



GTE SERVICE CORPORATION

One Tampa City Center
201 North Franklin Street (33602)
Post Office Box 110, FLTC0007
Tampa, Florida 33601-0110
813-483-2606
813-204-8870 (Facsimile)

Marcell Morrell**
Area Vice President & Associate General Counsel-
Regional Operations (East)

Anthony P. Gillman**
Assistant General Counsel

Attorneys*
Kimberly Caswell
M. Eric Edgington
Ernesto Meyer, Jr.

* Licensed in Florida
** Certified in Florida as Authorized House Counsel

October 2, 1998

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

Re: Docket No. 981252-TP
Joint Petition for Approval of Merger Between Bell Atlantic Corporation and
GTE Corporation

Dear Ms. Bayo:

Please find enclosed for filing an original and seven copies of an Application for Approval of Merger of GTE Corporation and Bell Atlantic Corporation. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (813) 483-2617.

Very truly yours,

Kimberly Caswell

KC:tas
Enclosures

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RECORDS AND REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition for approval)
of merger between Bell Atlantic)
Corporation and GTE Corporation)
_____)

Docket No. 981252-TP
Filed: October 2, 1998

**APPLICATION FOR APPROVAL OF MERGER OF
GTE CORPORATION AND BELL ATLANTIC CORPORATION**

In accordance with section 364.33 of the Florida Statutes, GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") respectfully ask the Florida Public Service Commission to approve a transaction which will result in GTE becoming a wholly-owned subsidiary of Bell Atlantic. Neither Bell Atlantic nor its affiliates are currently affiliated with GTE or its affiliates.

Parties to the Merger

GTE Corporation is a corporation created and existing under the laws of the State of New York, with its principal office located at 1255 Corporate Drive, Irving, Texas 75038-2518. GTE's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations in the United States and in several foreign countries. GTE's regulated incumbent local telephone subsidiaries provide service in 28 states, including Florida.

GTE itself operates as a holding company and as such is not a regulated telecommunications company in Florida. However, GTE has three subsidiaries (the "GTE regulated subsidiaries") that are certificated as telecommunications companies here.

DOCUMENT NUMBER-DATE

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FILED IN RECORDS/REPORTING

These are:

(1) GTE Florida Incorporated ("GTEFL") provides local exchange telephone service to more than 2.2 million switched access lines (based on 1997 ARMIS data). GTEFL holds certificates authorizing it to provide local exchange service (certificate number 31) and public access telephone service (PATS) (certificate number 4962).

(2) GTE Communications Corporation ("GTECC," formerly known as GTE Card Services, Inc., d/b/a GTE Long Distance) is certificated as an alternative local exchange carrier (certificate number 4819) and as a switchless rebiller and prepaid debit card provider (certificate number 4080).

(3) GTE Telecommunication Services Incorporated ("GTE TSI") is certificated as a switchless rebiller (certificate number 4079).

Bell Atlantic Corporation is a corporation created and existing under the laws of the State of Delaware. Its principal office is located at 1095 Avenue of the Americas, New York, New York 10036. Bell Atlantic's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations throughout the United States and in several foreign countries. Bell Atlantic's regulated local telephone subsidiaries provide service in thirteen states and the District of Columbia. NYNEX Long Distance Company, d/b/a Bell Atlantic Long Distance, a Bell Atlantic subsidiary, is certificated as an operator services provider and a switchless rebiller in Florida (certificate number 4714) and Bell Atlantic Communications, Inc., a Bell Atlantic subsidiary, is certificated as a switchless rebiller in Florida (certificate number 4438). Bell Atlantic itself is not a regulated telecommunications company in Florida.

As is apparent from the descriptions of Bell Atlantic and GTE subsidiaries in Florida, there is some overlap with respect to the companies' long distance reseller services, but none with respect to their core business as local exchange service carriers. Accordingly, Bell Atlantic and GTE do not compete against each other within Florida to any meaningful extent, and do not compete at all in Florida's local exchange market.

Description of the Transaction

On July 28, 1998, GTE and Bell Atlantic announced their agreement to combine the two parent corporations in a merger of equals. The Boards of Directors of both corporations approved the merger agreement on July 27, 1998. The merger agreement provides for a combination of the parent corporations, to be accomplished as follows: GTE will merge into Beta Gamma Corporation, a subsidiary of Bell Atlantic created solely to facilitate the merger. GTE will be the surviving subsidiary, and Bell Atlantic will be the surviving parent corporation. GTE's shareholders will receive 1.22 shares of Bell Atlantic stock for every share of GTE stock they own.

