GTE ORIGINAL

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Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

March 11, 1998

Re: Docket No. 971604-TI
Request for approval of transfer of control of MCI Communications Corporation (parent corporation of MCI Metro Access Transmission Services, Inc., holder of AAV/ALEC Certificate 2986, and MCI Telecommunications Corporation, holder of IXC Certificate 61, PATS Certificate 3080, and AAV/ALEC Certificate 3996) to TC Investments Corp., a wholly-owned subsidiary of WorldCom, Inc. d/b/a LDDS WorldCom

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of the Supplemental Declaration of Debra R. Covey, which was inadvertently omitted from the filing on March 10, 1998 of GTE's Memorandum in Opposition to Joint Motion of WorldCom, Inc. and MCI Communications Corporation to Dismiss GTE Petition on Proposed Agency Action and Request for Section 120.57 Hearing and CWA Petition to Intervene and Protest of Proposed Agency Action. Copies have been provided to the parties of record. If there are any questions regarding this matter, please contact me at (813) 483-2617.

Very truly yours,

Kimberly Caswell/dm

Kimberly Caswell

KC:edm
Enclosure
c: Parties of Record

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of sale of outstanding stock and merger of MCI Comm. Corp. (Holder of AAV/ALEC Certificate 2986 in the name MCI Metro Access Transmission Services, Inc.; and IXC Certificate 61, PATS Certificate 3080, and AAV/ALEC Certificate 3996 in the name MCI Telecommunications Corp.) with WorldCom, Inc. d/b/a LDDS WorldCom	)	Docket No. 971604-TP

SUPPLEMENTAL DECLARATION OF DEBRA R. COVEY

1. I am Vice President-Operations Support for GTE Communications Corporation. GTE Long Distance ("GTE LD") is a division of GTE Communications Corporation. My responsibilities include, but are not limited to, negotiation and administration of contracts and relationships with suppliers of wholesale long distance services to GTE LD for resale as well as for GTE's own company-wide internal use, overall responsibility for systems planning/design, supplier management, contract management, operational support platforms, customer service fulfillment and activations, product development/deployment, and revenue and cost management, for all products sold by GTE Communications (including wireless, local, long distance, Internet and paging). I submit this Supplemental Declaration in support of GTE Corporation's and GTE Communications Corporation's Opposition to WorldCom and MCI Communications' Motion to Dismiss GTE's Petition on Proposed Agency Action & Request for Section 120.57 Hearing.

2. I received a Bachelor of Arts degree in Management and Operations from the University of Texas at Arlington. I began my career with Southwestern Bell in 1979, holding positions in customer service and as carrier liaison for access service ordering and billing. In 1984, I began working for Sprint. I held various positions in the Network Management area including the

position of Network Manager with responsibility for the nationwide consolidation of two separate long distance networks. I also held the positions of Director of Access Management and Director of Network Provisioning in the Network Services and Network Operations organizations. These positions encompassed the responsibility for administration, engineering and design for all Sprint revenue and network orders which includes voice, data, private line and switched services, both domestic and international, vendor management, systems development, data integrity, performance monitoring, survivability plans, training and documentation. I joined the GTE organization in 1995 as Project Director-Call Completion. Once GTE Long Distance was formed, one of my major duties was leading the team which negotiated the contract with WorldCom under which GTE Long Distance provides the bulk of its retail long distance service.

3. I have read WorldCom and MCI's Joint Motion stating that GTE Communications will not be damaged by the proposed merger. I take exception to that statement, as well as to the statements used to support it. First, the WorldCom contract will not protect GTE Communications from damage if this merger is approved. The contract is confidential, and I cannot discuss its details in this Declaration. I can say that if, after the merger, WorldCom is protecting a retail position which it has inherited from MCI, it will lose its incentive to renew the contract when it expires. The contract does have a finite term. Further, WorldCom will have no incentive to expand the reach of the contract for the development of additional enhanced services or modify the contract for other purposes beneficial to GTE Communications. Moreover, even during the pendency of the contract, GTE LD's obligations under the contract will cease long before the obligations will expire for WorldCom. GTE Long Distance will then be free to purchase the same services from another provider instead, or to renegotiate this contract with WorldCom. Because there are so few providers

who can fill GTE LD's service needs, it is imperative that WorldCom remain the independent competitive supplier that it was in 1996, when it outbid MCI and other IXC's to land GTE LD as a customer for wholesale long distance services. Were WorldCom to join with MCI, WorldCom would have little, or substantially less, incentive to offer services to GTE LD at rates that would enable GTE LD to undercut the prices of MCI and other major IXC's.

