are subject to a six-month review
9 process, which any CLEC, including AT&T has the opportunity to participate in.
10 Sprint's proposed language to incorporate the performance measurements, by
11 reference to the Commission's actions in Docket 000121B, ensures that measurements
12 are consistently applied to Sprint's performance to all CLECs. Furthermore, Sprint's
13 proposal eliminates the need for needlessly amending the Agreement and submitting
14 the amendment to the Commission for approval when performance measurement
15 changes are ordered by the Commission. AT&T's language seeks to impose unique
16 requirements for administration of Sprint's performance measurements that are
17 duplicative of the provisions established by the Commission and could lead to
18 deviations from the measurements approved by the Commission. Therefore, the
19 Commission should reject AT&T's proposed language on this issue and adopt Sprint's
20 proposed language for inclusion in the parties' interconnection agreement.

21

22 **Q. Does that conclude your testimony?**

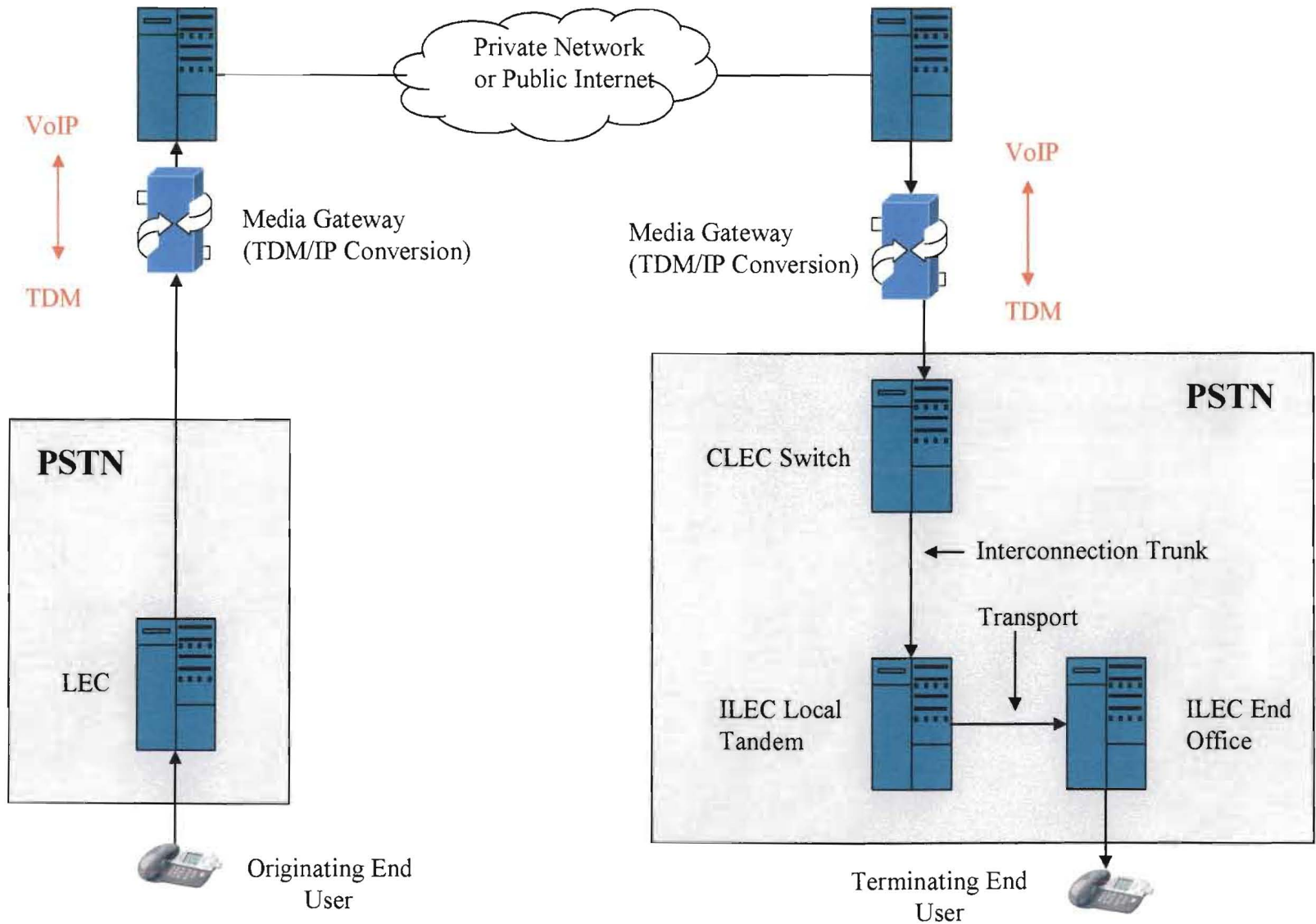
23

24 **A.** Yes.

25

VoIP Toll Service

Docket No. 030296-TP
James R. Burt Exhibit No. ____ (JRB-1)
VoIP Toll Service



This diagram is representative only and is not intended to identify all network components

MCI

Search

All MCI.com

Home

Products

News

About MCI

Customer Service

News



- ▶ Press Releases
- ▶ Restructuring Information Desk
- ▶ Press Kit
- ▶ Public Relations Contacts
- ▶ Photo Gallery
- ▶ Analyst Market Data
- ▶ Events

MCI Joins with Nortel Networks to Accelerate Convergence of Voice and Data Networks on Common IP Core

Equipment Deployed throughout Major Metropolitan U.S. Cities Marks Largest Scale Nationwide Deployment of a Next Generation Packet Voice Network

ATLANTA, GA, SUPERC0MM, June 3, 2003 - As part of MCI's (WCOEQ, MCWEQ) convergence networking strategy to deliver advanced IP services for businesses and consumers, the company today announced it is joining with Nortel Networks* (NYSE/TSX: NT) to accelerate migration of its voice network to a common IP core. The company has chosen and deployed Nortel Networks' industry-leading Succession* superclass softswitches and Passport* Packet Voice Gateways to create a next generation packet voice network that will fuel innovation, simplicity and value for its customers.