At closing, (i) the merged company's headquarters will be located in New York City; (ii) Charles R. Lee, currently Chairman and Chief Executive Officer of GTE, will become Chairman and co-Chief Executive Officer of the merged company; (iii) Ivan Seidenberg, currently Vice Chairman, President and Chief Executive Officer of Bell Atlantic, will become President and co-Chief Executive Officer of the merged company; and (iv) the new Boards of Directors of GTE and Bell Atlantic will each have selected half of the new Board of Directors for the merged company. Until July 1, 2002, the new Board of Directors will nominate GTE and Bell Atlantic directors for election to maintain equality on the new board.

When the merger is completed, GTE's and Bell Atlantic's regulated subsidiaries in Florida will remain as subsidiaries of GTE and Bell Atlantic, respectively. The authorizations and licenses currently held by the GTE and Bell Atlantic regulated subsidiaries will continue to be held by the respective entities. Bell Atlantic, as the parent of GTE, will have indirectly acquired control of the GTE regulated subsidiaries. This will not change the regulated subsidiaries' relationship with the Commission. The Commission's authority and jurisdiction over the regulated subsidiaries will not be affected. Thus, the merger will not interfere with the Commission's jurisdiction nor impede the satisfaction of its public policy goals. GTEFL will continue to meet all its obligations and commitments under the Commission's rules and decisions and to provide service in Florida as it did prior to the merger under the established tariff rates, terms and conditions. GTEFL (as well as the other existing GTE and Bell Atlantic subsidiaries) will retain their existing certificates.

At the corporate level, the merger of GTE and Bell Atlantic will create a financially sound company with management capable of maintaining a high quality of customer service in all of its service areas. The companies had combined 1997 revenues of \$53 billion. Both companies have management teams with extensive backgrounds and expertise in telecommunications. The top management team for the merged company will be a blend of the senior managers of both Bell Atlantic and GTE. Information concerning the technical, legal, managerial and financial qualifications of both companies was submitted with the various applications filed with the Commission with respect to their subsidiaries currently operating in Florida. Bell Atlantic and GTE respectfully request that the Commission take official notice of these applications and supporting materials and

incorporate them by reference herein.

Public Interest Considerations

1. **Competition with Other Incumbent Local Telephone Companies:** Bell Atlantic's territories are concentrated primarily in the Northeast and Mid-Atlantic, and it does not have the dispersed facilities necessary to enter and compete effectively as a competitive local exchange carrier in key markets outside its region. GTE, with its network dispersed geographically throughout the United States, is the "enabler" that will allow Bell Atlantic to enter new markets throughout the country. Moreover, the merged company will have a broader financial base, giving it the strength necessary to support entry into new markets and making it better able to offer consumers a highly attractive package of local, wireless, long distance and Internet services.

2. **Packaged Services:** Before the 1996 Act, telecommunications markets were divided not only geographically but also by product line. Today, however, the markets for telecommunications services are demanding and being served by firms offering a full range of telecommunications services on a nationwide basis. The 1996 Act's deregulatory provisions have allowed four entities to form or plan expanded alliances capable of providing such packages across the country: MCI/WorldCom/MFS/UUNet, AT&T/TCI/Teleport, SBC/PacTel/SNET/Ameritech and Sprint/Sprint Spectrum. The merger of Bell Atlantic and GTE will create a fifth new competitor with the nationwide presence and financial resources necessary to compete head-to-head with the big four telecommunications carriers in the provision of the full array of telecommunications services around the country.

3. **Internet and Data:** Consumers in Florida are also increasing their demands

for data services, making it important to ensure that a sufficient number of healthy competitors provide such services throughout the State. The merger will advance this goal by strengthening GTE Internetworking (formerly known as BBN). GTE Internetworking is currently the fourth largest provider of Internet backbone services, but still far behind WorldCom, Cable & Wireless (spun off from MCI) and Sprint. The WorldCom, Cable & Wireless and Sprint data networks are significantly larger than GTE's data network. AT&T is also attempting to join the top ranks of Internet backbone providers. The merger will combine GTE Internetworking's facilities with access to Bell Atlantic's large urban customer base, including the hundreds of Fortune 1000 businesses based in Bell Atlantic's territory with offices across the country. GTE Internetworking could potentially have access to a solid base of high volume data customers, enabling it to expand services faster and ensure a continued high level of competition in this critical sector.

