Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
GTE CORPORATION,	)	File No.
Transferor,	)	
and	)	
Bell Atlantic Corporation,	)	
Transferee.	)	
For Consent to Tranfer of Control	)	

DECLARATION OF JEFFREY C. KISSELL

1. I am the Vice President of National Marketing for GTE Business Development & Integration, a unit of GTE Service Corporation. As part of GTE's Business Development & Integration group, I am responsible for developing marketing programs and evaluating product performance for GTE. I was part of the original team that, in late 1996, developed GTE's competitive local exchange carrier, or "CLEC," strategy -- a strategy that led to the formation of GTE Communications Corporation ("GTECC"). GTECC was created in May 1997 to offer a full line of bundled telecommunication services to customers -- including local, long distance, wireless, and Internet -- both in and out of GTE's franchise territories. I make this Declaration in support of GTE and Bell Atlantic's statement that their merger will serve the public interest.

2. GTE's merger with Bell Atlantic will create substantial pro-competitive benefits in the market for local telephone service by greatly enhancing GTE's ability to expand into, and successfully compete in, out-of-franchise local markets. The merger will immediately create a carrier with the national footprint and greater scale efficiencies necessary to attack out-of-franchise markets on a dedicated and sustained basis. Bell Atlantic's existing relationships with large businesses will provide the merged company the opportunity to obtain several anchor customers in numerous out-of-franchise markets adjacent to existing GTE territories, reducing the substantial capital risk of creating an out-of-franchise presence. And the merged entity's greater resources will allow it to develop a national brand, accelerate the transition from providing resale to facilities-based service, and continue to invest in expensive operational platforms -- all components that are necessary to succeed as an out-of-franchise CLEC.

3. GTECC's pre-merger out-of-franchise CLEC efforts have fallen short of our original expectations. GTECC's initial goal was to be a nationwide provider of bundled services, including local service; a goal that was driven by the announcements of AT&T, MCI, Sprint, and others that they planned to market bundled service offerings nationally. In-franchise, GTECC targeted both consumers and small businesses. Out-of-franchise, however, the cost of acquiring and serving consumer customers was prohibitive, and GTECC did not target consumer customers out-of-franchise. Nor was it economically or strategically viable for GTECC to target large business customers in- or out-of-franchise due to GTE's lack of presence in the large business market. Thus, GTECC targeted only small to medium business customers out-of-franchise. GTECC's strategy was to provide service on a resale basis in markets near GTE

wireline or wireless franchises; almost all targeted out-of-franchise customers were located in areas near GTE's local or wireless footprint.

4. Even this modest plan ran into difficulties because it understated the cost and complexity of competitive entry. While in-franchise customers reacted favorably to the bundled offering, delivery costs turned out to be higher than expected. GTECC also encountered problems with its service platform while attempting to implement its roll-out plan: Three to four months after launch, GTECC had a large backlog of orders and was forced to curb its marketing efforts until the platform caught up. Moreover, low resale margins and higher than anticipated customer acquisition costs significantly impacted earnings. GTECC has therefore concluded that a resale strategy alone cannot succeed. Current plans call for a shift to a facilities-based strategy near-franchise, still targeting only small business customers.

5. GTECC's experience has shown that a CLEC cannot succeed in entering out-of-franchise markets without several key capabilities. *First*, a CLEC must make a substantial up-front investment in platform development because, regardless of whether a market contains one customer or a million, service cannot be provided without developing and building a new, complex set of operational platforms. *Second*, entering any additional new market requires contracting with a new set of local and wireless vendors. With each new agreement -- and there is an agreement for each vendor -- GTECC must bear the substantial expense of adding tables and back office processes to our platform. *Third*, GTECC's experience -- along with that of other CLECs -- has proven that resale margins alone, although accurately reflecting the ILECs' avoided costs, are not large enough to support a sustained out-of-franchise effort.

Because a viable out-of-franchise business must therefore provide some facilities-based services, a substantial investment in facilities is also necessary. *Finally*, because each RBOC has a strong regional brand, brand awareness must be created or significantly enhanced to compete successfully on a national basis. The merger enhances GTE and Bell Atlantic's ability to surmount all of these hurdles.

6. Unlike the big three long distance companies, who already have a customer base in each customer segment and every market in the country, GTECC has to start from ground zero when moving out-of-franchise. Thus, to justify the capital risk of its initial investments -- and to have the prospect of competing against the RBOCs and long distance companies -- GTECC needs to serve large numbers of customers (or a small number of large customers) and carry large amounts of traffic in the new markets that it enters. GTECC has little prospect of doing so in areas outside GTE's franchise territories, however, because GTE lacks both customer relationships and significant brand recognition in those areas.

7. GTE's merger with Bell Atlantic will make it possible for the combined company to enter a large number of new local markets by allowing it to build on Bell Atlantic's existing account relationships with large businesses. Many of the Nation's largest business customers are headquartered in the Bell Atlantic region and have subsidiaries or affiliates outside of Bell Atlantic's franchise. The merged entity will be able to utilize Bell Atlantic's existing relationships with these customers to sell through to their subsidiaries or affiliates in selected out-of-franchise locations. Ultimately, this will allow the merged company to offer these customers one-stop shopping for local, data, and long distance services across the United States.