"By 2005, MCI plans to move 100 percent of our traffic to an all IP core," said Fred Briggs, MCI President of Operations and Technology. "Nortel Networks Succession voice over packet solution will converge voice, data and multimedia services, helping us to more flexibly and cost-effectively optimize our network. With this implementation, we will increase network efficiency and realize operational savings while providing additional value to our customers."

Already well into the first stage of converging its networks onto a common IP platform, MCI has become the first U.S.-based service provider to provision such a large-scale nationwide transition of its full-featured voice service to its core IP backbone. MCI has already deployed 36 Nortel Networks Passport* Packet Voice Gateways. To complete this stage of its strategic migration, MCI plans to deploy another 15 gateways by the end of June. By end of year, MCI plans to have 25 percent of its voice traffic transitioned to its IP core network.

Also, as part of its transition to voice over packet, MCI has evolved existing Nortel Networks DMS circuit switches to Succession Communication Server 2000 superclass softswitches. A superclass softswitch is one that meets all criteria for true service provider circuit-to-packet migration - local, tandem and long distance capability on a single platform; full business and residential telephony service sets; regulatory features like "Lawful Intercept" and "Number Portability;" third party interoperability, and carrier-grade reliability and scalability.

"With this deployment, MCI represents the largest in-service network of Nortel Networks VoIP equipment in the world," said Sue Spradley, president Wireline Networks, Nortel Networks. "MCI is a fast-moving company that took a very aggressive approach because they saw the immediate benefits to the network and to the business."

"Nortel Networks is in a unique position to effectively enable MCI's circuit-to-packet evolution because of our detailed understanding of network design and our comprehensive portfolio. Few vendors are as well positioned as Nortel Networks to help service providers, like MCI, deploy a network so rapidly while extending their existing network investment," added Spradley.

Nortel Networks Succession portfolio is the industry's most proven portfolio of voice over packet products, services and solutions for service providers. It enables the delivery of solutions across all four carrier voice over packet market applications: cable, local, long distance and wireless.

