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DIRECT TESTIMONY OF
RONALD H. SHURTER
ON BEHALF OF AT&T COMMUNICATIONS
OF THE SOUTHERN STATES, INC.
Docket No. 960847-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. I am Ronald H. Shurter and my business address is 1 Oak Way, Berkeley Heights, New Jersey, 07922-2724.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. I earned a Bachelor of Science degree in Business Administration from Ferris State University in Michigan in 1969. In 1974, I earned a Masters of Business Science in Finance from the University of Detroit. In 1992, I completed the Senior Executive Program of the Sloan Business School at the Massachusetts Institute of Technology. I also have completed various training programs sponsored by AT&T.

In 1969, I started my career in the telecommunications industry with Michigan Bell Telephone. For over a dozen years at Michigan Bell, I held various operations management positions in local switching and central office engineering.

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In 1981, I transferred to the General Department of AT&T to assist in managing the break-up of the Bell System and the divestiture by AT&T of its Local Exchange assets. In this assignment, I played a major role in the development and implementation of the Shared Network Facilities Contract which provided for the sharing of post-divestiture network facilities and operational systems between AT&T and the Bell operating companies.

From 1983 to 1988, I worked in AT&T's Network Systems unit, and eventually held the position of Director. I established and managed the business unit that provides software and hardware operations in support of central office switching equipment and developed the organization structure and management process to market transmission products internationally.

In 1993, I became Strategic Planning Vice President in Network Systems. In this assignment, I developed strategic direction for AT&T in the area of system integration and provided integral solutions for customers. I later created two (2) new businesses within AT&T's Network Systems to provide consulting, systems integration, and operations outsourcing services to telephone companies worldwide.

Since March of 1996, I have served as AT&T Local Infrastructure and Access Management Vice President responsible for the Southern States and for managing national suppliers of access services.

Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT ASSIGNMENT?

1 A. My work since March of 1996 has been focused almost entirely on AT&T's efforts
2 to achieve interconnection, services, and network elements agreements with GTE
3 and with BellSouth in accordance with 47 U.S.C. Sections 251 and 252, enacted as
4 part of the Telecommunications Act of 1996 ("the Act").

5
6 I have played an important supporting role in many aspects of the BellSouth
7 negotiations. In partnership with Reed Harrison, AT&T Vice President - Local
8 Infrastructure and Access Management Regional Operations, I have co-chaired the
9 nationwide negotiations with GTE at the executive level. In addition, I have
10 managed the overall negotiations process with GTE. This included securing AT&T
11 internal and external resources nationally across all functions to research, review,
12 negotiate, and implement all aspects of AT&T's interconnection request of GTE.

13
14 I have worked closely with AT&T's Local Services Organization Vice Presidents in
15 each of the six (out of seven) AT&T Regions where GTE does business. These
16 Vice Presidents have overall responsibility for developing and implementing
17 AT&T's local services product. For the state of Florida, Mr. William J. Carroll is the
18 Vice President of the AT&T Local Services Organization. Mr. Carroll will testify in
19 this proceeding regarding the critical need to create market parity between the
20 incumbent LECs (in this case, GTE) and new entrants to the local services market.

21
22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
23 **PROCEEDING?**

24
25 A. The purpose of my testimony is to describe, from a business perspective, why

1 AT&T is before this Commission and to introduce the issues in dispute with GTE
2 and the witnesses who will testify on AT&T's behalf concerning these issues. I will
3 list the actions AT&T requests the Commission to take and describe why each
4 action is necessary to achieve the goal of the Act. I understand that goal to be "to
5 promote competition and reduce regulation in order to secure lower prices and
6 higher quality services for American telecommunications consumers and encourage
7 the rapid deployment of new telecommunications technologies." S. Rep. No. 23,
8 104th Cong., 1st Sess., at 2 (1995).

9
10 I also will explain the critical importance of reaching a comprehensive
11 interconnection agreement between AT&T and GTE. Such an agreement, if
12 properly structured, will permit AT&T to enter the monopoly local exchange
13 markets now served exclusively by GTE and to provide high quality, innovative
14 services at competitive prices to the millions of consumers in those markets. In
15 Attachment 2 to AT&T's Petition for Arbitration ("Petition"), AT&T has proposed
16 such a comprehensive interconnection agreement. However, lacking a firm
17 directive from this Commission, GTE will not enter into this proposed agreement
18 with AT&T. AT&T asks the Commission to issue that directive in this proceeding.

