

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of :
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Petitions by AT&T Communications :
of the Southern States, Inc., :
MCI Telecommunications :
Corporation and MCI Metro Access :
Transmission Services, Inc., :
for arbitration of certain terms :
and conditions of a proposed :
agreement with GTE Florida :
Incorporated concerning :
interconnection and resale under :
the Telecommunications Act of :
1966. :

DOCKET NO. 960847-TP
DOCKET NO. 960890-TP



FIRST DAY - MORNING SESSION

VOLUME 2

Pages 149 through 271

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN SUSAN F. CLARK
COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE: Monday, October 14, 1996

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
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APPEARANCES:
(As heretofore noted.)

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25**WITNESSES - 2**

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P R O C E E D I N G S

(Transcript follows in sequence from
Volume 1.)

JOSEPH GILLAN

having been called as a witness on behalf of
AT&T Communications of the Southern States
and, being duly sworn, continues his testimony
as follows:

CONTINUED CROSS EXAMINATION**BY MR. FUHR:**

Q Maybe the third time is a charm. In
connection with your testimony to this Commission,
have you done any empirical study of GTE's costs and
the degree to which its prices cover those costs?

A Yes; previous answer.

MR. FUHR: I have no further questions.

CROSS EXAMINATION**BY MS. BARONE:**

Q Good morning, Mr. Gillan. My name is Monica
Barone. I'll be asking you questions on behalf of
Commission Staff.

Sir, is it AT&T's position that under the
Act it can combine unbundled network elements in any
manner in order to provide telecommunications services
to its customers?

1 A Absolutely. The language -- explicit
2 language was added to the Act to make sure that that
3 right existed.

4 Q Okay. In connection with that, why do you
5 believe, or why does AT&T believe that that's
6 necessary?

7 A Well, there's a variety of reasons. Unlike
8 the entry that had occurred prior to the Act's
9 passage, if you want -- if anyone wants to approach
10 the market broadly, a couple of things have to be
11 there. You have to be able to the switch customers
12 electronically. You can't, you know, wait months to
13 convert a customer. The orders have to be processed
14 efficiently. You have to have an opportunity to
15 design your own products, and you have to be able to
16 integrate into the local network.

17 Because of all those reasons, prior to the
18 Act's passage there was a growing awareness in the
19 industry that there needed to be an opportunity to use
20 local -- the existing local switching to provide
21 service, because for many customers in many regions
22 local switching is as critical an input and as rare
23 and scarce an input as the local loop.

24 So in order to be able to provide service,
25 you need to be able to use both the loop and the

1 switch its existing combination. That is why when the
2 Conference Committee added specifically the language
3 to 251 C-3, which is the section dealing with network
4 elements, that carriers would have the right the
5 combine network elements to provide any service they
6 wanted, so that companies could fully use the network
7 to provide services to customers.

8 Q Do you believe AT&T should be able to
9 rebundle separate elements to recreate a GTE service?

10 A Yes. And part of the reason for that is
11 that when you're buying the network elements and
12 you're offering service, you're not just offering that
13 service, you're stepping in and offering local
14 exchange and exchange access service.

15 If you couldn't buy these things and get
16 back the existing local exchange service, it would
17 imply that there's some mystical element, that GTE
18 isn't obligated to sell you. I don't actually expect
19 most people to want to come in and sell exactly what
20 GTE sells, but certainly they have the right to buy
21 these pieces of the network, and if one of the things
22 they want to offer is something that looks like just
23 that existing service, they have that right.

24 Q Sir, would you comment on GTE's position
25 that allowing the recombination of unbundled elements

1 renders the distinction between unbundled elements and
2 wholesale services meaningless?

3 A It's basically false, with one possible
4 exception. The only time that an unbundled network
5 element or a combination of network elements and a
6 service would be the same is if two conditions are
7 true; one, that the network element provides that
8 service, and only that service; and, two, that that
9 service requires those network elements, and only
10 those network elements.

11 This almost naturally never happens in
12 telecommunications. Typically, a network element is
13 used to provide more than one service. As a result,
14 you know, this strict equality just isn't present.
15 However, if you assume for a moment that there is a
16 case where the network element and the service are
17 identical, and so, therefore, it would be subject the
18 two pricing requirements, what does that mean?

19 Well, it really just means that if you were
20 to buy under the wholesale rate for resale scenario,
21 you take the retail price, you subtract the retail
22 cost, and if you take a retail rate and subtract the
23 retail cost for a service that is comprised of a
24 single network element, what you should be getting
25 back is the cost of that network element.

1 So in the one instance where the things are
2 identical, the wholesale pricing standard and the
3 network element pricing standard should give you the
4 same result unless either the -- unless the service is
5 mispriced; but if the service is mispriced, then I
6 think Congress intended the situation to exist so that
7 the pricing would get corrected. Is that modestly
8 clear?

9 Q Can you explain why a carrier, or rather a
10 new entrant, would prefer to purchase a service at
11 wholesale rather than create the same service by
12 combining unbundled elements?

13 A Yes. If you consider becoming a local
14 telephone company requires developing a hierarchy of
15 skills, if I simply resell the LEC's wholesale
16 service, I've avoided having to develop some skills
17 which I might want to do on the front end of the
18 process. I don't actually have -- I don't have to
19 really develop any -- our product management skills
20 because I haven't -- I'm not really creating any
21 product. I'm going to be reselling the one that they
22 create, so I don't have to develop the technical
23 ability of -- or the human capability of really
24 knowing all these different markets.

25 You know, when you look at -- when you look

1 at the long distance business, the long distance
2 business is effectively one national market within
3 some state-specific markets. So if you're going to
4 become a long distance company, your marketing
5 operation has to understand what national and
6 interstate prices are and it has to understand market
7 conditions in particular states; but that's about as
8 granular as it gets.

9 If you become a local telephone company,
10 you've got to understand the market for each LEC that
11 exists and probably more specifically for each city
12 that that LEC serves. That's a level of granularity
13 that is far in excess of anything that the local --
14 that the long distance industry has today.

15 If I'm only going to resell service, I don't
16 have to develop my marketing expertise at that very
17 low geographic level because I will be reoffering the
18 same thing that the local telephone company offers,
19 and if my focus is really on some other element of the
20 package that customers buy, maybe that's sufficient;
21 that I just offer what the local telephone company
22 offers and I specialize in something else.

23 However, if I take it the next step and
24 become a network element based company, I have now
25 stepped much further down the ladder of operational

1 and human skills. I now have to design my local
2 exchange services. I have to price them. I have to
3 carry the risk that, you know -- that people aren't
4 going to like my packages or they're not going the use
5 them in the way that I had hoped.

6 I have to figure out ways to do carrier
7 access billing, which is a really big step for a
8 company to now take the next step and figure out,
9 okay, I have to not only issue bills to these end
10 users, I have to track all these minutes and find ways
11 to issue carrier access bills as well, and I have to
12 do all of this at a very disaggregated level. _

13 I mean, the local -- that saying about all
14 politics is local, well, it's probably superficially
15 obvious, but all local telephone competition is local.
16 I mean, it just requires a completely different
17 commitment to both engaging in that product design,
18 making sure that the operational systems in my
19 company, in my entrant company, are sufficient, and
20 it's all realistically part of a process of growing
21 and figuring out, okay, now that I've got all these
22 elements, how do I start swapping them out; who's
23 going to give me transport cheaper? Who is going to
24 give me switching cheaper? How do I do this? But
25 it's a much more complex step for a carrier to take.

1 Q If rates for unbundled elements are set at
2 TELRIC, will GTE be fully compensated for the use of
3 those elements?

4 A Yes.

5 Q Can you explain?

6 A TELRIC is the forward-looking cost captures
7 all the cost consequences of a carrier making that
8 decision to obtain the network element. It
9 compensates them for the investment, it compensates
10 them for the operational systems, it compensates them
11 for the management functions and everything else
12 associated with providing network elements.

13 The thing that makes it unique is that it's
14 forward-looking so that it captures all the actual
15 cost consequences of the decision; and, secondly, it
16 is related to the provision of a telephone network as
17 opposed to a telephone and video and all the other
18 things that GTE is involved in; but it does compensate
19 them for what the carrier purchases.

20 MS. BARONE: Thank you. That's all I have.

21 CHAIRMAN CLARK: Questions, Commissioners.
22 Redirect?

23 REDIRECT EXAMINATION

24 BY MS. DUNSON:

25 Q I just have a couple of questions. Prior to

1 1996, GTE was under rate of return regulation, was it
2 not?

3 A That is correct.

4 Q And GTE elected to go under price regulation
5 this year; is that correct?

6 A Yes, they did.

7 Q Does price regulation allow this Commission
8 to look at the earnings of a regulated company?

9 A No, it does not.

10 Q Then under price regulation, does the
11 embedded investment of the regulated firm have any
12 relevance at all?

13 A Not to this Commission's regulatory
14 oversight, no.

15 Q And were access charges also set in the
16 context of rate of return regulation?

17 A Yes.

18 Q Under price regulation, are the same
19 concerns that led to access charges being set at an
20 excess level still present?

21 A No, I don't believe they are.

22 Q I believe you were asked some questions
23 about the Rochester experiment do you remember that?

24 A Yes.

25 Q What was the wholesale discount that SNET

1 provided to AT&T in Rochester?

2 A Well, it wasn't -- it was Rochester
3 Telephone. It was 5%.

4 Q It was 5%. And was AT&T able to provide
5 competitive services at that discount level?

6 A Not profitably, no. I mean the Rochester
7 experiment was an experiment. I mean, the 5%, people
8 kind of forget the 5% really came out of the New York
9 Commission's staff, just because nobody had any
10 information, and they knew that there had to be some
11 differential, and so they just literally picked a
12 number out of thin air. AT&T went into the market to
13 offer service and learned how important operational
14 systems were and also how inadequate 5% could possibly
15 be.

16 Q What level discount is GTE recommending in
17 this case?

18 A I believe it's under 10%.

19 Q Would you say it's close to what was offered
20 in Rochester?

21 A Yes. Yes. I think the thing that struck me
22 most when I read GTE's prehearing statement was that
23 they were suggesting the value of the discount would
24 be I think it was 43 cents or something a month. 83
25 cents per month for residential customer. I mean,

1 it's just not possible to attract -- I mean, even if
2 you gave it all up in discount, how many people are
3 going to change local telephone companies for the
4 promise of 83 cents off a month? And that's assuming
5 you passed on the entire thing in terms of price
6 reduction. There is no way that there would be --
7 there would be any significant -- there would be no
8 meaningful entry under that kind of arrangement.

9 Q And actually I just have one more question.
10 You might have answered this, but I just wanted to
11 make sure that I was clear on it. When you talk about
12 services being priced below cost, what type of costs
13 are you talking about? Are you talking about forward
14 economic costs or embedded costs?

15 A My understanding throughout our -- my
16 discussion with the GTE counsel was we were always
17 referring to forward-looking economic costs, that we
18 never were addressing any question about prices below
19 their embedded cost.

20 Q Thank you. That's all I have.

21 CHAIRMAN CLARK: Exhibits.

22 MS. DUNSON: AT&T moves Exhibit 3.

23 CHAIRMAN CLARK: Without objection Exhibit 3
24 will be entered in the record. We'll take a break
25 until 5 minutes until 12:00, and we'll come back with

1 Mr. Shurter.

2 (Exhibit 3 received in evidence.)

3 MS. DUNSON: May Mr. Gillan be excused?

4 CHAIRMAN CLARK: Yes.

5 (Witness Gillan excused.)

6 CHAIRMAN CLARK: Call the hearing back the
7 order. Mr. Logan.

8 MR. LOGAN: Yes. Commissioner Clark,
9 Mr. Hatch forgot to enter an appearance on my behalf,
10 so if I could do that for the record real quick. Mark
11 Logan, the firm, Bryant, Miller & Olive, 201 South
12 Monroe Street, Suite 201, Tallahassee on behalf of
13 AT&T Communications of the Southern States. And AT&T
14 would now call Mr. Ron Shurter to the stand.

15

- - - - -

16

RONALD D. SHURTER

17

was called as a witness on behalf of AT&T

18

Communications of the Southern States, Inc. and,

19

having been duly sworn, testified as follows:

20

DIRECT EXAMINATION

21

BY MR. LOGAN:

22

Q Mr. Shurter, could you state your name and

23

business address for the record, please?

24

A Yes. My name is Ronald H. Shurter. The

25

business address is AT&T, 1 Oak Way, Berkeley Heights,

1 New Jersey.

2 Q And in what capacity are you employed by
3 AT&T?

4 A I have the responsibility for local
5 infrastructure and access management as it relates to
6 the southern states and for national suppliers, such
7 as GTE and Sprint United.

8 Q Mr. Shurter, have you caused to be prepared
9 in this docket direct testimony dated August 16th and
10 rebuttal testimony dated September 24th?

11 A Yes, I did.

12 Q And pursuant to the prehearing order, are
13 you also going to adopt the testimony of AT&T witness
14 William J. Carroll that's direct testimony that was
15 filed on August 16th as well?

16 A Yes, I do. I adopt his testimony.

17 Q Do you have any changes to that testimony?

18 A Yes, I did, and this is to Mr. Carroll
19 testimony that I am adopting. On Page 5, Line 15, the
20 FCC paragraph reference of "969" should be "970". On
21 Page 6, Line 2, the FCC reference, paragraph "417"
22 should be "418," the reference of "535" should be
23 "536".

24 On Page 7, Line 8, the reference at the end
25 of the line to the page number is shown as "5" and

1 should be "51". Also on the same page on Line 16, the
2 page reference of "5" should be Page "50".

3 On Page 10, Line 3, the paragraph reference
4 of "969" should be "970". On Page 11, Line 9, the
5 paragraph reference of "969" should be "970". On Page
6 13, Line 4, the paragraph reference of "515" should be
7 "516". On Page 23 on Line 19, the paragraph reference
8 of "417" should be "418". And on Page 24, Line 4,
9 paragraph reference of "417" should be "418", and the
10 reference of "535" should be "536".

11 Q Any other changes, Mr. Shurter?

12 A No.

13 Q Mr. Shurter, if I were to ask you the
14 questions contained in your testimony and the
15 testimony that you have adopted of Mr. Carroll, today
16 would your answers be the same?

17 A Yes, they would.

18 MR. LOGAN: Madam Chair, I'd move for the
19 admission of Mr. Shurter's direct testimony, rebuttal
20 testimony, and adopted testimony of Mr. Carroll.

21 CHAIRMAN CLARK: That testimony will be
22 inserted in the record as though read.

23 Q (By Mr. Logan) Mr. Shurter, with respect
24 the your rebuttal testimony were there two exhibits
25 prepared and attached to that testimony?

1 **A** Yes, there are.

2 **Q** And those were exhibits RHS-1 and 2?

3 **A** Yes, that is correct.

4 **MR. LOGAN:** Madam Chair, I'd move for the
5 identification of those exhibits attached the
6 Mr. Shurter's rebuttal testimony.

7 **COMMISSIONER KIESLING:** I have a question.

8 **CHAIRMAN CLARK:** I think I have the same
9 question. I have RSR.

10 **COMMISSIONER KIESLING:** That's exactly what
11 I have.

12 **MR. LOGAN:** I'm sorry. RSR-1 and 2.

13 **CHAIRMAN CLARK:** All right. Those two
14 exhibits will be marked as Exhibit 4.

15 (Exhibit 4 marked for identification.)