About WorldCom, Inc.

WorldCom, Inc. (WCOEQ, MCWEQ), which currently conducts business under the MCI brand name, is a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers. With the industry's most expansive global IP backbone and wholly-owned data networks, WorldCom develops the converged communications products and services that are the foundation for commerce and communications in today's market. For more information, go to <http://www.mci.com>.

About Nortel Networks

Nortel Networks is an industry leader and innovator focused on transforming how the world communicates and exchanges information. The Company is supplying its service provider and enterprise customers with communications technology and infrastructure to enable value-added IP data, voice and multimedia services spanning Wireless Networks, Wireline Networks, Enterprise Networks, and Optical Networks. As a global company, Nortel Networks does business in more than 150 countries. More information about Nortel Networks can be found on the Web at www.nortelnetworks.com.

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, among other things: the severity and duration of the industry adjustment; the sufficiency of our restructuring activities, including the potential for higher actual costs to be incurred in connection with restructuring actions compared to the estimated costs of such actions; fluctuations in operating results and general industry, economic and market conditions and growth rates; the ability to recruit and retain qualified employees; fluctuations in cash flow, the level of outstanding debt and debt ratings; the ability to meet financial covenants contained in our credit agreements; the ability to make acquisitions and/or integrate the operations and technologies of acquired businesses in an effective manner; the impact of rapid technological and market change; the impact of price and product competition; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; the impact of rationalization in the telecommunications industry; the dependence on new product development; the uncertainties of the Internet; the impact of the credit risks of our customers and the impact of customer financing and commitments; stock market volatility; the entrance into an increased number of supply and outsourcing contracts which contain delivery and installation provisions, which, if not met, could result in the payment of substantial penalties or liquidated damages; the ability to obtain timely, adequate and reasonably priced component parts from suppliers and internal manufacturing capacity; the future success of our strategic alliances; and the adverse resolution of litigation. For additional information with respect to certain of these and other factors, see the reports filed by Nortel Networks with the United States Securities and Exchange Commission. Unless otherwise required by applicable securities laws, Nortel Networks disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

*Nortel Networks, the Nortel Networks logo, the Globemark, Passport, DMS and Succession are trademarks of Nortel Networks.

- 3 June, 2003

PR Contact:

Name: Ann Fuller
Role: Nortel Networks
Tel: 613-768-1208
Email: afuller@nortelnetworks.com

PR Contact:

Name: News Bureau
Role: Media Relations
Tel: 800-644-NEWS



CEO Network Chat

Dorman: AT&T Has Long-Distance Future

06.18.03, 9:18 AM ET

What follows is the transcript of a Forbes.com CEO Network online chat hosted on June 16 by David Dorman, chief executive of AT&T.

FDCEDITORS: Welcome everyone, Mr. Dorman is here and we're ready to start taking questions.

Avanti: The stock had a nice little pop last week. Is the worst over for AT&T? The last three years have been no fun for T shareholders.

D_DORMAN: I think the market is beginning to recognize our competitive differentiation, strength and positioning for the future in a environment where the entire telecom sector has been out of favor—We are not only winning in this difficult market, we have done so with innovation and integrity. As I told our shareholders at last week's annual meeting, we are poised to lead the industry into the future, and we are backing up this commitment with investment at a time when some of our competitors are struggling to keep the lights on.

Willgeist: Will WorldCom (or MCI or whatever) emerge from bankruptcy a strong competitor? How will that affect your business?

D_DORMAN: I think they emerge from bankruptcy, but their margins are substantially lower than ours. Ultimately, that affects your ability to invest and remain competitive. Their proposed capital structure suggests a level of debt and interest expense that on a relative basis won't be much of an advantage when compared to AT&T. WE haven't competed with WCOM on a basis of their full and honest disclosure in what looks like at least 4 years. It will good to be playing by the same rules for a change. I look forward to their emergence.