8. Bell Atlantic cannot reach these customers alone because it lacks the facilities, platform capability, and marketing and distribution channels required to reach so far beyond its concentrated franchise. But many of these Bell Atlantic customers operate near GTE's franchise or in cities, like Denver and Phoenix, where GTE's new national fiber network (called the "Global Network Infrastructure" or "GNI") will have points of presence. In either case, the combined company will be able to use the business of these anchor customers in out-of-franchise CLEC markets to support the up-front platform and facilities investments required to launch and expand local services to all customer segments, including small businesses and residential customers.

9. Once the merged company acquires a share of this base of customers -- allowing it to use that base to recover the largely fixed investment in platform upgrades and new facilities -- consumer and small business customers can be targeted on an economical and sustained basis. In short, the merged entity will be able to leverage Bell Atlantic's in-franchise customer relationships and brand awareness with large business customers -- a segment in which GTE alone has little presence -- to build a stable, sustainable, and growing account presence in new out-of-franchise CLEC markets.

10. The merger will also enable GTECC to compete much further out-of-franchise than it otherwise could. For example, in both Denver and Phoenix, there are significant clusters of customers currently served by the local RBOCs, but with whom Bell Atlantic also has a relationship in its own territory. Although GTE does not have any territory nearby, the GNI will have points of presence in both Denver and Phoenix. Bell Atlantic's

existing customer relationships will provide GTECC with potential anchor customers in these new markets, potentially justifying the substantial investments necessary to provide local service.

11. Brand awareness is a necessary component when entering new markets. The RBOCs have strong regional brands and the major long distance companies have powerful national brands. As a result, any company seeking to compete broadly against SBC, Bell South, Ameritech, and US West must have a strong brand to counteract the RBOCs' regional strength; likewise, a strong brand is necessary to compete against national long distance brands like AT&T, MCI and Sprint. Currently, however, Bell Atlantic's brand has little weight outside of the Northeast and GTE's brand has little weight outside of its wireline and wireless territories. Nor does either company have the plans or the resources required to create a national brand on its own. This is indicated by comparing GTE's advertising budget with AT&T's, which is many times bigger. The merger will give the new company the resources necessary to create a national brand, and the new company's scale will allow it to benefit from the advertising efficiencies created by higher volume and national advertising buys.

12. The new company's larger scale will also allow it to fund the necessary platform and facilities investments required to compete in new out-of-franchise CLEC markets. As already mentioned, GTECC's experience has demonstrated that some facilities-based services are necessary to succeed out-of-franchise. Because the merged company will benefit from a larger pool of resources and cost efficiencies stemming from the combination, it can accelerate GTECC's transition from resale to a facilities-based service. Moreover, the merger will allow Bell Atlantic to compete out-of-franchise by piggybacking on GTE's efforts; Bell Atlantic will,

for example, avoid the cost of developing a new platform, performing market research, establishing required sales channels, and creating bundles of products.

13. The merger will also facilitate GTECC's ability to compete out-of-franchise by expanding the company's wireless footprint beyond that already served by GTE. By combining GTE and Bell Atlantic's wireless footprints, the merger will allow the new company to market a full bundle of services more cost effectively in a wider number of new markets. In addition, this out-of-franchise expansion will be facilitated by the new company's ability to use wireless switches to provide facilities-based local service. For example, GTE is currently testing the use of its own wireless switch in San Francisco to provide local wireline service in SBC territory. If successful, this approach can be expanded into cities where the new company has a wireless presence. Thus, by combining GTE's footprint with the broader wireless umbrella provided by Bell Atlantic, the merger further facilitates out-of-franchise expansion.

14. Based on all of these decisive advantages the new company would enjoy, GTE's Chairman, Charles R. Lee, recently testified to Congress that GTE/Bell Atlantic would enter at least 21 out-of-franchise markets -- in SBC's region (Los Angeles, San Francisco, San Diego, Dallas, Houston, Austin, and San Antonio), Ameritech's region (Chicago, Cleveland, Cincinnati, Indianapolis, and Detroit), BellSouth's region (Miami, Orlando, Jacksonville, Raleigh, Nashville, Memphis, and Louisville), and US West's region (Seattle, Portland) -- within 18 months of closing. Neither company alone could hope to launch a serious and sustained entry into this many markets in so short a time.

15. The merger will achieve these substantial pro-competitive benefits without risking any injury to competition. Bell Atlantic is not currently a competitor of any consequence in GTE's own Virginia and Pennsylvania franchises -- the only two states in which both companies have in-franchise customers. GTECC's plan for 1999 contemplates expanding into 10 states, none of which are in Bell Atlantic territory. And while GTECC has consummated interconnection agreements in Virginia and Pennsylvania, these agreements were only cloned from the agreements of other CLECs. Recognizing that our Pennsylvania and Virginia franchises are widely disbursed and too remote from major markets, GTECC plans to serve only a small number of strategic accounts in these states -- and for these accounts only to offer private line and frame relay services, not local telephone service. Likewise, GTE South, an incumbent local exchange carrier, has had a small fiber ring in Virginia since the late 1980s that it uses to provide access for AT&T and MCI to GTE South customers in areas of Virginia where AT&T and MCI do not maintain interexchange carrier points of presence by connecting those customers to the nearest AT&T and MCI points of presence in Bell Atlantic's territory. GTE South does not use this ring to provide competitive local telephone service or local access to Bell Atlantic customers, and this access service does not represent any part of GTECC's present or future CLEC plans. The merger will therefore not have any deleterious impact on present or future competition in the market for local service. On the contrary, GTE's merger with Bell Atlantic will dramatically enhance the combined company's ability to attack the RBOCs and provide a bundle of new services -- including local -- to new markets across the United States.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Jeffrey C. Kissell