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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. 1

**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.

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

7

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

13

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

19

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

23

24 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT ASSIGNMENT?**

25

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 l, 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

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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

1

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

8

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

12

13 GENERAL

14

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

21

22 AT&T's witness Cresse discusses why it is in the public interest for the Commission
23 to adopt orders and policies that increase options for consumers. By ordering that
24 GTE make available the services and requirements that AT&T has outlined above,
25 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

1 A. Yes, I did. I served with Reed Harrison, the AT&T officer assigned to the national
2 negotiations effort with GTE, as co-leader of the AT&T national team. I directed
3 AT&T's effort and worked to engage GTE in establishing work plans and work
4 processes to facilitate forward movement in those negotiations and to create the
5 optimal environment for the achievement of a comprehensive national agreement.
6 Virtually all initiatives in that effort came from AT&T, from the notion and the
7 development of work plans to the repeated initiation of alternative approaches to
8 resolve issues (e.g., access to GTE pathway facilities, branding issues, the phasing in
9 of the essential electronic interface) on which GTE had adopted a resistant posture,
10 ranging from a negative response to a refusal even to negotiate an issue.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. I will address briefly, in the context of my foregoing remarks, the mischaracterization
14 of AT&T conduct and actions in the testimony of GTE witness Seaman. That
15 testimony incorrectly claims an "apparent reversal" of positions on the part of
16 AT&T, and employs that device to support GTE's rigid adherence to its own original
17 positions on virtually all critical issues of interconnection.

18

19 **Q. WILL YOU ADDRESS OTHER POINTS CONTAINED IN THE**
20 **TESTIMONY OF MR. SEAMAN OR THE TESTIMONY OF OTHER GTE**
21 **WITNESSES?**

22 A. I will respond only briefly to some of the other points made by GTE in the Seaman
23 testimony, including services available for resale, unbundled network elements, and
24 pricing. Those issues and the testimonies of other GTE witnesses will be more
25 thoroughly considered in the rebuttal testimony of other AT&T witnesses in this

2
3 I will devote closer attention to GTE statements and misstatements, in the Seaman
4 testimony and, more extensively, in the testimony of GTE witness Rodney Langley,
5 regarding the interactive electronic interface arrangements that are essential to AT&T
6 and other new entrants' entry into GTE's monopoly local markets. This interactive
7 electronic interface, as recognized by the state regulators from California to Illinois to
8 Georgia and beyond, and by the FCC, is absolutely essential if there is to be any real
9 hope of competition in the local exchange.

10
11 AT&T has never sought overnight interactive interface, but has throughout the six
12 months since passage of the 1996 Act -- and for several months in California prior to
13 the passage of the 1996 Act -- sought from GTE a commitment to a workplan that
14 would permit the early implementation of very imperfect interim arrangements, with
15 defined movement toward achievement of improved interim electronic arrangements
16 and, finally, achievement of the electronic interactive interface at the earliest
17 practicable date. That's where AT&T has focused its energies, consistent with its
18 clearly stated objective of local market entry. And that's where we hope the
19 Commission will direct GTE to move --to implementation of a committed plan.
20 Without that Commission direction, GTE will continue to accentuate the negative (it's
21 complicated; it's costly; it's more than we give ourselves.' etc.) in its approach to
22 meeting its obligations.

23
24 *Rebuttal of Seaman Testimony*
25

1 Q. LET'S TURN THEN TO MR. SEAMAN'S TESTIMONY REGARDING THE
2 NEGOTIATIONS PROCESS AND HIS CHARACTERIZATION OF AT&T'S
3 DRAFT CONTRACT.

4 A. The description of the process itself is generally accurate. That process, involving
5 negotiating teams at the Subject Matter Expert or SME level, at a Core level and at
6 an Executive level was initiated at the instance of and under the design proposed by
7 AT&T. Indeed AT&T sought by use of a box score matrix to encourage movement as
8 much as to track it. Notwithstanding those facilitating processes, and our best efforts
9 to overcome GTE resistance, there was in the end only minimal progress with GTE on
10 such critical issues as services available for resale, unbundled network elements and
11 other critical services and capabilities, including pathway access. We have also
12 encountered GTE resistance in our efforts to establish a work plan for the interactive
13 electronic interface that is absolutely essential if AT&T or other ALECs are to have
14 any realistic opportunity to compete in the monopoly local exchange markets of GTE.

15
16 I would urge upon the Commission a proper and accurate perspective of the
17 negotiations process. GTE is the giant incumbent LEC; and AT&T has been seeking
18 to obtain from GTE what AT&T needs to enter and compete successfully in local
19 markets long served only on a monopoly basis, and only by GTE. AT&T's only
20 incentive has been forward movement, toward its objective: local market entry.
21 AT&T introduced processes described by Mr. Seaman to facilitate and speed up the
22 achievement of that objective. GTE's incentives have obviously been otherwise.

23
24 Q. PLEASE ELABORATE ON YOUR LAST POINT.

25 A. Reed Harrison and I, for AT&T, sought a win-win business arrangement with GTE

1 from the outset, emphasizing throughout the negotiations the benefits GTE might
2 derive in its wholesale business. Yes it's true we were proceeding under a federal
3 statute, and under complementary pro-competitive policies of many state
4 commissions, to pursue our rights and enforce GTE's obligations under the new
5 Telecommunications Act. But our focus was not minimalist, for AT&T or for GTE.
6 GTE, unfortunately, took a different and narrower approach, and emphasized from
7 the outset its view that we were coming after their local exchange market share --to
8 take customers away from them. That may well be true, as the Congress
9 contemplated -- and, I believe, mandated -- in the new Act. But we did not come in
10 looking for a lifetime enforcement proceeding against GTE. We believed then as we
11 do now that our interests are best served under a business arrangement that has
12 benefits for both sides. Again, to put matters in a proper and accurate perspective, it
13 was GTE who insisted, as Mr. Seaman confirms, that interconnection, services or
14 network elements sought by AT&T be specifically required by the Act. We were
15 effectively and explicitly advised by GTE that we'd get what the Act plainly required
16 and nothing more. Having underscored that rigid approach to the letter and spirit of
17 the new law, GTE proceeded throughout the negotiations to insist that the Act did not
18 require most of the things we were asking for. Parity, for example, according to
19 GTE, meant we'd be treated equally with other ALECs, certainly not with GTE. That
20 view of the Act has been properly rejected by all responsible regulators who've had it
21 put before them.

22

23 **Q. MR. SEAMAN ATTACKS AS MISLEADING AT&T'S INCLUSION IN ITS**
24 **RELEVANT DOCUMENT PACKAGE OF A "JOINT DRAFT"**
25 **CONTRACT. WOULD YOU COMMENT ON HIS TESTIMONY?**

1 A. AT&T's filing, including its relevant document package, was neither in fact nor by
2 design misleading in any respect. Mr. Seaman's testimony on this point is itself
3 misleading. In fact, during and after a two-and-one-half day negotiating session on
4 July 17-19, 1996 at AT&T's offices in Berkeley Heights, counsel for AT&T and for
5 GTE were instructed to proceed with their efforts to reduce to legal contract language
6 items or issues on which the parties had or believed they had achieved agreement.
7 The efforts of the two lawyers continued at Berkeley Heights throughout the period
8 July 17-19, and continued for a few weeks thereafter at GTE offices in Irving, Texas,
9 then stopped at the instance of GTE. The two lawyers, for those contact provisions
10 on which they had in fact conducted negotiations, employed markings to indicate (i)
11 proposals advanced by AT&T with which GTE disagreed; (ii) proposals advanced
12 by GTE with which AT&T disagreed, and; (iii) for sections covered by their
13 negotiations, unmarked text to indicate areas of agreement. The two lawyers
14 established and fully understood that process, as confirmed in the letter of AT&T
15 counsel to her GTE counterpart, which is attached as Exhibit RSR-1. There can be
16 no legitimate confusion on the part of the GTE negotiators or anyone else on this
17 score. The contract document in question did in fact identify areas of agreement and
18 disagreement between AT&T and GTE, and was therefore a proper relevant
19 document for that purpose.

20
21 **Q. THEN YOU BELIEVE THERE WAS NO BASIS FOR CONFUSION ON**
22 **THE PART OF GTE?**

23 A. There was certainly no basis for confusion on GTE's part. AT&T made clear to GTE
24 that the filing of the petition did not close any doors for further negotiations or

1 discussion. GTE could promptly have called its lawyer or ours for any clarification
2 needed on the forms of contract documents filed with the petition. The fact is that
3 AT&T submitted a draft contract for GTE review at the very beginning of July, then
4 cross-referenced that document to the issue matrix employed by the parties, to make it
5 easier for GTE to review the document, then marked the document as indicated in
6 counsel negotiations to show areas of agreement and disagreement. GTE had plainly,
7 in words and actions, agreed to negotiate on that form of contract with AT&T. But,
8 as noted, the parties did not achieve agreement on a number of fundamental issues,
9 such as services available for resale, unbundled network elements, other capabilities
10 and services needed by AT&T, and pricing for all of the above. So, AT&T filed for
11 arbitration, and included with its petition a form of interconnection agreement which
12 it asked the Commission to order into effect. Obviously, in asking the Commission to
13 order GTE to enter that contract, AT&T was not suggesting that GTE agreed to that
14 contract, in whole or in part, but rather the contrary. The contract accompanying our
15 petition provides all the relief we seek in the petition, namely, the interconnection
16 terms and conditions to which AT&T believes it is entitled under the governing
17 federal act. But we certainly also sought to reflect in that contract exhibit any areas
18 on which we had achieved agreement with GTE. GTE has formally and informally
19 complained to AT&T that our contract exhibit does not reflect some areas on which
20 agreement was reached. When we asked GTE to specify its complaint, its examples
21 were few and, if not inaccurate, really quite insignificant. I can only conclude that
22 this GTE claim about AT&T's "reversal of positions it took during the negotiations"
23 is offered as an excuse for GTE to move back off its own positions and, even more
24 likely, to get before the Commission GTE's own model contract. The processes we
25 initiated to facilitate and track the intercompany negotiations did not preclude the

1 occasional mistake or misunderstanding, but it also permitted identification and
2 correction in such cases. AT&T has made clear to GTE our continuing availability to
3 clear up such items.

4

5 **Q. MR. SEAMAN DEVOTES A SECTION OF HIS TESTIMONY TO THE 1996**
6 **ACT AND HIS DISAGREEMENT WITH THE FCC'S RULES**
7 **CONSTRUING ILEC OBLIGATIONS UNDER THAT ACT. DO YOU**
8 **HAVE ANY RESPONSE?**

9 A. Throughout his testimony on the 1996 Act and the FCC order, Mr. Seaman advances
10 a host of legal arguments that, I believe, neither he nor I are best qualified to address.
11 In this and in other aspects of his attack on the FCC order, I would urge the
12 Commission to consider the source. And, I urge the Commission as well to consider
13 the selective and hopelessly unbalanced and unfair approach of GTE to the federal
14 act.

15

16 I have already emphasized AT&T's objective in its efforts with GTE, namely, to
17 obtain local market entry. I believe that the 1996 Act gives us that right, and that the
18 pro-competitive policies of the FCC and this Commission can be applied --against the
19 ongoing resistance of GTE-- to implement that federal statute and provide AT&T the
20 tools necessary to enter the local market in Florida. I believe that this Commission
21 can adopt and apply as its own the pro-competitive and pro-consumer policies set out
22 by the FCC in its recent order.

23

24 I understand that this Commission has concerns or objections relating to some aspects
25 of the FCC's order, and that those will be pursued through judicial review processes.

1 But that does not alter the pro-competitive, pro-consumer policies of this
2 Commission, nor align it with GTE, whose attack on the FCC order arises from
3 GTE's resistance to those same pro-competitive policies as these are included in the
4 FCC order. GTE doesn't like the FCC order because that order makes clear that
5 GTE's obligations under the 1996 Act are real, and substantial, and that the Act
6 requires, for real, the opening of the GTE local exchange monopoly to competitive
7 entry.

8

9 **Q. MR. SEAMAN SAYS THAT GTE WILL BE IRREPARABLY HARMED IF**
10 **THE FLORIDA COMMISSION ESTABLISHES INTERIM DEFAULT**
11 **PROXY RATES FOR THE INTERCONNECTION, SERVICES AND**
12 **UNBUNDLED NETWORK ELEMENTS THAT AT&T NEEDS FROM GTE.**
13 **DO YOU HAVE ANY COMMENT ON HIS CLAIM?**

14 **A.** GTE has in fact argued its pricing and costs-for-pricing methodologies at great length
15 before the FCC. Its position was rejected by the FCC, as it has been by several state
16 regulators. In California, for example, GTE's cost methodologies and related pricing
17 proposals were rejected by the CPUC, which ordered new studies and indicated its
18 intention --pending those new studies-- to set GTE rates on RBOC-based
19 methodology. What the FCC and the California Commission determined, in fact, was
20 that GTE pricing methodologies and resulting prices are excessive and tend to
21 preclude rather than to promote competitive entry into the local exchange. Those are
22 exactly the effects that would result in Florida from the adoption of Mr. Seaman's and
23 GTE's pricing proposals here. In summary, any harm of the type claimed by GTE
24 has been self-inflicted. It is otherwise remarkable to hear this GTE argument about
25 fairness and irreparable harm in the context of the new federal law.

1

2 **Q. PLEASE ELABORATE ON YOUR LAST COMMENT.**

3 A. GTE's approach to the new federal law is entirely unbalanced and unfair. Congress
4 has mandated the opening of the local exchange to competitive entry. In its approach
5 to that mandate, GTE urges caution and care and study. What GTE really means is
6 delay of local market entry by new entrants. GTE has apparently no complaint with
7 those provisions of the 1996 Act which permitted it to enter immediately into the
8 intensely competitive long distance markets that are already served by AT&T and
9 literally hundreds of competing carriers. And in that market GTE touts its ability to
10 offer a full range of local and long distance services. For as long as GTE can delay
11 and resist entry into its local market, it will retain the enormous and unfair
12 competitive advantage that its local monopoly provides, and continue to take
13 thousands of customers away from AT&T and other long distance carriers --potential
14 competitors who are locked out of GTE's local monopoly market and thus precluded
15 from offering a local/long distance package in competition with that of GTE. So,
16 they lose customers to GTE. Mr. Seaman insists that it's very hard, or very costly, or
17 both for a firm to win back a customer lost to a competitor. Incredibly, he's talking
18 about GTE which, under its program of resistance and delay, has not to my
19 knowledge yet lost a single such customer.

20

21 **Q. WHAT IS YOUR RESPONSE TO THE BALANCE OF MR. SEAMAN'S**
22 **TESTIMONY?**

23 A. All or most of Mr. Seaman's arguments on services available for resale, on unbundled
24 network elements and combinations and on the appropriate pricing of those services
25 and elements have been properly rejected by the FCC and by several state regulators.

1 Other AT&T rebuttal witnesses will cover these points in detail. The very tone and
2 content of Mr. Seaman's testimony on these points reflects GTE's head-in-the-sand
3 view of the new federal act, and its desire to maintain the status quo. ("GTE will
4 offer;" "GTE should not be required;" etc.). Quite simply stated, GTE's positions
5 would, if adopted, effectively preclude competition in the local exchange in Florida.
6 That's great for GTE, but not for Florida consumers, and it contradicts the pro-
7 competitive policies of this Commission and of the Congress.

8

9 **Q. MR. SEAMAN SAYS THAT A FIVE YEAR TERM FOR THE**
10 **AGREEMENT IS NOT NEEDED BY AT&T AND WOULD PREJUDICE**
11 **GTE. DO YOU AGREE?**

12 **A.** I certainly do not agree, and especially not in the case of GTE. In order to enter and
13 compete effectively in the local exchange, AT&T must acquire, configure, service
14 and market services and elements obtained from GTE -- and do so in a market entirely
15 and historically dominated by GTE, with its 100% market share. The challenges and
16 variables associated with that effort are enormous, far beyond anything facing new
17 entrants twenty years ago in the interexchange marketplace. Yet even in that much
18 more receptive or susceptible marketplace, effective competition did not arrive
19 overnight. It took root and grew over time, from resale to facilities-based and other
20 forms. In that context, five years is hardly an excessive term for the local
21 interconnection, services and network elements agreement sought by AT&T. There
22 is no basis for the argumentative counterpoint of GTE, other than their statement that
23 two years is enough. Not so.