19
20 **Q. AT&T FILED SEVERAL VOLUMES OF DOCUMENTS WITH ITS**
21 **PETITION WHICH SERVE AS A RECORD OF THE NEGOTIATIONS**
22 **WITH GTE. PLEASE IDENTIFY THOSE DOCUMENTS.**

23
24 **A. The Act obligates AT&T to submit with its Petition for Arbitration all documents**
25 **relevant to the issues to be arbitrated and documents relevant to any issues the**

1 parties have resolved. Both categories of documents are contained in the five
2 binders submitted to this Commission with the Petition and collectively are
3 incorporated into my testimony as Exhibit RS-1. Each binder contains documents
4 which are identified by a tab number. The documents in the binders include
5 AT&T's record of all formal negotiation sessions with GTE, letters and memoranda
6 exchanged between AT&T and GTE regarding various negotiation issues, studies,
7 and other documents.

8
9 **Q. PLEASE DESCRIBE THE PROCESSES THAT AT&T PUT IN PLACE FOR**
10 **THE NEGOTIATIONS WITH GTE.**

11
12 **A. I established a framework and process for the negotiations that took into account the**
13 **critical nature and importance of these negotiations. That framework includes**
14 **assigning Subject Matter Experts ("SMEs"), Core Negotiating Teams, and Executive**
15 **Teams to identify, resolve (where possible), and escalate issues. Issues are**
16 **negotiated initially by teams of SMEs. The SME negotiations are overseen by the**
17 **Core Negotiations Teams, and there are procedures to escalate to the Executive**
18 **Teams those issues that the SME or Core Teams are unable to resolve.**

19
20 I put in place processes to track the status of issues and their resolution. I suggested
21 regular meeting schedules at all team levels, documentation of our areas of
22 agreement and disagreement, and Executive Team review of escalated issues.
23 AT&T gave GTE a commitment to work towards conclusion of a comprehensive
24 agreement for interconnection, services subject to resale, and network elements.

25

1 AT&T also encouraged GTE to take a similar approach to the negotiating process.
2 We urged the GTE officer assigned to the negotiations to commit the necessary
3 human and other resources to ensure the efficiency and effectiveness of the
4 negotiations effort and to approach the negotiations with the proper regard for their
5 critical importance. AT&T's goal was to maximize the opportunity for successful
6 negotiations and for obtaining a comprehensive agreement.

7
8 Unfortunately, our efforts have not brought about that comprehensive agreement,
9 and therefore, a number of important issues remain for resolution in this arbitration
10 proceeding. Those issues are outlined in this testimony.

11

12 **Q. PLEASE DESCRIBE THE APPROACH THAT GTE TOOK WITH**
13 **RESPECT TO ITS NEGOTIATIONS WITH AT&T UNDER THE ACT.**

14

15 **A. GTE has approached the negotiations with AT&T with a very narrow view of the**
16 **Act and without a sense of urgency.**

17

18 As background information, I have observed during my years of experience in the
19 telecommunications business that GTE is often viewed as a small rural telephone
20 company relative to the Regional Bell Operating Companies. In fact, GTE is very
21 large, and, in its own 1995 Annual Report, described itself as the largest local
22 telephone company in the nation. It had \$20 billion in revenues in 1995 and served
23 over 24 million access lines (18.5 million domestic and 5.6 million overseas). It has
24 an advanced telecommunications network, and GTE has made enormous capital
25 investments in that network (\$4.0 billion in 1995 alone). Additionally, GTE has

1 capable people to run that network. RS-1, Tab 101, at 2, 23.

2

3 GTE also is expert and experienced in managing the local exchange business. GTE
4 fully understands what AT&T has requested, and there is no reason to doubt GTE's
5 ability to provide the full range of services for resale, and network elements, and
6 interconnection that AT&T has requested and is entitled to receive under the Act.
7 Thus, technical feasibility is not truly an issue. What has been at issue is GTE's
8 resistance to serious negotiations. GTE and AT&T have been unable to negotiate a
9 number of key issues, most importantly, the issue of parity. GTE also has resisted
10 agreement with AT&T on virtually all issues pending agreement on the issue of
11 price.