Rogerdodger: I see Gary Foresee, the new top guy at Sprint, is getting out of the Web-hosting business. Are you making money on hosting? If so, what are you doing right that Sprint was doing wrong?

D_DORMAN: We think Web hosting is an important service line for a global carrier. It takes investment to reach scale and we are down the curve. Sprint entered late and has obviously decided to reprioritize based on their view of what it would take to become a scale player. We remain enthusiastic about the opportunities in light of Cable and Wireless and Sprint's relative situations.

EdwardC91: Isn't Verizon already the No. 4 long-distance provider? What's to stop the Bells from eating your lunch?

D_DORMAN: Actually they claim to be number 3 as measured by number of residential customers but not in dollars of revenue. A significant percentage of our long distance comes from large enterprise customers, a segment the Bells don't cover robustly.

Dunanski: You said last week you're going to cut debt to \$10 billion by year's end. How are you doing it?

D_DORMAN: Based on our Q1 cash position our net debt stood at \$12 billion. Based on the strength of our free cash flow projection for the remainder of 2003, we should increase our cash position by enough to achieve net debt less than \$10 billion.

Willgeist09: Is there really any future for landline long-distance?

D_DORMAN: Wireless phones do originate a substantial amount of long distance traffic. However, virtually all of it traverses a landline network in order to reach the destination number. AT&T is the largest supplier of long distance to wireless providers. Our volumes of long distance traffic carried have increased by more than 12% over the last year — it hardly feels like it's going away. The issue is prices have declined more than 75%, masking the volume increases over the last 4 years.

Dunanski: What would you like Congress to do to fix the 1996 telecom "reform" act?

D_DORMAN: The '96 act isn't broken. It has taken 7 years for the competitive stimulation of the act to take effect due to litigation and the Bells' stalling regulatory implementation. It's not perfect, but there is no denying that where local regulators have set wholesale prices fairly, competition is occurring.

Buffalonickel: What are you doing with capex this year?

D_DORMAN: While our capex budget is down year over year, we have completed many major platform projects and our capex is more success-based. Our high priority areas are local networks, managed services, including IP/hosting, global and customer experience enhancements. In fact, \$700 million of this year's \$3 billion will go to this last area along the customer life-cycle continuum.

Excelsior: Did your PointCast experience sour you on the Internet?

D_DORMAN: No. It was a fun and painful experience with entrepreneurialism, market dynamics and it really had nothing to do with my feeling about the Internet.

Willgeist09: How important is the SME market for you? What's your strategy in this area?

D_DORMAN: It's an important segment that has been under-served with bundled communications services. We are doubling our sales resources and adding new product combinations to meet the specific needs of this segment. The Bells have served this segment as a local provider almost exclusively while there has been abundant long distance competition. We think we have a great opportunity to take share in SME business segment.

James99: How much of a threat (or opportunity) is VOIP?

D_DORMAN: AS the largest IP network operator measured in traffic carried per day, we expect to be a leader in VOIP traffic. It is an opportunity to create new usage as a companion to Web site-based services in consumer product marketing arenas. It also offers more efficient use of network assets at scale.

Conan44: Do you agree with those who say WorldCom is getting off too lightly for its accounting shenanigans?

D_DORMAN: It is certainly disappointing to see a company who has admitted to the largest fraud in history (and the counting isn't done yet) receiving a "discount" on their fine from the SEC and new government contracts. Sometimes, the wheels of justice turn slow, but over time I believe WCOM has a lot to recover from. I am encouraged that Congress is asking tough questions about these subjects.

Sheilamagee: You've worked in just about every telecom area. Which one has provided the most interesting challenges?

D_Dorman: My current assignment is without a doubt the most interesting. AT&T is an American icon. It was founded by A.G. Bell and after 118 years is still among the 35 largest companies in America. Having spun off the Baby Bells, Lucent, NCR, AT&T Wireless and AT&T Broadband, that makes the last statement even more amazing. What makes this most interesting is how many people think we are going away when the facts clearly don't support that ... I see that as a huge opportunity.

FDCEEDITORS: Thanks everyone. That's all we have time for.