24

25 **Q. FINALLY, MR. SEAMAN ATTACKS AT&T'S DESIRE FOR INDEMNITY**

1 **FROM GTE FOR UNBILLED AND UNCOLLECTED REVENUE**
2 **ASSOCIATED WITH SYSTEM FAULTS. WILL YOU RESPOND ON**
3 **THAT POINT, PLEASE?**

4 A. For the network elements, interconnection and services, including operations support
5 services, sought by AT&T from GTE in this proceeding, AT&T will pay the
6 appropriate price established or approved by this Commission. The indemnity sought
7 by AT&T is entirely reasonable, and hardly reflects an uncommon or unusual
8 industry practice. The "system faults" to which he refers are GTE system faults. The
9 AT&T proposal would hold GTE liable for GTE's actions in causing or its inaction in
10 preventing such system faults. It's GTE's network, managed and operated by GTE
11 personnel that is the subject of the provision in question.

12

13

Operational Support Services

14

Interactive Electronic Interface

15

16 **Q. HAVE YOU REVIEWED THE TESTIMONY OF MESSRS. SEAMAN AND**
17 **LANGLEY FOR GTE ON THE SUBJECT OF OPERATIONAL SUPPORT**
18 **SERVICES?**

19 A. Yes, I have.

20

21 **Q. WHAT IS YOUR GENERAL REACTION TO THAT TESTIMONY?**

22 A. In large part, the GTE testimony addresses non-issues never raised by AT&T,
23 strawmen if you will, that GTE raises and then knocks over, with implied or express
24 mischaracterization of AT&T's position. Thus, for example, Mr. Seaman states with
25 respect to operations support systems and services that cost is an issue. AT&T has

1 never suggested otherwise. Mr. Langley, in very confusing testimony on this subject,
2 says that AT&T seeks operations support systems "not as one of the unbundled
3 elements it seeks to purchase from GTE," but rather "for free." That's just not so.

4

5 In the same confusing discussion, at pages 2-3 of his testimony, Mr. Langley says
6 that:

7 (1) AT&T did not list OSS as an unbundled element;

8 (2) GTE contends that OSS are not unbundled elements, and AT&T must
9 pay for access to these functions;

10 (3) AT&T must still pay even if it's determined that OSS are unbundled
11 elements; and

12 (4) AT&T just refuses to pay for development or anything on OSS.

13

14 Again, AT&T has never stated that it would not pay for operational support systems
15 provided by GTE. To suggest that we've sought those systems and services for free is
16 incorrect.

17

18 **Q. DOES GTE CONTEST THE NEED OR IMPORTANCE OF THE**
19 **OPERATIONAL SUPPORT SYSTEMS AND SERVICES SOUGHT BY**
20 **AT&T?**

21 **A.** I don't think so. But GTE's approach to implementation is one of delay. GTE can't
22 contest the critical need for operational support systems and services for any new
23 entrant in the local exchange. Quite simply put, you can't operate without those
24 systems and services. Rather, GTE has sought to limit and "define down" the nature
25 of the interface requirements of AT&T, and to "trickle down" those systems and

1 support services on a "just enough to get you started" or "just enough to keep you
2 moving" basis. GTE has complained when AT&T has sought more definition of the
3 interface, and more definite scheduling for the required movement to full interactive
4 electronic interface.

5
6 **Q. WHAT DO YOU MEAN WHEN YOU SAY "REQUIRED" ?**

7 **A.** I mean required from a business and operations perspective, as well as a legal one.
8 The law requires the full electronic interface sought by AT&T, to enable AT&T and
9 other ALECs to compete realistically in GTE's monopoly local markets. We must be
10 able to offer a customer experience equal to that of the embedded or new GTE
11 customer. From a business and operations perspective, this need is fully described in
12 other direct testimony filed by AT&T in this docket. From a legal perspective, it has
13 been recognized by a number of state commissions, and by the FCC, that full
14 electronic interface is critical for the service/systems support parity to which
15 requesting carriers are entitled under the new federal Act. The law appears simply to
16 recognize the business reality, that you can't have competition without, at minimum, a
17 parity experience in the pre-ordering, ordering, provisioning, billing and maintenance
18 functions.

19
20 **Q. MR. LANGLEY TESTIFIES FOR GTE THAT AT&T WANTS**
21 **"IMMEDIATE" ACCESS, TECHNICALLY INFEASIBLE ACCESS, MORE**
22 **ACCESS THAN GTE PROVIDES ITSELF, AND MORE THAN THE LAW**
23 **REQUIRES. IS HE CORRECT?**

24 **A.** He is not. His testimony is again more confusing than misleading. Thus, for
25 example, on the issue of "immediate" access (page 3), he proceeds (at page 5) to

1 emphasize that "AT&T appears to recognize that all the electronic bonding it seeks
2 cannot be developed for some time." In fact, AT&T seeks full interactive electronic
3 interface at the earliest practicable date in 1997, as GTE well knows from our
4 extended discussion of this issue with them at all levels (SME, Core and Executive).
5 We know we can't have it overnight, and haven't asked for that. On the other hand,
6 Mr. Langley's use of the term "for some time" is a matter of proper concern for
7 AT&T and for the Commission. That's far too indefinite, and identifies the type of
8 response AT&T has encountered throughout in its effort to nail down with GTE a
9 work plan that provides the needed operational interface and that supports local
10 market entry.

11

12 As for the balance of Mr. Langley's mischaracterizations, we obviously don't seek
13 more than the law requires, just as we don't seek anything for free. The FCC has
14 made clear that we can ask for more than GTE provides itself in this area, as long as
15 we're willing to pay the appropriate price for that system or service. And there may
16 be times when we want more than GTE provides to itself.

17

18 **Q. MR. LANGLEY GOES BEYOND COST/PRICE AND TIMING ISSUES AND**
19 **RAISES CONCERNS WHICH, HE SAYS, AT PAGE 4 AND ELSEWHERE**
20 **IN HIS TESTIMONY, GO TO THE SECURITY AND INTEGRITY OF**
21 **GTE'S SYSTEMS AND NETWORK AND TO THE CONFIDENTIALITY OF**
22 **GTE'S AND ITS CUSTOMERS' PROPRIETARY NETWORK**
23 **INFORMATION (CPNI). WHAT IS YOUR RESPONSE TO THAT**
24 **TESTIMONY?**

25 **A.** Mr. Langley is really addressing important parity issues in his focus on what GTE is

1 willing and unwilling to do. This is not a question of requiring GTE to "cede
2 unrestricted control" of its network or operational systems to AT&T or anyone else.
3 It is a matter of enabling AT&T to provide a customer experience comparable to that
4 which GTE provides to its own customers. And when Mr. Langley uses the term
5 "nondiscriminatory" in the course of this strawman exercise, AT&T is properly
6 concerned. GTE's definition of nondiscrimination, it emphasized repeatedly
7 throughout the negotiations process, means no discrimination by GTE among
8 requesting carriers or ALECs; it does not --GTE emphasized in negotiations-- imply
9 equality or parity with GTE. Here again, AT&T has asked for no more than the law
10 provides, and AT&T remains willing to pay the appropriate price for what it's
11 requested.

12

13 **Q. WHAT ABOUT MR. LANGLEY'S CPNI CONCERN?**

14 **A.** This has been a particularly galling aspect of the negotiations with GTE, which has
15 raised the holy grail of CPNI to resist a perfectly proper and sensible customer-on-
16 line/change-as-is ordering process requested by AT&T. For those customers who
17 want to change from GTE to AT&T and continue with AT&T all the services they
18 received from GTE, AT&T requested a blanket letter of authorization process,
19 similar or identical to that used in the interexchange PIC process, to enable GTE to
20 identify the customer's services to AT&T so that AT&T might efficiently continue
21 and maintain the same. GTE insists on a written authorization from the individual
22 customer, and thus introduces a very real, very substantial and very unnecessary
23 barrier to local competition. To the doubtful extent that CPNI is even involved, the
24 blanket letter of authorization should be adequate to address any legitimate concerns
25 for customer privacy and approval. GTE acknowledged in the course of our

1 negotiations that the blanket letter process proposed by AT&T was consistent with
2 the practice employed in the interexchange PIC area, and otherwise plainly the
3 sensible business approach to the matter. GTE's insistence on an individual written
4 customer authorization in this situation serves only to frustrate a new local market
5 entrant's ability to attract and win new customers. GTE's self-serving privacy
6 concerns are plainly anti- not pro-competitive. And they are inconsistent with GTE's
7 otherwise meritless argument that it should be permitted to make PIC changes for
8 AT&T local customers upon request by other IXC's or their customers, without
9 referral to AT&T. GTE's argument for the latter course is that it's "more efficient
10 and less cumbersome." (Langley testimony, p. 38).

11

12 **Q. WHY DOESN'T AT&T WANT TO ALLOW GTE TO COMPLETE THOSE**
13 **PIC CHANGES FOR AT&T CUSTOMERS WITHOUT REFERRAL OF**
14 **THE IXC OR CUSTOMER IN QUESTION TO AT&T?**

15 **A.** Mr. Langley's question on this point (at page 5 of his testimony) answers itself. It is
16 AT&T's right and responsibility to care for its local customers. It is neither necessary
17 nor appropriate for the embedded LEC to come between AT&T and its customer.
18 The very suggestion that GTE should handle those changes without referral to AT&T
19 is indicative of the residual paternalism of the monopoly local carrier ("we know
20 what's best") which appears to lack any perception of the importance --in competitive
21 markets-- of the customer facing relationship. This same paternalism and lack of
22 awareness are evident in Mr. Langley's insistence that GTE employees should work
23 under GTE's brand, even when they're performing work for AT&T --work that's paid
24 for by AT&T. I urge the Commission to consider this GTE testimony as indicative of
25 the depth of the problems encountered by AT&T in its effort to bring GTE around to

1 the notion of competition in the local exchange. The GTE mindset is out of sync with
2 federal law and with the pro-competitive policies of this Commission.

3

4 **Q. DO YOU OBSERVE THAT MINDSET ELSEWHERE IN MR. LANGLEY'S**
5 **TESTIMONY?**

6 **A. Yes. Mr. Langley gives an extended presentation on operational support systems, for**
7 **example, beginning at page 6 of his testimony. And, right off the bat, his focus is on**
8 **"the technical complexity of both the various systems and their integration." AT&T**
9 **has never questioned the complexity of the operational support systems and support**
10 **that it seeks from GTE. Like most telecommunications operating systems, there are**
11 **elements of complexity. They are real and must be dealt with. But they are hardly**
12 **overwhelming. If GTE were a manufacturer of designer dinnerware, I might be more**
13 **receptive to their "Boy, this stuff is complicated," approach to operational interface**
14 **required by AT&T and other ALECs. But GTE is a giant telephone company,**
15 **populated with engineers and systems designers trained in dealing with just such**
16 **"complex" telecommunications issues.**

17

18 **AT&T has not sought instant solutions. But it is entitled under the Act to a lot more**
19 **than repeated and paternalistic lectures by GTE on the complexity of the systems and**
20 **support services it has requested. And certainly more than the type of scare tactics**
21 **employed in Mr. Langley's "electronic anarchy" scenario at page 29 of his testimony.**
22 **To the extent that real problems exist, then obviously they must be addressed. The**
23 **thing to do is to get started, and get started now as AT&T has repeatedly requested.**
24 **Ultimately, Mr. Langley laments (page 18) that the interactive electronic interface**
25 **that AT&T desires "would take years to create" and cost a lot. AT&T's response is**

1 and has been that we should staff and assign joint AT&T-GTE work teams now:
2 (1) to get started.
3 (2) to set a specific target date and work program to accomplish an initial
4 interim approach:
5 (3) to set a specific target date and work program to accomplish an improved,
6 second-stage interim approach (see, Langley testimony at page 13, lines 15-
7 17, where he appears to be identifying a phase II interim system); and
8 (4) to set a specific target date and work program to move from the interim
9 interface arrangements to the full interactive electronic interface.

10

11 The approach we have urged upon GTE and are still negotiating with GTE is
12 reflected in the summary sheet which is attached and marked **RSR-2**. GTE can
13 identify and advance cost/price proposals or cost recovery proposals which can be
14 either agreed upon among the parties or submitted for decision by the Commission or
15 under contractual Alternative Dispute Resolution provisions.

16

17 **Q. WILL GTE AGREE TO YOUR APPROACH?**

18 **A.** I am concerned that GTE's "complexity" and cost recovery concerns have been and
19 may continue to be employed by GTE to delay progress on the essential interface. In
20 a letter dated July 8, 1996, GTE announced its refusal to proceed with the assignment
21 of human and other resources to the interface project, pending an agreement by
22 AT&T on a host of cost/price issues. Cost recovery is again the focus in the Seaman
23 and Langley testimony.

24

1 The FCC has directed GTE and other incumbent LECs to implement the interactive
2 electronic interface sought by GTE, and has identified appropriate pricing or cost
3 recovery methods. Under its own pro-consumer/pro-competition policies this
4 Commission can direct the same actions. It is time to get the AT&T and GTE
5 implementation teams assigned and working on a definite schedule. That's what we
6 hope to accomplish with GTE in RSR-2.

7

8 **Q. DO YOU AGREE WITH MESSRS. SEAMAN AND LANGLEY THAT FOR**
9 **CERTAIN OSS FUNCTIONS AT&T SHOULD BEAR THE FULL COST?**

10 **A.** No. I do not. The benefit of the systems and support services requested by AT&T
11 would not only benefit and be available to benefit other ALECs and carriers, but
12 would be available obviously to GTE itself, to improve its position in its wholesale
13 business and other operations. A reasonable cost recovery mechanism would cover
14 all such beneficiaries.

15

16 **Q. MR. LANGLEY SUGGESTS THAT GTE CAN PROVIDE AT&T WITH**
17 **LESS THAN AT&T HAS REQUESTED IN THE WAY OF ELECTRONIC**
18 **INTERFACE, AND THAT AT&T WOULD SUFFER NO RESULTING**
19 **HARM IN THE MARKETPLACE. DO YOU AGREE?**

20 **A.** Obviously not. Right in his own answer to this question (on page 19, at lines 6-19),
21 Mr. Langley describes important differences in the customer experience that would
22 plainly be harmful to AT&T in the marketplace. The differences are real. If Mr.
23 Langley is confident of his view that the time to process the respective GTE and
24 AT&T repair calls would "not be qualitatively different from the perception of its

1 customers," he should be willing (even employing his system on an interim-only basis)
2 to provide customer specific monthly data reports that would validate his point.

3

4 **Q. ELSEWHERE IN HIS TESTIMONY, MR. LANGLEY COMPLAINS THAT**
5 **AT&T WANTS MORE IN THE WAY OF SERVICE STANDARDS THAN**
6 **GTE MAKES AVAILABLE TO ITSELF. WHAT IS YOUR RESPONSE?**

7 **A.** First, I suppose, I welcome the progress evident in Mr. Langley's testimony that GTE
8 must provide interconnection services and elements to AT&T under the Act "at the
9 same quality standards" applicable to what it provides itself. Certainly, state
10 commissions and the FCC have confirmed that this minimum level of parity is
11 required under the Act. It has also been made clear that if AT&T wants more than
12 that minimum parity, it may request and must pay for it. Finally, we see here again
13 the somewhat paternalistic view that if something is enough for GTE it ought to be
14 enough for AT&T. That is, respectfully, spoken like a true incumbent monopolist.
15 AT&T may want more than the minimum parity prescribed by the Act and in the
16 state and federal orders interpreting that parity obligation. It may wish to
17 differentiate its services from those available from the incumbent, and not limit itself
18 to that level of service. This form of differentiation is obviously critical to a new
19 entrant in a monopoly local market. GTE's resistance on this point again evidences
20 either the erection of more barriers to entry, or a comforting and self-serving
21 ignorance of competitive markets.