4. In reading the Joint Motion, it was clear WorldCom and MCI fail to appreciate fully GTE's position as a reseller. GTE Communications, through its division GTE Long Distance, is a major purchaser of toll and toll-related services for resale in Florida and throughout the country. In Florida, GTE Communications provides intrastate interexchange services, but it is important to remember that no interexchange offering is complete or competitive except in combination with interstate toll offerings. WorldCom is by far the largest provider of wholesale toll services to GTE Communications. It is one of only a very few vendors that provide the type and geographic range of services which GTE Communications needs for its long distance resale business. MCI is another of those few providers. The combination of the two entities will eliminate a competitor from the already narrow field of providers in the wholesale long distance market and will certainly reduce the level of competition which exists today. It has been my experience in the world of contracting that WorldCom has brought more robust competition to the wholesale bidding process. When it acquired Wiltel, WorldCom inherited the patriarch of the wholesale community, which had set the pace for handling wholesale traffic following the 1984 divestiture. WorldCom continued that focus and has been particularly aggressive in pricing to GTE Communications and other large resellers on a wholesale resale basis. I believe that this is because WorldCom has not as actively retailed its long distance service to residential and small business customers as have AT&T, MCI and Sprint.

5. Today a very large number of resellers of long distance services that do not own a full facilities based network are competing in the marketplace. These providers are dependent upon other carriers, from which they must purchase long distance service. They then market toll services under their own brand name. This is not unlike private labeling in other industries where a company's products are sold by other retailers under their own brand. The resellers compete in markets and niches offering customer benefits in many areas including price, exceptional service, affinity, and packaging with other services.

6. As the telecommunications market is now evolving, it is increasingly important that a carrier have a bundled offering of the most prominent telecommunications products. These include long distance, local dialtone, wireless, paging, and various Internet offerings. Customers are demanding the opportunity and flexibility to buy these from one company. Consumers find this opportunity desirable, not just for a single bill, but also for general ease of use, a single repair contact, total solutions engineering, and a single point of accountability. In response, competitors are driving down their prices with volume sensitive discounts and packaged pricing. Long distance, along with local dialtone, is considered a critical component for this bundling effort, because long distance is one of the most widely used telecommunications services. Of course, long distance toll products are available at retail through the market's primary national brand competitors. Therefore, in order to compete with them, GTE Corporation must provide equivalent long distance products. It does so through GTE Long Distance, a division of GTE Communications.

7. GTE Communications has essentially only four vendor options: AT&T, MCI, Sprint, and WorldCom. Each has strengths and weaknesses relative to product offerings, network capabilities, branding choices, and pricing. Generally, AT&T is priced so that it not a competitive

choice for GTE Communications' purposes. At the time that GTE Long Distance began preparing to enter the marketplace, Sprint and MCI were reluctant to jeopardize their retail marketing position by allowing resellers to purchase products they were marketing themselves on a retail basis. At that time WorldCom provided a unique wholesale opportunity. During the intervening period, because WorldCom was there, Sprint became more aggressive.

8. While there are other companies available to provide wholesale IXC services, they are not adequate for GTE's needs as a national reseller. Most long distance users do not limit their calling to within a particular region, therefore, a provider is not really competitive for most customers unless it can provide service on a major scale. In order to use regional providers, GTE Communications would have to cobble together a series of agreements utilizing networks with different characteristics. This is not a feasible way to provide quality service. Some of these regional providers have themselves put together the services of multiple underlying carriers to provide their own service. The result has been that they have a reputation for poor and inconsistent quality service. If GTE Long Distance attempted to use these carriers, quality would vary dramatically, and consistency would be a serious issue. In addition, some of these regional carriers themselves buy from WorldCom for resale. Therefore, if WorldCom should raise its price or reduce its availability as a wholesale provider, some of the capacity of these same regional carriers would shrink or disappear, and they would offer even less of an option.

9. In terms of wholesaling, WorldCom is considered a "maverick" in the sense that it is one of the stimulating forces and original leaders in the wholesale marketplace. Because it did not serve many retail residential customers, WorldCom was initially much more aggressive in seeking to obtain the business of the large resellers, such as GTE Long Distance and Excel. It entered the

marketplace with pricing which reflected that approach. It was also aggressive from a contractual point of view offering services required by resellers looking to rebrand their products. Branding is important in long distance, and GTE Long Distance essentially operates as a branded distributor of WorldCom's network. While subsequent acquisitions brought additional market niches to the WorldCom family of companies, a significant focus was kept on the wholesale market. The addition of MCI to the equation will, in my opinion, cause a balance shift towards heavy retail focus due to the massive consolidation of facilities and market segments required to achieve the committed efficiencies. The resellers, as a whole, cannot afford this shift given the powerful position that WorldCom enjoys as a wholesale provider.