4. Long Distance: The merger will increase competition in the long distance market by presenting the merging companies with a better opportunity to utilize a combination of GTE's national facilities and resale capabilities. Construction of a national long-distance network requires large volumes of traffic to achieve necessary economies of scale and scope. Not surprisingly, there are few long distance facilities-based networks that are truly national in reach today. With the merger of WorldCom and MCI, there are only three fully national facilities-based carriers: MCI/WorldCom, AT&T and Sprint. Resellers of long-distance service, like GTECC, are critically dependent today on one of these few network providers to supply their long distance services. Thus, GTECC, although it provides long distance service in Florida, is almost wholly dependent on WorldCom's facilities.

With the opportunity to combine access to Bell Atlantic's local customer base with GTE's local customer base, and given the generally recognized desire for one-stop shopping, the merged company will have a greater opportunity to market long distance on a packaged basis. The revenue provided by this larger customer base will improve GTECC's ability to construct and operate a national switch-based long distance network to compete against the largest long distance carriers and to free itself from its dependence on WorldCom's wholesale capacity.

5. **Synergies:** The merging companies will have the opportunity to realize synergies that will, over the long term, make the merged company more efficient and responsive in the marketplace. These expected synergies include, among other things, the elimination of duplicate management functions, primarily in headquarters functions, the consolidation of the two companies' capital purchasing programs, and the combination of the two companies' development efforts for new systems and services.

6. **Competition For Customers:** As longstanding providers of local exchange service in their respective territories, GTE and Bell Atlantic have proven records of providing service not only to high volume business customers, but also, and primarily, to their residential and small business customers. The merged company will continue to serve all customers in their territories, unlike many other competitors in the market who are interested only in serving high-end business customers.

7. **Corporate Citizenship:** GTE and Bell Atlantic support their local communities. The merged company will continue to observe this tradition of corporate citizenship that has been a hallmark of GTE and Bell Atlantic policy for many years.

8. **Impact on Employment:** The merger is not expected to have a material

impact on employment levels of GTE hourly workers and Bell Atlantic Associates, and all existing union contracts will be honored. Any labor reductions occasioned by the merger will, most likely, come from the consolidation and elimination of redundant management positions. Any consolidation of management positions that does occur is expected to be accomplished, to the extent possible, by attrition, retirement and other voluntary measures.

9. Benefits from Best Practices: The merged company will be able to draw upon the expertise and abilities of the personnel from both companies, adopting each company's best practices to better serve the public. Bell Atlantic and GTE have operated networks and marketed services in geographically distinct markets: the Midwest, South and West for GTE, and the Mid-Atlantic and Northeast for Bell Atlantic. Accordingly, they have developed separate yet complementary skills. These complementary skills will, when combined, allow both companies to better maintain and improve the quality and efficiency of the service they provide.

10. No Anti-Competitive Effect: As noted, Bell Atlantic has only relatively minor operations in Florida and does not provide local exchange telephone service here. Accordingly, competition in GTE's primary business in Florida, regulated local telephone service, will not suffer any competitive detriment as a result of the merger. Furthermore, even though GTECC and Bell Atlantic Long Distance are both authorized to resell long-distance service in Florida, their common ownership will not significantly affect competition for long-distance services. Combined, GTECC and Bell Atlantic Long Distance serve only a small fraction of the total long-distance market in Florida. There are over two hundred other certificated long-distance providers in the State, and the market as a whole is

dominated by the three largest long distance companies, AT&T, MCI/WorldCom and Sprint. Accordingly, even though GTE and Bell Atlantic's separate subsidiaries in Florida will now be commonly owned, there will be no anti-competitive effects in Florida.

Conclusion

This Petition demonstrates that GTE and Bell Atlantic have met the requirements of Section 364.33, Florida Statutes, and the companies accordingly request the Commission to approve the proposed transfer of control pursuant to that provision.

Respectfully submitted on October 2, 1998.

By: 

Kimberly Caswell, Esq.
GTE Florida Incorporated
P.O. Box 110, FLTC0007
Tampa, FL 33601

Attorney for GTE Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Application for Approval of Merger of GTE Corporation and Bell Atlantic Corporation was hand-delivered on October 2, 1998

to:

Rob Vandiver, General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Kimberly Caswell