22

23 **Q. DO THESE SAME CONSIDERATIONS APPLY TO YOUR NEED FOR**
24 **LIQUIDATED DAMAGES OR OTHER SWIFT REMEDIES FOR SERVICE**
25 **STANDARD FAILURES ON THE PART OF GTE?**

1 A. Yes. When we enter GTE's market, with a 0% share, facing GTE with its 100%
2 share, we will count heavily on the AT&T brand and its reputation for quality and
3 excellence. We need to guard against any degradation of that service and have both
4 deterrents and corrective actions readily available. We have no residual market share
5 "cushion" on which to fall back while we attempt to correct service quality failures.

6

7 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY ON THE**
8 **ELECTRONIC INTERFACE NEEDS OF AT&T.**

9 A. My colleagues and I have engaged in continuing negotiations on this issue with GTE,
10 and some significant progress appears to have been made, along the lines indicated in
11 **RSR-2**. My emphasis remains one of getting started, and getting in place the human
12 and other resources needed to insure concrete, planned movement from interim to
13 advanced interim solutions, and then on to a final interactive interface. It's hard work,
14 but essential and doable. And it will never get done if it doesn't get started --under a
15 committed plan that sets milestones and implementation deadlines..

16

17 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 A. Yes.

1 1984, I have held positions as Services Vice President - New York and Northeast
2 where I was responsible for services and products and Vice President - Network
3 Operations and Engineering where I held nation-wide responsibility for AT&T.
4 From these positions, I have observed and studied the behavior of customers in both
5 a competitive and a monopoly telecommunications environment.

6

7 **Q. PLEASE DESCRIBE YOUR CURRENT POSITION AND**
8 **RESPONSIBILITIES AT AT&T.**

9

10 A. Currently I am Vice President - Local Services for the Southern States. My
11 responsibilities include developing and implementing local services for AT&T
12 customers in nine southern states, including Florida. I provide the leadership for the
13 AT&T product teams to accomplish this objective.

14

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16

17 A. My testimony addresses the need for parity in the provision of local exchange
18 services in order to ensure that consumers receive the full benefits of competition
19 that Congress intended through passage of the Telecommunications Act of 1996
20 (the "Act"). Parity is a term I will use to describe a new entrant's capability to
21 provide its customers the same experience as GTE provides its own customers. It is
22 my understanding that the Act requires parity.

23

24 GTE has a monopoly over the services and network elements that are necessary to
25 provide local exchange services. Consequently, new entrants like AT&T must

1 obtain services, network elements and interconnection from GTE in order to offer
2 Florida consumers local exchange services. Unless GTE provides new entrants with
3 all of the foregoing on at least an equivalent basis as GTE provides itself in support
4 of its retail operations, new entrants cannot compete effectively with GTE and offer
5 Florida consumers a full range of high quality services at competitive prices. Parity,
6 therefore, is essential to provide consumers with true choices in the provision of
7 local exchange services.

8

9 **Q. WHAT NEGOTIATION ISSUES REMAIN UNRESOLVED THAT RELATE**
10 **TO PARITY IN THE DELIVERY OF LOCAL EXCHANGE SERVICES?**

11

12 A. Several key parity issues remain unresolved:

13

14 (1) GTE has not agreed to provide AT&T with services, unbundled network
15 elements, and interconnection that are at least equal in quality to those that GTE
16 provides itself and its affiliates. GTE also has not agreed to accept liability for
17 unbillable or uncollectible AT&T revenues resulting from GTE work errors,
18 software alterations, unauthorized attachments to local loop facilities, or other GTE
19 actions or inactions. GTE must provide AT&T with high quality services,
20 unbundled elements, and interconnection so that AT&T can provide high quality
21 local exchange services to consumers. GTE also must accept liability for lost
22 revenues caused by GTE's actions or inactions.

23

24 (2) GTE has not agreed to provide AT&T with real-time interactive access via
25 electronic interfaces to GTE's computerized operations support systems. GTE also

1 has not agreed to provide AT&T with certain operations support services that are at
2 least equal in quality with the services that GTE provides itself. Electronic
3 interfaces and the provision of quality operations support services will help enable
4 AT&T to achieve parity with GTE.

5
6 (3) GTE has not agreed to provide AT&T with the ability to route calls from AT&T
7 customers directly to AT&T's service platforms for Operator Services and
8 Directory Assistance. Direct routing will enable AT&T to achieve parity by
9 providing AT&T customers the same convenient access to AT&T's platforms as
10 GTE customers have to GTE's platforms.

11
12 (4) GTE has not agreed to provide AT&T with the same telephone directory
13 services that GTE provides itself. GTE has not agreed to provide AT&T the same
14 amount and type of space in the telephone directory that GTE provides itself. GTE
15 also has not agreed to provide free secondary delivery of telephone directories like
16 GTE provides to its customers. Parity is necessary so that AT&T customers can
17 receive equally convenient telephone directory services as GTE customers.

18
19 **Q. DOES THE ACT REQUIRE PARITY?**

20
21 **A. Yes. The Act prohibits GTE from imposing unreasonable or discriminatory**
22 **limitations or conditions on new entrants when providing telecommunications**
23 **services for resale and obligates GTE to provide unbundled network elements and**
24 **network interconnection at reasonable and nondiscriminatory terms and conditions.**
25 **47 U.S.C. § 251(c)(2)-(4). It is unreasonable and discriminatory for GTE to provide**

1 new entrants with services, network elements or interconnection that are inferior to
2 those which GTE provides itself. Parity, moreover, advances the expressed goals of
3 the Act to promote robust competition so that consumers may secure the benefits of
4 higher quality services and emerging technologies at competitive prices. S. Rep.
5 No. 23, 104th Cong., 1st Sess., at 2 (1995). Without parity, new entrants will not be
6 able to compete effectively against GTE. The end result will be Florida consumers
7 not realizing the full benefits of robust competition.

8

9 **Q. DO THE FCC REGULATIONS ADDRESS PARITY ISSUES?**

10

11 A. Yes. The FCC firmly embraced the concept of parity in its regulations
12 implementing the Act. The FCC ordered that incumbent LECs must provide
13 services, unbundled network elements, and interconnection that is at least equal in
14 quality to that provided by the incumbent LEC to itself. FCC Order No. 96-325, ¶
15 ~~969~~⁹⁷⁰, at 490; 47 C.F.R. §§ 51.305(a), 51.311(b) (to be codified). In addition, the
16 FCC addressed the following specific parity issues:

17

18 Electronic Interfaces -- The FCC regulations require GTE to provide AT&T
19 access to GTE's operations support systems that is at least equal in quality to that
20 which GTE provides itself unless GTE can prove that such access is not
21 "technically feasible," as defined by the FCC. FCC Order No. 96-325, ¶¶ 521-24, at
22 268-70.

23

24 Direct Routing -- The FCC regulations require GTE to provide AT&T
25 customized routing to AT&T's operator services and directory assistance service

1 platforms unless GTE can prove that such routing is not "technically feasible." as
2 defined by the FCC. FCC Order No. 96-325, ¶¶ ^{418, 536} ~~447, 535~~, at 210, 274.

3

4 **Q. HAVE OTHER STATE COMMISSIONS ADDRESSED PARITY ISSUES?**

5

6 A. Yes. The Illinois Commerce Commission recently emphasized the importance of
7 parity by its conclusion that "resellers must have the opportunity to provide every
8 aspect of their retail customer contacts at parity with those provided to retail
9 customers by the LECs either directly or through a subsidiary." Illinois Commerce
10 Commission, Case Nos. 95-0458, 95-0531, at 51 (June 26, 1996).

11

12 **Q. HAVE OTHER STATE COMMISSIONS ADDRESSED THE ELECTRONIC**
13 **INTERFACE ISSUE SPECIFICALLY?**

14

15 A. Yes. The State Commissions in Georgia, Illinois, Ohio, and New York have
16 adopted policies that require incumbent LECs to provide electronic interfaces:

17

18 **Georgia --** The Georgia Public Service Commission found that "it is
19 imperative that a reseller have access to the same service ordering provisions,
20 service trouble reporting and informational databases for their customers as does
21 BellSouth." Georgia Public Service Commission, Docket No. 6352-U, at 12 (June
22 12, 1996). In that proceeding, even BellSouth acknowledged that "[n]o one is
23 happy, believe me, with a system that is not fully electronic." Id. at 11.
24 Accordingly, the Georgia PSC ordered BellSouth to provide the electronic
25 interfaces requested by AT&T.

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Illinois -- The Illinois Commerce Commission concluded that "[t]he importance of equal operational interfaces is essential to the development of resale competition. In order to ensure that the needs of new entrants are satisfied, the Commission will order that all incumbent LECs are required to provide to resellers, as an integral part of their resale service offering, all operational interfaces at parity with those provided their own retail customers, whether directly or through an affiliate." Illinois Commerce Commission, Docket Nos. 95-0458, 95-0531, at ⁵¹~~5~~ (June 26, 1961).

Ohio -- The Ohio Public Utilities Commission ordered each LEC that maintains a carrier-to-carrier tariff "to provide nondiscriminatory, automated operational support systems which would enable other LECs reselling its retail telecommunications services to order service, installation, repair, and number assignment; monitor network status; and bill for local service." Ohio Public Utilities Commission, Docket Nos. 95-845-TP-COI, Appendix A, at ⁵⁰~~5~~ (June 12, 1996).

New York -- The New York Public Service Commission established an operations group to ensure that New York Telephone implement adequate processes and systems to enable resellers to operate on par with New York Telephone. New York Public Service Commission, Case No. 95-C-0657, at 13 (June 25, 1996). The guiding principle for the operations group is that "new entrants should have access to the same New York Telephone information, processes, systems and service quality (e.g., pre-ordering information, service order processes, service provisioning

1 and repair intervals, trouble reporting and monitoring mechanisms) as New York
2 Telephone employs to serve its own end-use customers." Id. To afford new entrants
3 the opportunity to compete effectively with the incumbent LEC, New York
4 Telephone will provide new entrants with real-time, electronic access to New York
5 Telephone's systems wherever possible thereby improving the new entrant's ability
6 to transact business with their customers promptly and efficiently.

7

8 **Q. HAVE OTHER STATE COMMISSIONS ADDRESSED THE DIRECT**
9 **ROUTING ISSUE?**

10

11 **A.** Yes. The State Commissions in Georgia, Illinois, Ohio, and New York also have
12 adopted policies that require incumbent LEC's to provide direct routing:

13

14 **Georgia** -- The Georgia Public Service Commission found that the ability
15 of a competing carrier to utilize their own operators or custom-branded operator
16 services will enhance the ability of that entity to effectively compete. Georgia
17 Public Service Commission, Docket No. 6352-U, at 13 (June 12, 1996).

18

19 **Illinois** -- The Staff of the Illinois Commerce Commission concluded that
20 "the potential exists for the wholesale LEC to use its monopoly power in the
21 provisioning of incumbent local exchange service anticompetitively." Illinois
22 Commerce Commission, Docket Nos. 95-0458, 95-0531, at 51-52 (June 26, 1996).
23 The staff recognized that the incumbent local exchange carrier could "advertise its
24 own services by branding directory assistance, operator services, etc., on calls
25 provided to end users by the resellers." Id. Accordingly, the Illinois Commerce

1 Commission found that the unbundling of Operator Services and Directory
2 Assistance is a necessary requirement for effective competition and rejected the
3 incumbent LEC's claim that direct routing was not technically feasible. Id. at 45.
4 Illinois also required that the incumbent LEC brand Operator Services and Director
5 Assistance for resellers where technically feasible. Id. at 45.

6
7 **Ohio** -- The Ohio Public Utilities Commission similarly ordered incumbent
8 LECs to unbundle Operator Services, Directory Assistance and other services. Ohio
9 Public Utilities Commission, Docket No. 95-845-TP-COI, Appendix A, at 49 (June
10 12, 1996). Ohio also provided for the branding of purchased services. Id. at 52.

11
12 **New York** -- The New York Public Service Commission directed New
13 York Telephone to file tariffs providing for both unbundled and branded Operator
14 Services and Directory Assistance. New York Public Service Commission, Case
15 No. 95-C-0657, Order No. 5 (June 25, 1996).

16
17 **PARITY STANDARDS**

18
19 **Q. DO GTE AND AT&T AGREE ON WHAT THE ACT REQUIRES IN TERMS**
20 **OF PARITY?**

21
22 **A.** No. AT&T's position is that the Act requires parity between Incumbent Local
23 Exchange Carriers like GTE and new entrants like AT&T. GTE, on the other hand,
24 believes that the Act only requires parity between new entrants and end-users.
25 Under GTE's interpretation of the Act, GTE could provide all new entrants inferior

1 services, unbundled network elements, and interconnection to those that GTE
2 provides itself. The FCC Order and regulations make clear that AT&T's
3 interpretation of the Act is correct. FCC Order No. 96-325, ¶ ⁹⁷⁰~~969~~, at 490; 47 C.F.R.
4 §§ 51.305(a), 51.311(b) (to be codified). Common sense also dictates that GTE's
5 position is incorrect: GTE's position would ensure that GTE remains dominant in
6 the local exchange market where GTE is the incumbent.

7
8 **Q. DID GTE AND AT&T REACH AN AGREEMENT ON QUALITY**
9 **ASSURANCE PROVISIONS THAT WOULD ENSURE PARITY?**

10

11 A. Not exactly. GTE and AT&T have agreed to work together to develop and deploy
12 standards and procedures that would verify that AT&T is, in fact, receiving
13 services, unbundled network elements, and interconnection at least at parity with
14 GTE, but as explained above the parties have not agreed on a definition of parity.
15 The parity standards and procedures to be developed would include, but are not
16 limited to, notification of changes in features, services, prices, and technologies.
17 AT&T has proposed that the standards and procedures be finalized in a joint plan by
18 September 1, 1996. GTE has not agreed to AT&T's proposal on the process of
19 developing the standards and procedures, or effective date for implementation.

20

21 **Q. WHAT DOES AT&T REQUEST FROM THE COMMISSION WITH**
22 **RESPECT TO PARITY STANDARDS?**

23

24 A. AT&T requests that the Commission order GTE to provide AT&T with services,
25 unbundled network elements and interconnection that are at least equal in quality to

1 those that GTE provides itself. AT&T also requests the Commission to order GTE
2 to implement reasonable standards and procedures to ensure that GTE is providing
3 services, unbundled network elements, and interconnection at parity.

4
5 **Q. WHY SHOULD THE COMMISSION ORDER GTE TO PROVIDE PARITY?**

6
7 A. There are a number of reasons why the Commission should order GTE to provide
8 parity. First, the Act and its implementing regulations clearly require GTE to
9 provide parity. 47 U.S.C. § 251(c)(2)-(4); FCC Order No. 96-325, ¶ ⁹⁷⁰~~969~~, at 490; 47
10 C.F.R. §§ 51.305(a), 51.311(b) (to be codified). Second, parity is good policy.
11 Initially, new entrants like AT&T must purchase most of the services, network
12 elements, and interconnection necessary to provide local exchange service and GTE
13 is the sole source for those items. New entrants, therefore, cannot provide high
14 quality services to consumers unless GTE first provides high quality services to new
15 entrants. Without the ability to offer high quality services to consumers, new
16 entrants cannot compete effectively with GTE and robust competition will not
17 develop. If robust competition does not develop, consumers will not receive the
18 benefits that result from competition.

19
20 **Q. IF GTE DOES NOT PROVIDE QUALITY SERVICE, SHOULD GTE BE**
21 **LIABLE FOR DAMAGES UNDER ANY CIRCUMSTANCE?**

22
23 A. Yes. AT&T has requested that GTE accept liability for unbillable or uncollectible
24 revenue that result from GTE's actions or inactions, such as work errors, alterations
25 of software, or unauthorized physical attachment to loop facilities. GTE, however,

1 has refused to accept such liability.