10. WorldCom has significant experience in account management, or servicing, of wholesale customers. Their billing and systems capabilities are unique to the carrier market and their support platforms are able to service customer accounts (ANIs) with ease. These are mature processes built specifically for resale and unique in the industry. WorldCom has been prepared to offer more favorable rates to resellers which stimulates others in the business to attempt to match or beat WorldCom in order not to lose business.

11. The merger creates changed incentives for WorldCom -- now competing on both the retail and wholesale sides of the equation. I am concerned that WorldCom may begin to act more like MCI has in the recent past. Competing as a wholesaler in the reseller marketplace requires a commitment which may be diluted because of the need to protect MCI's retail business and brand name from the inroads of resellers. MCI has clearly shown a reluctance to allow GTE Communications to compete openly by using the MCI products with GTE branding. Without a continued emphasis by WorldCom to develop and permit branding of these evolving products, GTE

Communications will quickly fall behind. Currently several products, known as enhanced services, are being offered by the national IXCs on a retail basis. GTE Communications needs to obtain these services at wholesale and offer them branded as GTE in order to stay competitive.

12. I refer to the term "enhanced services" to encompass a plethora of products that are required by the marketplace, including virtual private network (VPN), ATM, Frame Relay, Private Line services, ISDN, and enhanced 800 services. Each product offering requires additional network overlays of hardware and operations processes, all of which take time to engineer and manage. In some cases, the service is integral to the network and cannot be "added on". Frame relay and ATM require installation of different, specialized switches and separate trunks to connect them. Private line requires less equipment, but extensive network management to effectively utilize network capacity. Some services include real time network management and monitoring for both voice and data services. VPN and advanced 800 services to serve large call center applications are an entirely different matter. They consist of software enhancements to the existing switch. Frequently these enhancements are proprietary, and providers are unwilling to provide them for resale. The most common services are virtual private network (VPN) and advanced 800 services to serve large call center applications. These services require direct access and control over the network in order to be effectively managed.

13. In the Joint Motion, WorldCom and MCI indicate that GTE lacks standing to complain, in part, because WorldCom has yet to provide GTE with these enhanced services. It is true that WorldCom is not providing most of these services at this time. However, it has shown itself willing to consider, upon request, a development schedule and cost for adding such features. The progress of such development is complex and slow: Most of the necessary enhanced 800 services

are not available; ATM is not offered; and frame relay is not available on the wholesale platform. WorldCom offers the private line data services but its pricing is not competitive with other offers GTE Communications has received. WorldCom has continued to release some of the enhanced 800 offerings per our contract but, in reality, the delivery of enhanced products and services is slow in coming to this market. None of the other carriers has even offered the level of products that WorldCom has although we have had good discussions with Sprint. The fact is that the enhanced products represent the next competitive wave of wholesale products and to reduce the number of competitors in this venue would, in our mind, significantly reduce any pressure felt to deliver the products. We currently see price and service feature competition in this area and would like to see it continue or increase in order to deliver the desperately needed products.

14. In most cases MCI has chosen not to make these products available through its wholesale offering. In some of the cases where the product will be available to GTE Communications, MCI has indicated through negotiations and proposals that it will insist that some sort of volume sensitive language be included that would not be representative of a start up operation. The result of these conditions is that GTE Communications cannot offer a competitive price for resale for our customers and, thus, is locked out of the market. We have empirical data to represent the fact that pricing is available at competitive rates given the prices that we are charged for the same or similar services on our internal network purchased from AT&T, Sprint, and MCI. The facts presented indicate that while the products are technically available, they are not offered in a rebranding, wholesale fashion that creates competition. WorldCom is working to correct this anomaly and we do not want them to lose focus on that goal.

15. Features such as ISDN, ATM, VPN and enhanced 800 features are integral to the network. An outside provider cannot add them into the switch nor attach them onto the service. Because GTE Communications resells WorldCom service and does not use its own network, it does not have service creation capabilities in the WorldCom network. The addition of ISDN and ATM for example both require state of the art switching capabilities overlaid onto existing platforms. These decisions are driven by proprietary engineering and financial decisions by the carrier owning the assets. GTE Communications is at the mercy of its wholesale provider until which time we have our fully deployed, robust netwc rk fabric in place, which will not be for several years at the earliest.

16. The combinatoon of WorldCom with MCI will be extremely detrimental to GTE Communications' ability to compete in the marketplace in Florida and on a national basis. Only a few companies are capable of competitively providing a product mix to telecommunications customers. I would suggest that all of these, long term, are facilities-based carriers. Subtract from those carriers the companies willing to allow their products to be rebranded, such as WorldCom, and you have few, if any, who can provide the services needed to allow a reseller such as GTE Communications to survive in this market. Eliminate or combine two of those three or four and you have a situation which, in my opinion, could disadvantage or eliminate the resellers from a significant part of the market. This would have the effect of disadvantaging even the largest of the resellers in the national market. In addition, WorldC om may no longer have the incentive to build advanced 800 and VPN service within its own network because the resident services oi MCI will become available to WorldCom for its own purposes on the MCI network (As previously stated, when MCI views a product as a differentiator for its own retail offerings, it has in my experience been unwilling to make it available for branded resale.) This development would eliminate GTE Communications' ability to

acquire these services from WorldCom and would harm GTE Communications' ability to continue to compete and grow long distance market share.