12

13 Indeed, GTE has described price as the "enabling" issue of the negotiations. GTE
14 notified AT&T that without an agreement on price, GTE is not even willing to
15 discuss a work plan to implement essential electronic interfaces with GTE's
16 operations support systems. Further, absent an agreement on price, GTE has stated
17 it would not negotiate beyond its initial negative response to AT&T's request for
18 unbundled network elements. Finally, with respect to a host of other issues on
19 which the two companies could reach agreement, GTE has stated that resolution of
20 these issues is subject to an agreement on the prices to be paid to GTE by AT&T for
21 wholesale services, unbundled network elements, and interconnection.

22

23 A detailed matrix outlining the issues that are the subject of this arbitration is
24 included in Attachment 1 to AT&T's Petition. This matrix also identifies the AT&T
25 witnesses who will address each issue. Included in the relevant documentation

1 submitted with the Petition is a separate matrix that reflects GTE's position with
2 respect to each of AT&T's requests and designates as "closed" those issues on
3 which agreement has been reached contingent upon a final agreement on price. RS-
4 1, Tab 115 (this document is proprietary and will be submitted to the Commission in
5 accordance with any protective order the Commission may issue).

6

7 **Q. PLEASE DESCRIBE THE SERVICES AND REQUIREMENTS THAT AT&T**
8 **HAS REQUESTED FROM GTE THAT ARE INCLUDED IN THIS**
9 **ARBITRATION PROCEEDING.**

10

11 **A. AT&T has requested the following from GTE:**

12

13 **LOCAL SERVICES RESALE**

14

15 **AT&T is requesting a complete Local Services Resale ("LSR") package from GTE.**
16 **Local Services Resale is synonymous with Total Services Resale. The Act entitles**
17 **AT&T to purchase any and all of GTE's retail service offerings without restriction**
18 **at wholesale rates and to resell those services to AT&T customers.**

19

20 **The requested LSR package of services is critical to AT&T's local market entry,**
21 **particularly in those locations and for those customers for whom facilities-based**
22 **service is not economically viable and will not be viable in the near term. GTE's**
23 **unwillingness to provide some of its retail services to AT&T at discounted**
24 **wholesale rates, without resale restrictions, is discussed in detail in the testimony of**
25 **AT&T witness Sather.**

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PARITY

AT&T is requesting that GTE be required to provide AT&T and other new entrants with services for resale, network elements, and interconnection that are at least equal in form and quality to what GTE provides to itself. AT&T refers to this as "parity".

AT&T requires the following, among other things, to achieve parity: (i) standards and processes to ensure that GTE provides products and services to AT&T at parity with those that GTE provides to itself; (ii) real-time and interactive access to GTE operations support systems via electronic interfaces; (iii) direct routing of calls from AT&T customers to AT&T service platforms; and (iv) directory listings and directory distribution on equivalent terms and conditions as those enjoyed by GTE.

GTE's view of parity is that AT&T is entitled to buy or have access to services for resale, network elements, and interconnection that are equivalent to those offered to other new entrants or end-users, but not equivalent to those services that GTE provides to itself. GTE also has stated that any agreement to provide parity is contingent upon cost recovery. GTE's position is that AT&T should bear the entire cost for the development and operation of certain essential systems and services. AT&T proposes that the costs should be allocated equitably across all benefiting carriers, including both GTE and AT&T. GTE's positions on parity and cost recovery, however, would ensure that permanent cost, structural, and operational advantages remained with GTE, which would preclude any effective local market penetration by AT&T or other new entrants. Thus, GTE's view of parity is

1 completely at odds with the objective of the Act and the recent Federal
2 Communications Commission ("FCC") order which require opening local monopoly
3 markets to real competition.