2

3 **Q. WHY IS IT REASONABLE FOR GTE TO ACCEPT LIABILITY FOR**
4 **UNBILLABLE OR UNCOLLECTIBLE REVENUES?**

5

6 A. Between GTE and AT&T, GTE is in the best position to prevent billing fraud and
7 work errors because GTE is responsible for the personnel provisioning the service
8 and the equipment providing the service. GTE, therefore, should be liable for its
9 actions and inactions that result in uncollectible or unbillable revenue.

10

11 **ELECTRONIC OPERATIONAL INTERFACES**

12

13 **Q. WHAT ARE ELECTRONIC INTERFACES?**

14

15 A. Electronic operational interfaces are electronic connections between AT&T's and
16 GTE's computer systems that allow AT&T personnel immediate access to
17 information in, and the capabilities of, GTE's computerized operations support
18 systems. Electronic interfaces could involve direct access between the AT&T and
19 GTE computer systems, or access through separate "gateway" interfaces. A
20 gateway is a mechanism that allows the systems of both companies' to communicate
21 with each other even though they cannot communicate directly because of different
22 or incompatible software.

23

24 AT&T has requested that GTE provide electronic interfaces that are capable of
25 providing real-time, interactive access to GTE's operations support systems.

1 AT&T's request is completely consistent with the FCC regulations, which provide
2 that incumbent LECs must provide nondiscriminatory access to their operations
3 support systems, including access through any internal gateway systems the
4 incumbent LEC utilizes for itself. FCC Order No. 96-325, ¶ ⁵¹⁶515-527, at 265-270.
5 Real-time access would enable AT&T personnel to transmit and receive
6 instantaneously the most current data that is available at any particular moment.
7 Interactive access would enable AT&T personnel to update the databases in GTE's
8 operations support systems. For example, interactive access would enable AT&T
9 personnel to assign a "vanity" telephone number to a customer or schedule the
10 earliest available installation appointment with the customer on-line instead of
11 through multiple telephone calls. As an interim measure, AT&T requested that
12 GTE provide real-time automated interfaces until GTE can implement interactive
13 electronic interfaces.

14
15 **Q. PLEASE DESCRIBE THE OPERATIONS SUPPORT SYSTEMS FOR**
16 **WHICH AT&T IS REQUESTING REAL-TIME, INTERACTIVE ACCESS**
17 **THROUGH ELECTRONIC INTERFACES.**

18
19 **A.** AT&T has requested real-time, interactive access through electronic interfaces to
20 GTE's operations support systems for pre-ordering and ordering, provisioning,
21 maintenance and repair, and billing. The FCC regulations define those systems as
22 follows:

23
24 Pre-Ordering and Ordering -- "Pre-ordering" and ordering
25 includes the exchange of information between

1 telecommunications carriers about current and proposed
2 customer products and services or unbundled network
3 elements or some combination thereof.

4
5 Provisioning -- "Provisioning" involves the exchange of
6 information between telecommunications carriers where
7 one executes a request for a set of products and services or
8 unbundled network elements or combination thereof from
9 the other with attendant acknowledgments and status
10 reports.

11
12 Maintenance and Repair -- "Maintenance and repair"
13 involves the exchange of information between
14 telecommunications carriers where one initiates a request
15 for maintenance or repair of existing products and services
16 or unbundled network elements or combination thereof
17 from the other with attendant acknowledgments and status
18 reports.

19
20 Billing -- "Billing" involves the provision of appropriate
21 usage data by one telecommunications carrier to another to
22 facilitate customer billing with attendant acknowledgments
23 and status reports. It also involves the exchange of
24 information between telecommunications carriers to
25 process claims and adjustments.

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47 C.F.R. § 51.5 (to be codified).

Q. DO ELECTRONIC INTERFACES PROVIDE ANY BENEFITS TO FLORIDA CONSUMERS?

A. Yes. Electronic interfaces would enable new entrants like AT&T to provide operations support services to Florida consumers more quickly, conveniently, accurately, and efficiently than otherwise would be possible without electronic interfaces. Electronic interfaces eliminate the manual processes by which GTE personnel receive and transmit data from AT&T systems to GTE systems, or from GTE systems to AT&T systems. By eliminating such manual processes, AT&T customers will not be forced to experience the bottlenecks and inaccuracies that inevitably result when data is received manually from one electronic system and inputted manually into another electronic system.

Q. ARE ELECTRONIC INTERFACES NECESSARY TO PROMOTE COMPETITION?

A. Yes. Consumers are less willing to switch local exchange carriers if that switch cannot be completed quickly, conveniently, and accurately. For example, consumers may not switch local service providers if it takes several telephone calls to obtain the necessary pre-ordering information or if they cannot receive a firm confirmation for a particular date and time for installation.

1 Q. CAN YOU PROVIDE A SPECIFIC EXAMPLE OF THE EFFECT ON
2 COMPETITION WHEN AT&T IS DENIED ELECTRONIC INTERFACES
3 WITH OPERATIONS SUPPORT SYSTEMS?
4

5 A. In January 1995, AT&T entered the local services resale market in Rochester, New
6 York. The Rochester Telephone Company, ("Rochester") like GTE, refused to
7 provide AT&T with electronic interfaces to its operations support systems and
8 instead required a manual system. The ordering process with Rochester initially
9 required manual processing of service orders from AT&T. As a result, AT&T had
10 to complete and fax to Rochester a multi-page form for every individual customer
11 who wanted to switch service to AT&T. Rochester insisted that no customers could
12 be switched until Rochester had faxed multiple documents back to AT&T. AT&T
13 was signing up between one and two hundred new customers daily and, therefore,
14 had to fax up to 1400 pages to Rochester each day, causing numerous errors and
15 delays in implementing customer orders. As a result of this cumbersome process,
16 AT&T was unable to provide service in a timely manner, and competitive forces
17 drove AT&T to cease marketing its resale of local services in Rochester. These
18 problems were intolerable on a limited scale in Rochester, and they obviously would
19 be magnified in a larger urban area, and certainly on a state-wide basis.
20

21 Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUESTS FOR
22 ELECTRONIC INTERFACES?
23

24 A. GTE agreed in principle to provide AT&T with real-time, interactive electronic
25 interfaces, but GTE has taken the position that the Act only requires GTE to provide

1 parity between new entrants and not between new entrants and GTE. Electronic
2 interfaces that do not provide for parity between new entrants and GTE are
3 discriminatory and unreasonable. GTE, moreover, will not agree to a workplan to
4 implement permanent electronic interfaces until the parties reach agreement on
5 prices for services offered for resale, unbundled network elements, and
6 interconnection.

7
8 GTE also has refused to agree to an interim solution until the parties reach
9 agreement on pricing issues. In any event, GTE's proposed interim solutions are
10 inadequate because they produce inferior service for AT&T customers. For
11 example, GTE's proposed interfaces would require GTE to manually re-enter data
12 from AT&T's local service request and would result in service delays and increased
13 error rates. GTE, moreover, is unwilling to provide AT&T with a confirmation of
14 service order completion so that AT&T can verify that GTE provided the correct
15 services.

16
17 **Q. ARE THERE OTHER UNRESOLVED ISSUES THAT RELATE TO**
18 **OPERATIONS SUPPORT SYSTEMS BUT DO NOT INVOLVE**
19 **ELECTRONIC INTERFACES DIRECTLY?**

20
21 **A. Yes, there are several unresolved issues relating to operations support systems:**

- 22
23
 - GTE has not agreed to provide AT&T access to its directory assistance

24 database;

25

- 1 • GTE has not agreed to accept requests to change Primary Interexchange
2 Carriers ("PIC") (i. e., long distance carriers) for AT&T customers only
3 from AT&T instead of PICs requesting changes;
4
5 • GTE has not agreed to provide AT&T with loop testing information for
6 new or changed services; and
7
8 • GTE has not agreed to provide AT&T with requested billing and usage
9 recording services.
10

11 **Q. WHAT DID AT&T REQUEST FROM GTE WITH RESPECT TO**
12 **DIRECTORY ASSISTANCE DATA?**

13
14 A. AT&T requested that GTE provide AT&T access to GTE's directory assistance
15 database. AT&T needs this data so that it can provide its own directory assistance
16 service.

17
18 **Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUEST?**

19
20 A. GTE has not agreed to provide AT&T the requested data. GTE argues that AT&T
21 does not need directory assistance data because AT&T customers have access to
22 GTE's directory assistance services.
23

24 **Q. WHY SHOULD GTE PROVIDE AT&T ACCESS TO DIRECTORY**
25 **ASSISTANCE DATA?**

1
2 A. The Act and its implementing regulations requires GTE to provide AT&T access to
3 unbundled network elements that is equal in quality to that which GTE provides
4 itself. 47 C.F.R. § 51.311(b) (to be codified). The FCC has determined that operator
5 systems, including directory services, are network elements. FCC Order No. 96-
6 325, ¶ 533, at 273. By its statutory definition, a network element includes databases
7 and information used in the provision of a telecommunications service. 47 U.S.C.
8 § 153(29). Thus, directory assistance data fits squarely in the definition of network
9 elements and, therefore, GTE must provide AT&T access to that data.

10
11 It is also good policy to require GTE to provide directory assistance data to new
12 entrants. New entrants can offer consumers their own directory assistance service,
13 which will benefit consumers and promote competition. Certainly, consumers will
14 view carriers that cannot provide directory assistance services as inferior to a carrier
15 that can provide such services.

16
17 **Q. WHAT DID AT&T REQUEST WITH RESPECT TO PIC CHANGES?**

18
19 A. AT&T requested that it be the contact point for PIC change requests for AT&T's
20 local customers. AT&T requested that GTE reject any PIC change request from
21 another carrier and notify that carrier to submit the request to AT&T. That is the
22 process that the national Order and Billing Forum Committee, which is developing
23 industry standards for billing and ordering, has tentatively adopted. AT&T also has
24 requested that GTE and AT&T utilize a simplified ordering process for PIC
25 changes. In addition, AT&T has requested that GTE identify charges for PIC

1 changes separately so that AT&T can rebill the appropriate party accurately and
2 efficiently.

3

4 **Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUESTS?**

5

6 A. GTE has not agreed to AT&T's requests.

7

8 **Q. WHY ARE AT&T'S REQUESTS REASONABLE?**

9

10 A. AT&T should receive all requests for PIC changes involving AT&T local customers
11 because AT&T has the most current customer account information, which could
12 include restrictions on PIC changes. AT&T, moreover, is accountable to its
13 customers if something goes wrong with their service. Accordingly, it is reasonable
14 for AT&T to be responsible for submitting requests to GTE to change the PIC for
15 AT&T local customers.

16

17 It also is reasonable to implement a simplified process for PIC change requests. The
18 competition created by the Act likely will result in an increase in the volume of PIC
19 change requests as carriers begin to offer one-stop shopping for telecommunications
20 services. GTE's present time intervals and service order costs suggest that its
21 existing system is operationally and economically inefficient. A simplified process,
22 therefore, is reasonable and necessary.

23

24 It is reasonable for GTE to separate charges for PIC changes. AT&T rebills these
25 charges to the requesting interexchange carrier or AT&T's local customer as

1 appropriate. Without itemized billing, it is more difficult for AT&T to bill the
2 appropriate party accurately.

3

4 **Q. WHAT DID AT&T REQUEST WITH RESPECT TO LOOP TESTING?**

5

6 A. AT&T requested that GTE provide the loop testing information that GTE provides
7 itself so that AT&T can verify that the end-to-end service meets quality standards
8 before AT&T initiates services with its customers.

9

10 **Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUEST?**

11

12 A. GTE has not agreed to provide loop testing information because it believes that state
13 guidelines do not require GTE to provide such information, and GTE does not
14 provide such information to its retail customers.

15

16 **Q. WHY IS IT REASONABLE FOR GTE TO PROVIDE LOOP TESTING
17 INFORMATION TO AT&T?**

18

19 A. The Act and its implementing regulations require GTE to provide AT&T at least the
20 same quality of service that GTE provides itself. 47 U.S.C. § 251(c)(2)(C). GTE
21 can obtain loop testing information in support of its retail operations. AT&T should
22 have the same capability. Access to loop testing information, moreover, will help
23 ensure that consumers receive quality service from day one.

24

25 **Q. WHAT DID AT&T REQUEST WITH RESPECT TO WHOLESALE**

1 **BILLING AND USAGE RECORDING?**

2

3 A. AT&T requested that GTE agree to provide the billing and usage recording services
4 specified in Attachments 6 and 7 of AT&T's Proposed Interconnection Agreement.
5 See Petition, Attachment 2.

6

7 **Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUEST?**

8

9 A. GTE has agreed in theory to provide the requested wholesale billing and usage
10 recording services. GTE, however, has conditioned its agreement on AT&T's
11 agreement to bear the entire cost of GTE's systems development and operations for
12 billing and recording.

13

14 **Q. WHAT DID AT&T PROPOSE IN TERMS OF COST RECOVERY?**

15

16 A. AT&T proposed that GTE recover these costs and other costs in a competitively
17 neutral manner through operational efficiencies, service charges, or comparable
18 charges which would allocate the costs across all carriers, including GTE and
19 AT&T, that benefit from systems development and operation. It is unreasonable
20 and discriminatory for GTE to require that AT&T bear all the costs for the
21 development and operation of systems that will benefit GTE and other
22 telecommunications carriers.

23

24

DIRECT ROUTING

25

1 Q. WHAT IS DIRECT ROUTING?

2

3 A. Direct routing provides the capability for all consumers to dial the same telephone
4 number but to have their calls routed to the service platform of their chosen local
5 service provider

6

7 Q. WHAT DID AT&T REQUEST FROM GTE IN TERMS OF DIRECT
8 ROUTING?

9

10 A. AT&T requested that GTE provide the capability to route calls directly from AT&T
11 customers to AT&T service platforms for Operator Services and Directory
12 Assistance Services (collectively referred to as "OS/DA services"). In other words,
13 AT&T requested that calls from its customers go directly to AT&T's service
14 platforms whenever AT&T customers dial the traditional and familiar numbers for
15 Operator Services (0+, 0-) and Directory Assistance (411, 555-1212). AT&T's
16 request is completely consistent with the FCC regulations, which provide that
17 incumbent LECs must provide customized (i. e., direct) routing to operator service
18 and directory assistance platforms to requesting telecommunications carriers. FCC
19 Order No. 96-325, ¶ 418⁴¹⁸, at 210.

20

21 Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUEST FOR DIRECT
22 ROUTING?

23

24 A. GTE would not agree to provide direct routing of any kind as a matter of policy.
25 Instead, GTE proposed to "unbrand" its OS/DA services. While GTE

1 acknowledged that direct routing was technically feasible. GTE argues that the Act
2 does not require GTE to provide direct routing. The FCC Order, however, makes
3 clear that GTE must provide direct routing where technically feasible. FCC Order
4 No. 96-325, ¶¶ ^{418, 536} 417, 535, at 210, 274.

5
6 **Q. DOES DIRECT ROUTING PROVIDE ANY BENEFITS TO CONSUMERS?**

7
8 A. Yes. AT&T wants to offer services to Florida consumers that are equal to or better
9 than the services GTE currently provides. Direct routing is necessary to allow
10 AT&T to offer its customers convenient access to AT&T's world-class service
11 platforms. From these platforms, AT&T can provide services that may not
12 otherwise be available to consumers, such as multi-lingual operators, voice
13 recognition, accurate quotes of AT&T rates, and calling card services.

14
15 **Q. ARE THERE ANY NEGATIVE CONSEQUENCES TO CONSUMERS IF**
16 **DIRECT ROUTING IS NOT PERMITTED?**

17
18 A. Yes. Without direct routing, consumers who choose AT&T will not have dialing
19 parity with GTE customers. To reach AT&T's service platforms, AT&T customers
20 must dial long and unfamiliar telephone numbers instead of the traditional and
21 familiar numbers for OS/DA services. The Commission cannot allow GTE to
22 inconvenience consumers solely because GTE wants to secure a competitive
23 advantage over new entrants in the local exchange market.