17. In the Joint Motion, WorldCom and MCI mistakenly assert that GTE's investment in Qwest will enable GTE Communications to avoid any possible effects of the merger. If that were so, GTE would not have filed its Protest in Florida or any other state. The Qwest investment made by GTE is currently composed of fiber only -- it will be at best several years before a ubiquitous long distance network that would replace WorldCom could be constructed. A network for transmission would include adding fiber optic terminals, switches, and transmission facilities to carry any type of traffic. In Florida, further investment has not yet been approved for long distance capabilities. Assuming, however, that such an investment were justifiable in Florida, a very extensive voice infrastructure would have to be overlaid onto the backbone network. Essentially, this means the switches and their respective software capabilities. The switch has the intelligence about where and how to terminate the traffic. Without that intelligence, the network is incomplete for purposes of providing voice service. Switches are very expensive, and it is not reasonable to contemplate adding more than a handful of switches to the network in any given year. Qwest will not be sufficient for quite some time because most of this work has not been completed. The nature of the network must be determined and the network must be deployed. Even then the Qwest network will suffer a lack of product depth in the near term.

18. Qwest also does not provide GTE with a ubiquitous nationwide network. The Qwest fiber is limited in geographic extension and has a limited number of points of presence (POPs). A national long distance network must have sufficient fiber miles and POPs to provide coverage in all geographic areas. The Qwest design has limited capabilities, as currently planned, in the northern part

of the United States. Outside the footprint of the network, in geographical areas where the network has no transmission capability, it is necessary to build or to lease spurs from another carrier. National coverage is essential if we are to effectively compete as a facilities based long distance carrier in Florida. Second, the number of switches available to terminate the traffic is also relevant to geographic coverage. Switch coverage, therefore, is determined by volume of traffic, and without sufficient volume the purchase of switches is not economically justified. For this reason, not all POPs will include a switch. The fewer switches available in the network, the greater the necessity to backhaul the traffic. For example, if you have only one switch in a certain geographic area, in order to terminate the traffic, you must backhaul everything to the switch. Finally, there is the issue of access to the local network. The investment in Qwest is incomplete as to the local network. To obtain access to the local network, a carrier must pay access charges to the local exchange carrier, or it must build its own facilities to the local exchange carrier's end offices The closer one builds to these end offices, the lower the access charges. The payment of access charges, which can represent more than 50% of the cost of a long distance call, reduces the ability of the long distance provider to offer competitive pricing. WorldCom has reduced its access charges through the efficiencies designed into its network. GTE Communications through its contract with WorldCom takes advantage of these lower rates. If GTE Communications in the future is unable to have the benefit of these cost efficiencies, then to achieve the same reductions in access costs, it would have to design its network appropriately. The facilities that GTE purchases from Qwest would need further definition and amplification to extend into local facilities.

19. I am aware of a May 6, 1997 press release which discusses the GTE Corporation data strategy. The Applicants' statements in the Joint Motion about the press release are misleading.

First, the press release says nothing about Florida. Second, the press release discusses providing the foundation for a myriad of high speed data communication services. It does not discuss a full long distance (as opposed to data) network. As I have previously discussed, all Qwest will do is provide a backbone, a foundation, for other things. It will in no sense create a full-blown long distance network. It is worth noting that the press release in question was focused on the GTE corporate data strategy only, and not on long distance. Finally, since the press release was written, circumstances have changed and the statements are somewhat out of date. Much of the planned backbone capacity, including Florida, will not be completed until 1999 or beyond. As I have discussed, when that happens, it does not mean, even at that point, that a GTE long distance network will exist in Florida. There will still be the need to overlay long distance capabilities (switching, software, management systems, etc.) on the constructed backbone. Additionally, the transition of our resold customers to that Qwest capacity once it is properly prepared for long distance usage could take another 12 months. There will still very much be a need to have the capacity that WorldCom provides for both continued resale capacity as well as for overflow capacity to augment any capacity shortfalls that GTE Long Distance experiences in Florida or in the rest of the United States. If WorldCom is not interested at that point in renewing its wholesale contract with GTE Communications, the ability of GTE Long Distance to provide the kind of long distance service in Florida that it now provides will be seriously damaged.

I declare under the penalty of perjury that the foregoing is true and correct.

Executed on March 9, 1998.

Debra R Covey

Debra R. Covey