

ORIGINAL

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF
JOSEPH GILLAN

ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

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Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Joseph Gillan. My business address is P.O. Box 541038, Orlando, Florida 32854. I am self employed as an economist with a consulting practice specializing in telecommunications. I have previously testified before this Commission on numerous occasions over the past decade.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of AT&T Communications of the Southern States, Inc. (AT&T).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to address the following issue:

ISSUE 7: What standard should be used to identify what combinations of unbundled network elements recreate existing BellSouth retail telecommunications services?

1 The principle conclusion of my testimony is that it is simply not *possible* for an
2 entrant to recreate a BellSouth service, no matter what combination of network
3 elements are used to accomplish the technical switching and transmission involved.
4 Services are defined by more than the simple interplay of network components.
5 What defines a service is largely determined by how the service is presented to the
6 customer -- how is it priced, how is it supported, and what need does it satisfy. As a
7 result, even *if* it were relevant whether an entrant "recreated" a BellSouth service,
8 one could not answer the question by looking only at the narrow issue of the
9 service's network components.

10
11 **Q. FROM WHAT PERSPECTIVE SHOULD THE QUESTION OF "SERVICE-**
12 **RECREATION" BE CONSIDERED (IF RELEVANT AT ALL)?**

13 A. It is important to appreciate that services are not technical standards, designed by
14 engineers for engineers. Rather, services are products offered to customers to
15 satisfy customer needs. The important perspective is that of the customer -- indeed,
16 in a sense, services only exists from the perspective of the customer. Importantly,
17 customers don't care *how* a service is provided; they care about whether the quality
18 is adequate, the price is acceptable, and the customer support reasonable. The
19 technical components of a service figure little (if at all) in this calculus.

20
21 **Q. WHAT ARE THE PRINCIPLE FACTORS WHICH DISTINGUISH**
22 **SERVICES TODAY?**

23 A. One of the consequences of the digital revolution is the technical homogeneity in
24 service design. Digital transmission is digital transmission. Switching is basically
25 switching -- and will become even more generic as AIN technology removes

1 network intelligence to remote databases. Standards are established precisely to
2 assure the interoperability (thus substitution) of equipment and facilities. Providing
3 basic voice telecommunication services is, by design, a standardized activity with
4 little room for network improvisation.

5

6 What this means is that services (and carriers) are increasingly defined by the non-
7 technical dimensions of the product: prices (including billing), packaging, and
8 customer support. It is along these "soft" dimensions of service that product
9 differentiation is greatest.

10

11 **Q. GIVEN THE IMPORTANCE OF THESE "SOFT" DIMENSIONS ON THE**
12 **DEFINITION OF A SERVICE, IS IT POSSIBLE TO "RECREATE" A**
13 **SERVICE OF BELL SOUTH?**

14 A. No. BellSouth's services are defined, in large part, by BellSouth's market image, its
15 unique prices and its own customer support. No entrant can recreate a BellSouth
16 service without becoming, in effect, BellSouth itself -- with identical prices,
17 marketing and customer support.

18

19 **Q. IS A RETAIL SERVICE RECREATED SIMPLY BECAUSE THE**
20 **NETWORK IS USED IN THE SAME WAY?**

21 A. No. The telecommunications industry has a long (and continuing) history of
22 differing services that use the network in comparable ways. In fact, one of the
23 principal roles for BellSouth's tariffs is to define (and thus price) distinct services
24 even when no significant network difference exists. Examples include the
25 "difference" between business and residential local exchange service, switched

1 access and local interconnection service, and BellSouth's expanded calling services.
2 BellSouth has in the past completely redefined entire markets from toll service to
3 local service. Although the "services" were dramatically different, the basic
4 network components (the loop remained connected to the same switch port) were
5 unchanged. Just as the services themselves are not originally *defined* solely by their
6 network components, it is not possible to *recreate* a service along this single
7 dimension.

8
9 **Q. DO YOU EXPECT THAT BELLSOUTH WILL OFFER LONG DISTANCE**
10 **SERVICES WHICH RECREATE, IN A TECHNICAL SENSE, THE**
11 **RETAIL SERVICES OF ITS UNDERLYING CARRIER?**

12 A. Yes. Although BellSouth has not yet satisfied the statutory requirements to provide
13 interLATA services, it was reported more than a year ago that BellSouth had chosen
14 AT&T as its underlying network provider. Assuming that its arrangement with
15 AT&T will conform to industry practice, the long distance calls of BellSouth's
16 customers will use the AT&T network in the same way as the long distance calls of
17 AT&T's own subscribers. I would also expect that other aspects of BellSouth's
18 service, including its pricing and billing, will be comparable to AT&T's products.
19 These similarities, however, would not mean that BellSouth is "recreating" AT&T's
20 services for the same reasons that no entrant can recreate those of BellSouth -- the
21 mere fact they are marketed and supported by BellSouth personnel define
22 BellSouth's services as products distinct from AT&T's.

23
24 **Q. HOW DO YOU RECOMMEND THAT COMMISSION ANSWER ISSUE 7?**

25 A. I recommend that the Commission conclude that no entrant "recreates" a BellSouth

1 retail service, irrespective of the network components involved. Although the
2 relevancy of "recreation" is addressed by the testimony of other witnesses, the
3 conclusion of my testimony is that there is no meaningful way for an entrant to
4 recreate a retail service without offering pricing, marketing and customer support
5 identical to BellSouth. Since replicating BellSouth along each of these dimensions
6 is impractical (not to mention a potential trade-mark violation), entrants cannot be
7 said to recreate a BellSouth service no matter which network elements are used.

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

10 **A. Yes.**

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