24
25 **Q. WOULD DIRECT ROUTING FOSTER COMPETITION?**

1
2 A. Yes. The traditional and familiar numbers for operator services (0+, 0-) and
3 directory assistance (411, 555-1212) are a scarce resource. If the Commission
4 allowed GTE to monopolize those convenient numbers, GTE would have an unfair
5 competitive advantage because it would be the only source for convenient access to
6 those important customer services. In addition, GTE would have a unique
7 opportunity to siphon from AT&T the operator services and directory assistance
8 business of AT&T's customers. Plus it provides GTE a "sales opportunity" with
9 AT&T's customers.

10
11 In order to convince consumers to switch local service providers, new market
12 entrants like AT&T must be able to distinguish themselves from the competition
13 and strengthen customer relationships. Direct routing facilitates both. OS/DA
14 services represent several of the relatively few instances where a local services
15 provider interfaces directly with the customer. These services, therefore, provide an
16 excellent opportunity for a new market entrant to demonstrate its particular
17 strengths to its customers directly and in an easily recognizable manner. By
18 providing quality service that is uniquely associated with a particular LEC, that
19 carrier can distinguish itself from the competition and strengthen its customer
20 relationships. While unbranded OS/DA ameliorates the problem somewhat, only
21 direct routing will solve the problem.

22

23

TELEPHONE DIRECTORIES

24

25 Q. **WHAT DID AT&T REQUEST THAT GTE PROVIDE WITH RESPECT TO**

1 **TELEPHONE DIRECTORIES?**

2

3 A. AT&T requested that GTE provide AT&T the same amount and type of space in the
4 GTE Directory that GTE provides itself. AT&T also requested that GTE provide
5 secondary delivery of directories (white page listings) at no additional charge to
6 AT&T or its customers. Secondary delivery is a delivery that does not occur during
7 the annual delivery period. GTE does not assess an additional charge to its
8 customers for secondary deliveries.

9

10 **Q. WHAT WAS GTE'S RESPONSE TO AT&T'S REQUESTS REGARDING**
11 **TELEPHONE DIRECTORIES?**

12

13 A. With respect to providing equal space in the GTE directory, GTE proposed to
14 provide only a single page in the Customer Guide Section to each new entrant. That
15 single page could include the new entrant's logo and essential customer service
16 numbers, but could not include any product information. GTE does not impose
17 such restrictions on itself.

18

19 With respect to delivering telephone directories, GTE proposed to charge AT&T
20 \$2.49 to delivery a directory, except during its annual delivery period. GTE does
21 not charge its retail customers for secondary deliveries, presumably because the cost
22 of delivering directories is included in the price for local service.

23

24 **Q. WOULD CONSUMERS BENEFIT IF GTE SATISFIED AT&T'S REQUEST?**

25

1 A. Yes. Consumers would have convenient access to AT&T product information if
2 AT&T could publish that information in the telephone directory. Further, AT&T
3 would not be subject to an additional cost for delivering telephone directories that
4 AT&T may have to pass on to its customers.

5
6 Competition also will benefit because AT&T will be able to provide the same types
7 of telephone directory services, such as detailed information in the Customer
8 Service Guide and free directory delivery, that GTE provides its customers. GTE's
9 refusal to provide AT&T the capability to offer the same telephone directory
10 services is yet another example of GTE trying to deny new entrants an opportunity
11 to compete on a level playing field.

12
13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

14
15 A. The competitiveness of a new entrant carrier ideally should rise and fall on its
16 ability to utilize the services, network elements and interconnection obtained from
17 GTE to provide high quality services at competitive prices. The Commission
18 cannot permit GTE to "stack the deck" against new entrants by refusing to provide
19 such carriers the capability to provide Florida consumers at least an equivalent
20 service experience as GTE provides its customers. Florida consumers will not
21 experience the benefits of robust competition if GTE is able to discriminate against
22 new entrants by providing itself with superior local services, network elements, and
23 interconnection. Accordingly, the Commission should order that GTE: (1) provide
24 standards and processes to ensure that GTE's services, unbundled network
25 elements, and interconnection purchased by AT&T are at least equal in quality to

1 those that GTE provides itself; (2) accept liability for unbillable or uncollectible
2 revenues that result from GTE's actions or inactions; (3) provide the requested
3 electronic interfaces as soon as possible, but no later than January 1, 1997 as
4 required by FCC regulations; (4) provide operations support services at parity with
5 those that GTE provides itself; (5) provide direct routing to AT&T's operator
6 services and directory assistance platforms; and (6) provide telephone directory
7 services equal to that which GTE provides itself.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10

11 **A. Yes.**

1 Q (By Mr. Logan) Mr. Shurter, do you have a
2 summary of your testimony today?

3 A Yes, I do.

4 Q Could you provide it, please?

5 A Thank you and good afternoon. I co-chaired
6 AT&T's nationwide negotiations effort with GTE towards
7 finalizing a comprehensive interconnection agreement.
8 My testimony describes the subject matter experts'
9 core team and executive team involvement in the
10 negotiation process with GTE. In spite of those
11 efforts, we are here to explain the areas of continued
12 disagreement between the two companies.

13 GTE describes itself as one of the largest
14 telephone companies in the country. It enormous
15 capital resources. It also has personnel capable of
16 responding to a new competitive environment.

17 GTE has a monopoly in the local markets that
18 they serve. The Telecommunication Act provides for
19 the creation of competition and outlines policy
20 enablers, as shown on this chart I have to my right.
21 (Indicating.)

22 The Act also places GTE in a different
23 position than BellSouth as it relates the entry into
24 the long distance market. GTE has been provided
25 immediate market entry. This has created the

1 situation where GTE has little incentive to complete
2 interconnection agreements with new entrants, and to
3 create the wholesale business the Act envisions.

4 AT&T has not been able to reach agreement
5 with GTE in substantial areas, because GTE took the
6 position that without an agreement on pricing, they
7 would not talk about such things as a work plan to
8 implement electronic interfaces and unbundled network
9 elements. GTE also linked agreements in many other
10 issues to resolution of the pricing of electronic
11 interfaces, resale services, unbundled network
12 elements and interconnection.

13 The Act outlines that new entrants will need
14 policy implementation in key areas to be able to the
15 compete and bring value to consumers and services at a
16 competitive price.

17 They are, as shown on the chart, resale for
18 all GTE services provided at wholesale prices and
19 without unreasonable limitations. Secondly, to be
20 able to produce unbundled network elements
21 individually and in combination to bring innovation as
22 services to consumers; interconnection to GTE's
23 networks at technically feasible points; the
24 implementation of electronic interfaces to support
25 both services for resale and unbundled network

1 elements. These electronic interfaces are needed to
2 create convenient, quick and accurate handling of
3 consumer service requests.

4 With the implementation of unbundled network
5 elements and the supportive electronic platform in
6 Florida, and one common across the nation, the
7 Commission can speed market entry of multiple new
8 entrants.

9 Several of the abilities AT&T sought to
10 negotiate fall under what we refer to as the parity
11 issue. Consumers will not have a real choice if new
12 entrants' services are lower in quality than what they
13 receive in from the incumbent company.

14 As we discussed last week, the word "parity"
15 is not defined by the Federal Telecommunication Act,
16 but it's essence is interwoven throughout the text of
17 the law where you see specific requirements for local
18 exchange carriers to provide services at least equal
19 in quality to that that it provides to itself, and the
20 consistent usage of the terms, "reasonable" and
21 "nondiscriminatory," throughout the Act's provisions.
22 These principles were clearly designed by Congress to
23 create a robust competitive local marketplace. Parity
24 is essential to competition.

25 The second chart that I brought here

1 summarized parity associated actions that request the
2 Commission to resolve addressing four key areas of
3 electronic interfaces, direct routing, performance
4 standards and directory listings and distributions.

5 In summary, we need your assistance in order
6 the complete the terms of the interconnection
7 agreement with GTE. We have several areas of
8 disagreement and very fundamental issues, as described
9 in my testimony and the other AT&T witnesses'
10 testimony. We believe competition is good policy,
11 good for the new entrants, good for GTE as competition
12 motivates improvement and, more importantly, good for
13 Florida consumers. They will have quality, value,
14 innovation and convenience that they expect from their
15 local telephone company. Thank you.

16 MR. LOGAN: Tender the witness for across.

17 CHAIRMAN CLARK: Mr. Melson.

18 MR. MELSON: No questions.

19 MR. GILLMAN: Ms. Caswell will be doing the
20 cross.

21 CROSS EXAMINATION

22 BY MS. CASWELL:

23 Q Good morning, Mr. Shurter.

24 A Good morning, or good afternoon.

25 Q Mr. Shurter, would you say AT&T provides

1 high quality reliable service to its customers?

2 A Does the question relate to our long
3 distance business?

4 Q Your long distance business and any other
5 business you might be in.

6 A I believe we do.

7 Q And do AT&T's employees ever make mistakes?

8 A Yes, I believe they do.

9 Q And does AT&T's equipment ever fail?

10 A Unfortunately, it does at times.

11 Q And despite these occasional lapses,
12 wouldn't you still agree that AT&T provides quality
13 service?

14 A Yes, I do.

15 Q And by the same token, wouldn't you agree
16 that it's possible for GTE to provide quality service
17 even though its employees sometimes make mistakes and
18 its equipment sometimes fails?

19 A I would agree with that.

20 Q If GTE makes the same amount of mistakes
21 with regard to your operations in the services it
22 provides to you as it does with regard to its own,
23 would you seek compensation from GTE due to these
24 mistakes?

25 A No. I believe that your question speaks to

1 the issue of performance standards that AT&T is
2 seeking from a parity point of view, and the key word
3 here is one of parity.

4 AT&T is asking for the same level and
5 quality of service from GTE as it provides to its
6 retail business to provide that for AT&T. So we would
7 seek to have performance standards that would reflect
8 that level of quality and parity.

9 Q So in terms of performance standards, you're
10 not seeking anything more than GTE provides to itself;
11 is that true? You're not seeking unique standards
12 that are higher for AT&T?

13 A No, I am not. I would add in the event and
14 evolution of our business relationship between a
15 customer/supplier, it wouldn't be unreasonable at some
16 point in time that AT&T may choose to differentiate
17 its servers and to go to GTE and make a request that
18 perhaps would go beyond parity. If that was the case,
19 we would seek to negotiate that and pay for that
20 capability. But what we have asked for here in this
21 hearing is one of parity of quality.

22 Q Mr. Shurter, the testimony that you just
23 gave, does that conflict with the testimony that AT&T
24 has submitted in this proceeding with regard to
25 service standards?

1 A No, I don't believe it does.

2 Q I think you've also asked for GTE reimburse
3 you when you lose revenues or you have uncollectibles
4 due to actions or inactions on GTE's part; is that
5 right?

6 A Yes, we have; and this refers to a term and
7 condition in the contract that speaks to
8 indemnification, which is a practice in the industry
9 that is fairly common where each provider of their
10 capability would indemnify the other provider for any
11 harm.

12 So what we've asked for here is in the case
13 where we would be reselling in a total service resale
14 area, GTE in fact would be controlling the people and
15 the facilities and the capability that would provide
16 those services. We believe that they are in the first
17 position many times to either prevent the error,
18 identify fraud and do those corrections.

19 So if they are in the best position to do
20 that, we would require that they, in fact, take those
21 actions to prevent any liability and fraud occurring
22 into the network operation. To the extent that AT&T's
23 people would create such a situation or the customer
24 would create such a situation, we would not be asking
25 GTE to indemnify those actions.

1 Q Are you talking about just intentional
2 actions or unintentional actions as well?

3 A Both.

4 Q So I thought you just testified that GTE
5 could provide quality service despite equipment
6 failures, mistakes by its people. Those are
7 unintentional things. And if it's providing a quality
8 service, why do you expect it to compensate you for
9 those sort of things?

10 A We're being very specific here. We're
11 talking about in the event that the action that had
12 occurred resulted in an unbillable or uncollectible
13 situation. There are many work errors that are going
14 to occur that are fairly innocent between a customer
15 and supplier; are not going to result in that kind of
16 liability to anybody in the industry.

17 So what we're talking about is when that
18 liability has been created and has been created
19 because of the action that GTE people take, that is
20 the specific case that we are speaking to.

21 Q Okay. Did you detail the instances where
22 GTE -- or AT&T's proposed provision would and would
23 not apply?

24 A I'm sorry. Could you restate the question?

25 Q Yeah. I think in the testimony you've

1 stated the provision broadly in terms of GTE's action
2 or inaction; is that true. If you lost revenues
3 because of GTE's action or inaction, we would pay you;
4 is that right?

5 A Yes. And the inaction, a good example of
6 that would be in the case of fraud detection. In this
7 kind of a situation, nothing is going wrong in the
8 network; no bells and red lights are going off. But,
9 in fact, the type of fraud protection procedures that
10 GTE has in place for when they were retailing that
11 service, we would expect the service that they are
12 providing in support of our total service resale, that
13 they would provide that same kind of alerting
14 capability.

15 Q And you're talking about fraud which is
16 intentional; right? That's an intention to --
17 intentional instance rather than unintentional; right?

18 A My inference here -- yes. My inference
19 is -- would be fraud that individuals would be taking
20 in -- other than GTE. In other words, it might be an
21 end user that's attempting to fraud the industry, if
22 you will. I believe GTE would be in the best position
23 if we, in fact, are buying their total service resale
24 or if we bought an unbundled network element, switch
25 element, they would be in the best position to detect

1 that kind of fraud.

2 Q Okay. I think I want to focus on the
3 unintentional inactions. For instance, let's use an
4 example. A few years back I recall that AT&T's
5 network went down. It was a pretty significant
6 outage. It was well publicized. And I believe that
7 was because of a problem with the software in the
8 switch. Do you recall that?

9 A Yes.

10 Q And did you ever determine why that problem
11 occurred?

12 A Yes; AT&T did. I personally am not close to
13 the details surrounding that.

14 Q Could you tell me whether it was human error
15 or a software problem, a glitch in the software,
16 something like that? Could you give me general --

17 A I'm just not sure.

18 Q Let's say it was a glitch in the software,
19 and let's say the same thing happened to GTE's network
20 and we had the provision that you're seeking in place.
21 Could AT&T claim that GTE had not done enough to
22 detect the glitch in the software, to debug the
23 software, and that it could have prevented the outage?

24 A Yes, I can envision situations where that,
25 in fact, could be the case. I also could envision

1 situations where it wouldn't be the case; where GTE
2 would have normal operating procedures. They would
3 identify that they had a software problem. They took
4 all appropriate actions to care for that. Then I
5 believe that they'd done everything that you would ask
6 them to do.

7 In the case that the software problem was
8 detected and not attended to and it created a
9 significant amount of uncollectibles or unbillables,
10 that is the case that I think needs to be examined,
11 and that is the case that we're specifically speaking
12 to.

13 Q Okay. But in each case we'd probably have
14 to fight about what that provision meant? Do you
15 agree with that?

16 A I beg your pardon?

17 Q Do you think there could significant
18 controversy about that provision? In other words,
19 every time something occurred, AT&T's lawyers could
20 claim that it was due to GTE's inaction, could they
21 not? Could you imagine a circumstance where they
22 could not claim that?

23 A Yes. I think many circumstances we would
24 not claim that. Again, I mean, we are working as
25 partners in the industry here on a customer/supplier

1 model. We have to be very clear on our handoffs and
2 our procedures between one another, and as part of the
3 service performance routines that we'd have in place
4 between us, we would be pretty aware of what kind of
5 procedures that GTE would be using, what would be
6 appropriate. We'd have discussions about that.