4
5 There is one critical issue related to parity that I would like to discuss. The issue is
6 the need for efficient handling by GTE of those service orders involving a GTE
7 customer who wants to change his or her service to AT&T "as is" (with all the
8 services the customer now receives from GTE, e.g., call waiting, call forwarding,
9 etc.). Rather than requiring that AT&T collect new information from the customer
10 regarding the services the customer currently receives from GTE for "change-as-is"
11 situations, AT&T proposed a blanket letter of authorization process. This process is
12 similar or identical to that employed in the intensely competitive interexchange
13 marketplace. Through this process, AT&T would have "blanket" or broad authority
14 to act on behalf of any customer who requests services from AT&T. This process
15 simplifies the customer change process while reasonably ensuring (by third-party
16 verification) that the customer in fact requested the change.

17
18 GTE acknowledges that the procedure suggested by AT&T makes complete
19 business sense, is efficient and otherwise sensible for all parties concerned. But,
20 GTE explained, a change-as-is order requires GTE to open a customer service file
21 and extract Customer Proprietary Network Information ("CPNI"). GTE further
22 explained the law requires in such situations individual written authorization from
23 the customer. I am advised by counsel that the CPNI provisions of the Act
24 specifically exempt situations of this type where new service is being initiated for
25 the customer. Even if a CPNI issue were involved, the blanket authorization

1 proposed by AT&T would provide a more than adequate form of customer approval.

2

3 AT&T's requirements for parity are further addressed in the testimony of AT&T
4 witness Carroll.

5

6 UNBUNDLED NETWORK ELEMENTS - TECHNICAL

7

8 AT&T is requesting non-discriminatory access to unbundled network elements at
9 any technically feasible point, and the ability to use those elements individually and
10 in combinations. AT&T is specifically requesting access to twelve unbundled
11 network elements, at a minimum. Moreover, as the Act recognizes, new entrants
12 must be able to combine or recombine elements into services that customers will
13 want. The unbundled network elements and the potential combinations of those
14 elements (including combining those elements with AT&T's or third parties'
15 facilities) are essential to allowing AT&T to offer services now provided by GTE
16 and to develop new and innovative services

17

18 AT&T also is seeking interconnection and a number of other related technical
19 capabilities including number portability, collocation, access to rights-of-way, and
20 access to unused transmission media. A detailed discussion of AT&T's need for the
21 twelve essential network elements and combinations, interconnection requirements,
22 and other technical capabilities is included in the testimony of AT&T witness
23 Crafton.

24

25 PRICE

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For GTE retail services provided for wholesale, GTE's wholesale discount proposals are inadequate and do not reflect avoided costs. AT&T's position is that wholesale rates must exclude all direct and indirect costs related to retail functions. This pricing approach is critical to foster competition in the local services market. The appropriate method for calculating avoided costs is described in detail in the testimony of AT&T witnesses Lerma, Gillan, and Kaserman

Further, AT&T is requesting that unbundled network elements, interconnection, and other technical requirements be priced at TSLRIC as detailed in the testimony of AT&T witnesses Guedel, Gillan, Kaserman, and Wood.

GENERAL

AT&T requests a term for the interconnection agreement sufficient to enable it to provide continuous and reliable service to its customers and to establish itself as a competitor in GTE markets. AT&T requests the term for the interconnection agreement be of sufficient length upon which to base local entry marketing and investment plans. Further, AT&T requests that GTE not be permitted to modify the agreement through subsequent tariff filings.

AT&T's witness Cresse discusses why it is in the public interest for the Commission to adopt orders and policies that increase options for consumers. By ordering that GTE make available the services and requirements that AT&T has outlined above, the Commission will be taking the first critical steps towards ensuring that Florida

1 consumers benefit from competition in the local services market.

2

3 **Q. PLEASE SUMMARIZE WHAT AT&T IS ASKING THE COMMISSION TO**
4 **ORDER.**

5

6 **A.** AT&T is requesting that this Commission help complete the terms of an
7 interconnection agreement between AT&T and GTE that will allow AT&T to enter
8 the Florida local exchange market as a viable competitor. The parties have made
9 some progress in their negotiations, but require assistance on certain fundamental
10 issues. Those issues are set forth in detail in the issues matrix included as
11 Attachment 1 to AT&T's Petition.

12

13 Within other segments of the telecommunications market, this Commission has
14 recognized the power of competition to increase consumer choice and lower prices.
15 AT&T asks this Commission to grant an order in this proceeding that will extend the
16 same benefits to the local exchange market segment.

17

18 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

19

20 **A.** Yes.

21

22