7 So where the suggestion is here that would
8 be pretty confusing or would try -- require a lot of
9 unique examination, I think there's a lot of known
10 relative to the processes that would be in place
11 between the customer and supplier.

12 Q Okay. How exactly would this work if, say,
13 GTE's network went down on a particular day and you
14 lost revenues because of that, would you come to GTE
15 with a bill, essentially, and just say, "pay up, GTE.
16 This is the amount we lost"?

17 A No. We would come to GTE and review the
18 situation; what has happened, what's appropriate, was
19 appropriate action taken? I think that's the way that
20 that would have to be pursued.

21 Q And don't you think that process might
22 involve a considerable amount of controversy, that the
23 parties would not necessarily agree that it was GTE's
24 fault?

25 A I think there's a possibility, yes, that

1 people may not agree.

2 Q And do you think those controversies might
3 in a high number of instances come to this Commission?

4 A No. I believe that what we have proposed in
5 terms of contract terms and interconnection agreement
6 would be an alternate distribution resolution process
7 that would say to the extent that we have differences
8 and we can't resolve these, that that process would
9 call for a third-party mediator to be involved to help
10 resolve that.

11 In doing so, we would not be bringing all of
12 those day-to-day administrative issues that you
13 outline here to this Commission if, in fact, the
14 Commission approves those kind of terms and
15 conditions.

16 Q But you recognize that GTE could still use
17 the Commission's complaint process to come before the
18 Commission with those controversies; isn't that
19 correct?

20 A No; because I am expecting that the result
21 of these hearings, and the reason we are, in fact,
22 here, is to obtain an interconnection agreement. And
23 that interconnection agreement can provide the terms
24 and conditions, particularly in the area of service
25 performance, uncollectibles and those kind of items,

1 as well as the alternative dispute resolution process,
2 so that that would not need to come to the Commission.

3 If, in fact, that is what is so ordered by
4 this Commission, then I would expect GTE would abide
5 by it as well as AT&T would.

6 Q What if GTE doesn't pay in a certain
7 circumstance where it feels it was not at fault and
8 you feel it was? What happens then?

9 A We would file the ADR process that we are
10 recommending in the interconnection agreement.

11 Q Has that been approved?

12 A I beg your --

13 Q The agreement has not been approved; is that
14 right?

15 A That agreement is not approved because of
16 all the open issues we brought to the Commission.

17 Q Okay. Would AT&P -- AT&T be required to
18 document its losses in some way when it claims its
19 lost revenue?

20 A Yes. I think it's an appropriate approach
21 in any of that type of a situation where we do
22 identify what is the range of the damages.

23 Q So, for instance, say, we're talking about a
24 usage based service, and AT&T lost revenue because
25 that customer couldn't use that service for that day,

1 how would you determine how much service a customer
2 would have used during the time the network was out?

3 A I think the implementation of this whole
4 area of uncollectibles and unbillable, you would have
5 to take a look at all of the different type of
6 situations and put down some specifics in terms of how
7 you would examine it, and I think in some cases where
8 the service was usage based, you would get a different
9 result than if the service, in fact, was a monthly
10 bill base. So I think your point as looking as to
11 what is driving the revenues, the uncollectibles and
12 the unbillable situation, you would want to point back
13 to that fundamental, whatever it is, and then you
14 would want to examine that.

15 Q And in this proceeding, have you given the
16 Commission or have you proposed to GTE during
17 negotiations any type of specifics that would
18 determine when we'd owe you something and when we
19 wouldn't?

20 A No, I'm not aware of anything like that.

21 Q Okay. So they would need to be determined
22 again on a case-by-case basis, wouldn't they?

23 A Yes. I think case by case, prudence is
24 important here. This should not be dealt with in a
25 frivolous way. In fact, I think you have to examine

1 this, and there's no substitute of doing the work to
2 understand what was driving the revenue and what was
3 driving the air, to make sure that we are clear.

4 Q So despite your confidence in the fact that
5 AT&T would not charge GTE for every inaction, you've
6 never proposed any list of instances where AT&T would
7 not require compensation from GTE; isn't that correct?

8 A No, we have not, nor has GTE offered such a
9 list.

10 Q GTE is not proposing this sort of provision,
11 is it?

12 A GTE is not proposing this -

13 Q GTE -- I'm sorry.

14 A GTE is not proposing this, but they have
15 been part of the negotiation, which is a two-way
16 process where we do share ideas and try to come into
17 agreement.

18 Q But GTE has never accepted this idea, has
19 it?

20 A No, they have not.

21 Q So they had no obligation to come with
22 any -- up with any sort of list that says when and
23 when it wouldn't be charged for its actions or
24 inactions; is that right?

25 A No, I don't believe that is correct. I

1 believe in the spirit of negotiations, and intended by
2 the Act, is both parties had an opportunity to discuss
3 for a set period of time to be able to come into
4 agreement and to be able to resolve issues. I believe
5 GTE had an equal responsibility to come to that table
6 with something more than just no's, but something with
7 ideas about how we could resolve the issues that were
8 put on the table.

9 Q Are you charging that GTE negotiated in bad
10 faith?

11 A No, I am not. I am just saying there may
12 have been an opportunity for AT&T to bring
13 alternatives to the table.

14 Q And by the same token, there was an
15 opportunity for GTE to bring its own alternatives; is
16 that correct?

17 A Yes.

18 Q Okay. With regard to your proposal for
19 reimbursement, that would entail cost to GTE, would it
20 not, additional costs?

21 A Yes.

22 Q Okay. And have you considered at all how
23 GTE is supposed to factor these costs into the rates
24 that it charges you for unbundled elements and resold
25 elements?

1 A No, I haven't thought about that.

2 Q So the cost studies in this proceeding do
3 not, in fact, include anything that would relate to
4 your proposal for reimbursement, do they?

5 A I beg your pardon. Was your question "Does
6 AT&T's cost studies?"

7 Q No. Are you familiar -- well -- yeah, do
8 AT&T's cost studies include an element that would go
9 to this reimbursement proposal that you've put forth?

10 A No, it does not.

11 Q And doesn't the Act require that GTE
12 recovers its costs for unbundled elements and resold
13 services?

14 A Yes, it would.

15 Q So there's no evidence in this proceeding
16 that would allow the Commission to set up rates that
17 would include that kind of cost, is there?

18 A I believe that the costing procedures that
19 Mr. Gillan talked to, and that our costing witnesses
20 will speak to later, provide for the appropriate cost
21 recovery associated with the items provided under the
22 Telecommunication Act; and I think that's where that
23 ought to be probed.

24 Q But you just testified that AT&T's study
25 doesn't include anything that would compensate GTE for

1 this reimbursement cost.

2 A I'm personally not aware that it does or
3 does not.

4 Q AT&T has lots of contracts with large
5 business users, doesn't it?

6 A Yes, we do.

7 Q And do those contracts include provisions
8 compensating AT&T's customers for revenues lost due to
9 AT&T's actions or inactions?

10 A It's my understanding that they do. I'm not
11 really familiar with them.

12 Q So you would say customarily in your
13 contracts there's a provision that says if you lose
14 revenues or if you lose business because of AT&T's
15 action or inaction, we will pay you?

16 A I believe we have contracts like that in
17 place.

18 Q Would you be willing to provide as a
19 late-filed exhibit some of that language, the language
20 in your contracts?

21 A I would be willing to seek out AT&T to see
22 if there were such contracts available. I think
23 there's a more near-at-hand reference for us to be
24 looking at, and I think you're speaking to the terms
25 of performance standards and the credits that AT&T is

1 suggesting being provided as part of performance
2 standards. And we do have between GTE and AT&T at
3 hand interstate access tariffs and intrastate access
4 tariffs that do call for credits for installation and
5 network outages when performance standards are missed.

6 So that's pretty near term. It's between
7 us. I think it's the kind of thing that's close to
8 what we're talking about, and it's appropriate in
9 terms of an interconnection contract that we are
10 seeking here with the Commission.

11 Q Well, that may be, but I don't know if you
12 answered my question. I'm focusing on the specific
13 language you're using in your proposal that will
14 compensate you for our actions or inactions. Your
15 testimony is that AT&T's contracts compensate its
16 business users, or any users at all, for that kind of
17 occurrence. Is that true?

18 A No, I don't think that's what I testified.
19 What I'm saying is I believe that AT&T has commercial
20 contracts with large business customers, that for
21 whatever reasons are spelled out in those contracts,
22 that there could be conditions under which AT&T may be
23 liable to pay the customer.

24 Q And I think you said you were willing to
25 seek out people in AT&T who would know about such

1 contracts. Could you do that during the course of
2 this hearing and perhaps tell us what witness would be
3 better suited to testify to that?

4 MR. LOGAN: Chairman Clark, could I object
5 to that request on relevancy grounds? I think what
6 Ms. Caswell is asking for is contracts between AT&T
7 and its customers. This is an interconnection
8 proceeding which deals with issues pertaining to the
9 interconnection of two companies that are providing
10 telecommunications services. I don't think it has any
11 bearing on this proceeding.

12 MS. CASWELL: May I respond to that?

13 CHAIRMAN CLARK: Ms. Caswell.

14 MS. CASWELL: We're trying to set up rules
15 to govern a competitive market, and I think it's fair
16 to look at the sort of behavior companies engage in
17 in competitive markets and the same, like long
18 distance service, which is intensely competitive, and
19 the kind of terms and conditions that govern service
20 there. I think it's fair to look at the analogies in
21 those markets; and in fact, AT&T, in many instances in
22 its testimony analogizes what should go in the local
23 market to what's happened in the interLATA market.
24 That's why it's relevant.

25 CHAIRMAN CLARK: What is it specifically you

1 want from this witness?

2 **MS. CASWELL:** I think I'm trying to
3 establish that it's unreasonable for AT&T to expect us
4 to compensate it for losses due to actions or
5 inactions when that's not something they would ever do
6 for one of their customers, and that's not a common
7 and customary business practice.

8 **CHAIRMAN CLARK:** So what is it you want from
9 this witness?

10 **MS. CASWELL:** He's testified that he
11 believes AT&T's contracts include provisions that will
12 compensate its customers for losses due to AT&T's
13 actions or inactions. And what I want from the
14 witness is without disclosing any customer names or
15 providing us the whole contract, just to maybe copy
16 down the exact wording of those provisions so that we
17 can see what's customary for AT&T to do; and I would
18 also like him to state whether that provision applies
19 to all of their contracts; and if not, what percentage
20 of the contracts with their large business users.

21 **CHAIRMAN CLARK:** Mr. Shurter, can you do
22 that?

23 **WITNESS SHURTER:** I personally cannot. I
24 don't have the authority over that information, so I
25 personally cannot.

1 **CHAIRMAN CLARK:** I'll tell you what. I'll
2 let you and Mr. Logan and Mr. Tye get together at a
3 break and we'll see what compromise we can come up
4 with.

5 **MS. CASWELL:** Okay. Thank you.

6 **Q** **(By Ms. Caswell)** Mr. Shurter, AT&T has
7 asked for access to GTE's operation support systems;
8 is that correct?

9 **A** Yes. We have asked for electronic interface
10 to be put in place to support our requirements of
11 provisioning and maintaining total service resale and
12 unbundled network elements individually and in
13 combination.

14 **Q** Then why hasn't AT&T ever asked GTE to
15 unbundle its operation support systems?

16 **A** We do not believe that we need to make that
17 request of GTE to treat at this time operation support
18 systems as an unbundled network element. What we are
19 seeking is the electronic interface to those
20 operational support systems so that we have
21 information available to us, interactive real-time, to
22 support the preprovisioning, preordering, ordering,
23 maintenance and billing processes.

24 **Q** And does the FCC require -- does the FCC
25 think that what you're requesting access to OSS is an

1 unbundled element?

2 A Yes. The FCC stated that operational
3 support systems would be an unbundled network element.
4 The FCC also went on and talked about the need for
5 operational interfaces to be made available on an
6 equal basis to support total service resale, and said
7 that that would be also an appropriate reference to
8 operation support systems. And that in no way did
9 that require that an operation support system be an
10 unbundled network element to support total service
11 resale.

12 Q I think I'm a little confused by your
13 answer. Did the FCC, or did it not, consider access
14 to operation support systems to be an unbundled
15 element?

16 A I believe I answered that.

17 Q Okay. And that was a yes? I'm sorry.

18 A Yes, it was.

19 Q I'm sorry if I misunderstood your answer.
20 Do you know if MCI has asked for access to OSS as an
21 unbundled element in this proceeding?

22 A Could your restate your question, please?

23 Q Do you know if MCI considers access to OSS
24 to be an unbundled element in this proceeding?

25 A I do not know.

1 Q If you're going to get -- let me ask this a
2 different way. Why do you think it's so important not
3 to label what you're looking for as an unbundled
4 element. Why are the semantics so important?

5 A My testimony doesn't deal with semantics.
6 My testimony only deals with what we believe we need
7 to have to support our market entry. A market entry
8 that would allow us to provide total service resale,
9 unbundled network elements, and be able to seek which
10 one would be our best solution.

11 Q Right. And I think I understand that, but
12 why is it so important in what you call it?

13 A It's not important to me what we call it.
14 It seems important in your questioning.

15 Q Then you're willing to call it an unbundled
16 element? If it's not important, we can call it an
17 unbundled element. Is that your testimony?

18 A No, that's not what I said.

19 Q Okay. Is the reason you're reluctant to
20 call it an unbundled element because you think it
21 might affect how much you need to pay for access to
22 OSS?

23 A No. That's never been in one of our
24 considerations. As it relates to the element of
25 paying for operational support system interfaces, I

1 believe all new entrants that are seeking to get in
2 the marketplace are going to incur large costs and
3 expense of putting in place their own customer service
4 centers, their own operational support systems, their
5 own electronic interfaces for the different local
6 service providers.

7 AT&T's position, as it relates to the costs
8 associated with this has been consistent; and that is
9 that we're more than willing to pay for what it is
10 that GT&T (sic) has to develop in support of this new
11 capability. We believe that paying for that
12 capability ought to be done in a competitively neutral
13 way. There ought to be a sharing of the cost of those
14 capabilities being put in place amongst the new
15 entrants. And also that GTE ought to participate
16 somewhat in that because it does support putting in a
17 new capability or their wholesale business that they
18 will be operating.

19 Q If you called access to OSS an unbundled
20 element, would it be acceptable for GTE to share in
21 the costs under the Act, the standard of the Act?

22 A The Act is -- speaks to unbundled network
23 elements being costed out and priced out with the
24 TELRIC price mechanism. I assume that that includes
25 all of the cost.

1 Q So would the TELRIC mechanism apply to
2 access to OSS even if AT&T doesn't call it an
3 unbundled element?

4 A Yes, I believe it should, as it relates to
5 the specific of how do you develop the cost that would
6 need to be shared, as I described. So what we would
7 be looking for is a good reference to develop what is
8 the cost basis of this amount of money that is looking
9 to be shared amongst the new entrants, that GTE would
10 be proposing be shared. I believe referencing TELRIC
11 as a way of doing that is a good methodology to
12 accumulate the costs, and it provides something that
13 we, in fact, can use.

14 Relative to total service resale, I don't
15 believe there's anything specific in the Act that
16 would say you would have to use TELRIC to develop the
17 cost of operational support system electronic
18 interfaces in support of TSR, or unbundled network
19 elements.

20 Q Does the Act permit cost sharing for
21 unbundled elements?

22 A I beg your pardon?

23 Q Cost sharing; your concept of cost sharing.
24 Does the Act permit that for unbundled elements?

25 A I believe yes, the Act assumes that -- I'm

1 sorry. Let me back up. I'm not sure I asked --
2 answered -- heard your question.

3 Q Okay. Does the Act permit cost sharing as
4 you have proposed it as a cost recovery mechanism for
5 unbundled elements?

6 A I think the Act speaks to competitively
7 neutral type of costing techniques and refers to the
8 TSLRIC as the way for unbundled network elements to
9 have their costs recovered.

10 Q And does the Act say that an ILEC has to
11 recover its costs -- or it must be permitted to
12 recover its costs for unbundled elements? Does it say
13 that?

14 A Yes, I believe the Act, as it was speaking
15 to the TSLRIC, as recovery mechanism, was speaking
16 that that would be a way that an embedded LEC should
17 seek cost recovery for unbundled network elements.
18 The Act did not speak to that specifically to
19 operational support systems. It was the FCC decision
20 that then labeled operation support systems an
21 unbundled network element.

22 Q So under the Act do you think it's okay for
23 this Commission to require GTE itself to pay part of
24 the cost of an unbundled element for AT&T?

25 A No.

1 Q Is that why you don't want to call OSS an
2 unbundled element?

3 A No. I don't -- I'm referring to what we
4 need in terms of electronic interfaces, because we are
5 not seeking to go forward and ask for GTE's
6 operational support systems in this case providing the
7 platform to support the preordering and ordering, the
8 functional areas that the Act and the FCC envisioned
9 that would be required for new entrants; that, in
10 fact, the electronic interface that we propose and
11 seek with gateways between both GTE and AT&T is not in
12 fact -- those costs associated with that is not an
13 operational support systems.

14 It's a capability that needs to be put in
15 place, and we do agree that there's going to be costs
16 associated with that for GTE as well as the new
17 entrants.

18 Q Okay. I think you've testified that the Act
19 does not permit recovery from GTE for unbundled
20 elements; is that right? I think that's what I heard
21 you say a few minute ago.

22 A The Act is clear that for unbundled network
23 elements, total element long run incremental cost is
24 the appropriate recovery.

25 Q I don't think that was my question. My

1 question was, I thought I heard you say a few minutes
2 ago that under the Act GTE can't be expected to
3 recover from itself the costs it incurs to provide
4 unbundled elements. Is that true? Maybe we could
5 have the reporter read it back if you can't remember.

6 A I don't remember, if you want to read it
7 back.

8 CHAIRMAN CLARK: Why don't you ask the
9 question again. Just ask him the question so we don't
10 have to have it read back.

11 Q (By Ms. Caswell) I'm trying to remember
12 what it was. But I know that you proposed a cost
13 sharing mechanism so that GTE would pay -- would pick
14 up part of the costs for the operation support
15 systems, the access to those OSS that you demand. And
16 I asked you if the cost standard under the Act, the
17 cost recovery standard that states are supposed to put
18 in place, would permit the Commission to impose a
19 standard that would recover part of the cost of an
20 unbundled element from GTE.

21 A I must admit I'm not clear on the question.

22 Q I think you answered it earlier. Would you
23 at least admit that pricing for unbundled elements,
24 the acceptable means of pricing unbundled elements
25 might differ from the means of pricing that you're

1 proposing for access to OSS? You're not calling it
2 unbundled element, whatever you're calling it, might
3 those pricing mechanisms differ?

4 A Yes. And I would expect one thing to be
5 common between the two of them, and that they be cost
6 based.

7 Q But you wouldn't agree that the reason AT&T
8 won't call OSS an unbundled element is because it
9 might affect how much AT&T would have to pay for that
10 access? That did not figure at all into GTE's -- into
11 AT&T's, I'm sorry -- position on this matter is that
12 true?

13 A That is true.

14 Q Okay. Talking a little bit more about cost
15 recovery, at Page 22 of Mr. Carroll's direct testimony
16 he discusses AT&T's proposals for cost recovery for
17 AT&T's access to GTE's support systems. And one of
18 the methods he advocates is recovery through
19 operational efficiencies. Do you see that language
20 there? I think it's on Line 17.

21 A Yes, I see it.

22 Q This means this AT&T would not actually pay
23 GTE for development of OSS, doesn't it?

24 A No, that's not what it says. It says that
25 "We believe that the cost that GTE would incur should

1 be recovered in a competitively neutral manner." I
2 think the reference here to operational efficiencies
3 is the awareness that when you put electronic
4 interfaces in place and you reduce the manual
5 handling, and you reduce the delays that are inherent
6 in a process that doesn't have the benefit of
7 interactive electronic interfaces, that both parties
8 will benefit from those kind of efficiencies.

9 So the reference here is that there should
10 be some costs that would no longer be incurred if you
11 put in a very good electronic interface.

12 Q I'm still not sure you answered my question.
13 I'm sorry. I'm focusing on the words "operational
14 efficiencies." What would a cost recovery mechanism
15 look like that was based on operational efficiencies?
16 Would that involve a payment by AT&T to GTE?

17 A No. This reference here is explaining
18 elements of the way the cost might be affected. So
19 when I spoke earlier that we would expect the monies
20 to be paid back to GTE shared by the industry to be
21 cost based, we would expect, also, that the
22 efficiencies that are going to be experienced by GTE
23 would be reflected in those costs.

24 **COMMISSIONER DEASON:** Are you talking about
25 efficiencies that don't exist today?

1 **WITNESS SHURTER:** I'm sorry. I didn't hear
2 you.

3 **COMMISSIONER DEASON:** Are you speaking of
4 efficiencies that do not exist today?

5 **WITNESS SHURTER:** Yes, I would be.

6 **COMMISSIONER DEASON:** And what are those
7 additional efficiencies?

8 **WITNESS SHURTER:** A good example of that
9 would be that we are still in the process of continued
10 negotiation with GTE and what these electronic
11 interfaces would look like and they involve over time.

12 One of the first implementations of that was
13 that if we, AT&T, wanted a telephone number
14 assignment, we would call a center that GTE would
15 provide via a 1-800 number. They would have people in
16 place that then would give us a telephone number, give
17 that back to us, and then we would put that on the
18 order and deal with that with the customer.

19 If we move to full electronic interface,
20 they won't require having to have -- that center won't
21 need to have those people there and the cost to answer
22 the phone and be able to respond back. In fact, those
23 costs would go away because it would be handled by the
24 system electronically.

25 **COMMISSIONER DEASON:** Well, I guess you're

1 missing the point of my question. Does GTE have
2 anybody in place right now to answer your calls, to
3 get a telephone number for a subscriber to your
4 service?

5 **WITNESS SHURTER:** Thank you for clarifying.
6 No. They're in the process of putting those resources
7 in place.

8 **COMMISSIONER DEASON:** So it's not additional
9 efficiencies, it's just the way of doing something
10 they were planning on doing; doing it more efficiently
11 than what their plans are.

12 **WITNESS SHURTER:** Yes.

13 **COMMISSIONER DEASON:** So from a strictly
14 incremental cost basis, it's not an incremental
15 efficiency to the operation as it exists today,
16 because right now they have don't have anybody in
17 place to answer your phone calls?

18 **WITNESS SHURTER:** Yes, that is correct. And
19 so I would envision that as this thing goes on, that
20 your point is well made that right now they don't have
21 it, but they are going to incur some costs. And then
22 as we move to the next stage, that cost base is going
23 to change again, and as to we move to the next stage.

24 So I do believe the reference here to
25 operational efficiencies was reflecting on how this

1 evolution would occur.

2 Q (By Ms. Caswell) Mr. Shurter, is it true
3 that your petition asks the Commission to order cost
4 recovery for systems development and implementation in
5 a way that does not involve direct charging to AT&T?

6 A No. AT&T is prepared to pay on the basis of
7 direct charges. We, as well, are open to other ways
8 of putting together this sharing and paying for these
9 costs. So if that was a direct charge to us, that was
10 the appropriate way to do it, we would pay for that.

11 I think what AT&T objects to here is the GTE
12 position that only AT&T should pay for the electronic
13 interfaces, and we've been very clear all along that
14 we're willing to pay our fair share as competition has
15 come in the local marketplace, but we believe it is
16 unreasonable for GTE to expect that AT&T would pay the
17 total price.

18 Q Okay. I want to go back to that reference
19 in the petition. Do you have the petition with you,
20 AT&T's petition in this proceeding, petition for
21 arbitration? Can you look at Page 11, please, and
22 Item 14, can you read me what that says?

23 MR. LOGAN: If you can just give the witness
24 a second to find the spot, please.

25 WITNESS SHURTER: You referred to the

1 petition.

2 Q (By Ms. Caswell) Yes.

3 A I'm not sure I have that. I have here the
4 hearing proceedings. (Document handed to witness.)

5 Q Can you look at Page 11, please?

6 A Okay. I'm on page 11.

7 Q Item 14, can you read that for me, please,
8 out loud?

9 A "Recover the cost GTE incurs to develop and
10 implement the systems and processes required by the
11 Act in a competitively neutral way and not through
12 direct charging to AT&T."

13 Q And doesn't that conflict with the testimony
14 you just gave me that AT&T was willing to be charged
15 directly for the system's implementation?

16 A Yes, it does in terms of specific wording.
17 The point that it means here about direct charging, I
18 believe, refers to all of the charges coming to AT&T.

19 Q Okay. Let's talk about your point that GTE
20 should be required to pay for interface development
21 for you to use our systems. That's not something GTE
22 would do for its own operations; correct? We don't
23 need that, we haven't requested it, and there's no
24 reason for us to put that in place. Is that true,
25 other than you want it?

1 **A** Well, I believe that GTE has an obligation
2 under the Act to support new entrants in terms of
3 providing access and information in their operational
4 support systems so that new entrants can provide
5 convenience, accurate handling of new customers'
6 requests. So I believe that GTE does have an
7 obligation here.

8 **Q** Okay. I think wasn't quite my question. My
9 question was, absent our obligation -- let's assume we
10 do have an obligation -- GTE would not choose to put
11 those interactive processes in place, would it? It
12 does not benefit from those processes. Isn't that
13 true?

14 **A** Yes. I believe that is right if GTE had no
15 intention of supporting the intention of the Act in
16 supporting new entrants' requests for local
17 competition.

18 **Q** I'm still not sure you're answering my
19 question. How does GTE benefit from those interfaces
20 that you're requesting?

21 **A** I believe that GTE benefits in a -- the
22 support of their wholesale business that was required
23 by the Act that they establish.

24 **Q** But the Act doesn't require us to pick up
25 part of the costs of those -- of that access you're

1 requesting, does it?

2 A No. I think the Act is more -- the wording
3 is more supportive of what we said here about
4 competitively neutral recovery.

5 Q Getting back to something you said just a
6 minute ago, you think that we should pick up part of
7 the costs of the access that you want because it will
8 improve our position in the wholesale business. Do I
9 have that right?

10 A Yes. I believe that this will make for a
11 more efficient operation of a wholesale business when
12 you can eliminate manual interfaces and eliminate the
13 delays and errors that, in fact, an electronic
14 interface properly implemented can provide.

15 Q So you believe that AT&T has the right to
16 determine what GTE's strategy should be in the
17 wholesale business and this Commission should impose
18 the costs of that strategy on GTE, the strategy you've
19 designed for GTE; is that right?

20 A No, that is not correct. AT&T has a belief
21 here, and it comes from a parity principle that has
22 been established in the Act of asking for what is
23 reasonable and nondiscriminatory along the lines that
24 we believe we should have the opportunity to get the
25 same level of support and access to information, be it

1 telephone numbers or due dates or street guides or
2 whatever the same thing other new entrants would need
3 to have to be able to to enter a market.

4 Q And I'm still trying to figure out how your
5 access to our systems will benefit us.

6 A Well, if we, in fact, purchase total service
7 resale services from you, you will be compensated for
8 that business that we are buying from you. We are a
9 customer there. You're our supplier. We are going to
10 be paying you for that. You will have money to
11 recover the cost in the operation of your wholesale
12 business.

13 The same thing will be true when we buy
14 unbundled network elements from you. You will be
15 compensated for that as well. I assume GTE would look
16 at all of that as a part of your wholesale business.

17 Q But it should be GTE's right to look at what
18 it wants to in the wholesale business in compliance
19 with the Act, shouldn't it be?

20 A Oh, yes.

21 Q So that what AT&T decides what might be the
22 best strategy for GTE in the wholesale market
23 shouldn't have any relevance to this proceeding,
24 should it?

25 MR. LOGAN: Chairman Clark, I'd object to

1 this question. On the one hand she's asked the
2 question as to what is the benefit to AT&T. On the
3 other -- I mean to GTE. On the other hand, she's now
4 asking questions of whether or not the witness should
5 characterize those statements. I think they're
6 totally inconsistent with one another.

7 CHAIRMAN CLARK: Ms. Caswell.

8 MS. CASWELL: I'm not sure I understood the
9 objection. The only thing I'm trying to have this
10 witness answer is why would it benefit us for them to
11 have interactive access to our systems in a way such
12 that we should have to pay for part of that access,
13 their access to our systems.

14 CHAIRMAN CLARK: I think he's answered that
15 question.

16 MS. CASWELL: Okay.

17 Q (By Ms. Caswell) Has AT&T ever provided
18 GTE, either in negotiations or in this proceeding,
19 with the specifications for the kind of access it
20 wants to each of GTE's operations support systems?

21 A Yes, we have. We have provided high level
22 requirements from our very first executive meeting,
23 and, in fact, more detailed requirements had been
24 passed between the subject matter experts as we go
25 forward. It established a platform of discussion

1 between GTE's subject matter experts and AT&T's
2 subject matter experts where we attempted to develop a
3 joint plan of how to get the appropriate information
4 access to GTE's systems.

5 And we've tried to do this on a joint basis,
6 we tried to do this on a phased in basis, recognizing
7 that there may be some certain requirements that
8 initially AT&T wanted that would best be served by GTE
9 at a later date versus something in the more immediate
10 term. So we tried to jointly put together what that
11 plan might look like to develop the appropriate
12 implementation.

13 Q Did you submit any sort of specifications,
14 detailed specifications, for access to OSS in this
15 proceeding so that the Commission might understand
16 exactly what kind of access you want to what kind of
17 systems?

18 A Yes. I believe within the documentation
19 that has been submitted with the testimony and the
20 pre-filing reflects information in the interconnection
21 agreement that spells out what our needs and
22 requirements are. There is also supportive
23 documentation, letters, documents, et cetera, that
24 will spell out how the evolution of the agreements
25 have developed.

1 Q And those things are detailed enough so that
2 GTE could take them back to its operation and build
3 the kind of system that you want? Is that your
4 testimony?

5 A Yes, partially. And let me clarify that we
6 have been very focused with GTE on trying to get a
7 capability in place as soon as we possibly can to
8 support market entry. All of those discussions have
9 moved from a manual -- partially manual, partially
10 system to negotiations to a more system-to-system
11 batch processing type of interface.

12 All of that as we refine that is only
13 capable of supporting a total service resale
14 environment. We had to deal with GTE on the basis of
15 what they were willing to talk to us about. We wanted
16 to also expand those discussions to cover unbundled
17 network element as it results and requires electronic
18 interface support.

19 We got to a point where the price
20 discussions associated with the interconnection
21 agreement became a barrier generally for us to pursue
22 moving forward with the specific requirements
23 associated with electronic interfaces for unbundled
24 network elements.

25 We are now at a point that we have pretty

1 much completed negotiations, not all final, in terms
2 of what the electronic interface might look like for a
3 total service resale and are in the process now of
4 conveying the further requirements that encompass not
5 only total service resale and unbundled network
6 element. We were pleased to hear that GTE was willing
7 now to entertain those more detailed and broader
8 requirements, which they were not willing to entertain
9 just a few weeks ago.

10 Q Mr. Shurter, based on what you just said,
11 would you make a change to Mr. Carroll's testimony
12 when he says that GTE has refused to agree to an
13 interim solution until the parties reach agreement on
14 pricing issues?

15 A Was your question, do I agree with --

16 Q Well, you've adopted Mr. Carroll's
17 testimony; correct?

18 A Yes, I have.

19 Q And in his direct testimony at Page 17 -- if
20 you want a reference.

21 A Okay. I'm on Page 17.

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23 (Transcript continues in sequence in
24 Volume 2.)

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