EXHIBIT____ (MFL-RT)

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the	)	
	)	
Merger of the Parent Corporations of	)	Docket No. UT-991358
Qwest Communications Corporation,	)	
LCI International Telecom Corp.,	)	
USLD Communications, Inc.,	)	
Phoenix Network,	)	
and U S WEST Communications, Inc.	)	

REBUTTAL TESTIMONY OF

MARY FERGUSON LAFAVE

Director – Regulatory -- !NTERPRISE NETWORKING

U S WEST COMMUNICATIONS, INC.

February 22, 2000

Q. PLEASE STATE YOUR NAME, PRESENT POSITION AND PLACE OF EMPLOYMENT.

A. My name is Mary Ferguson LaFave. I am employed by U S WEST Communications, Inc. My title is Director-Regulatory -!nterprise Networking. My office is located at 1999 Broadway, Room 800, Denver, Colorado 80202.

Q. WHAT ARE YOUR RESPONSIBILITIES WITH U S WEST?

A. I have overall responsibility for regulatory issues for !nterprise Networking, both in and out of region. In region, this involves insuring that appropriate tariffs and notices are filed with regulatory agencies. Out of region, my team takes the appropriate steps to maintain CLEC status for !nterprise America.

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I hold a Bachelor of Arts degree in history from Denison University and a law degree from the University of Nebraska. I began working for U S WEST Communications, Inc. (then Northwestern Bell Telephone Company) in September l972 as an attorney. During the period September l972 through February 1991, I held various positions in the Law Department. My practice dealt initially with regulatory issues and later focused on labor and employment law. In March l991, I became Director Labor Relations in Seattle, Washington and served as a bargaining agent for the Company. I held this position until March 1998 when I assumed my current job duties.

Q. HAVE YOU EVER TESTIFIED IN OTHER JURISDICTIONS?

A. Yes. Since I joined !nterprise Networking, I have testified in New Mexico and have participated in regulatory proceedings and other public meetings in New Mexico, Oregon, Utah and Minnesota.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. To present reasons why the Washington Utilities and Transportation Commission should not impose creation of an advanced services subsidiary as a condition of approval of the Qwest/U S WEST merger.

BACKGROUND

WILL YOU PLEASE DESCRIBE !NTERPRISE NETWORKING?

A. !nterprise Networking, which offers integrated data solutions to customers, is an operating division that spans a portion U S WEST Communications and !nterprise America, Inc. With respect to U S WEST Communications, it includes regulated high speed data networking services such as Frame Relay Service (FRS), Asynchronous Transfer Mode Cell Relay Service (ATM) and RADSL (offered under the brand name of MegaBit Services). !nterprise America, a wholly-owned subsidiary of U S WEST, Inc., offers enhanced services such as Internet access as well as data customer premises equipment (CPE).

Q. WHAT IS !NTERPRISE NETWORKING'S STRATEGY?

A. U S WEST is committed to providing state of the art and innovative products and services to its customers. It is the single source network integrator which provides reliable and dynamic network solutions. U S WEST's goal is to drive broadband services deeper into the network and closer to more customers. FRS, ATM and MegaBit Services are all important building blocks in achieving this vision.

Q. DR. BLACKMON ASSERTS THAT THE SBC/AMERITECH CONDITIONS HAVE BECOME A "NATIONAL MODEL" FOR ADVANCED SERVICES DEPLOYMENT.[1] DO YOU AGREE?

A. No, I do not. In fact, the FCC has never required that an RBOC establish such an affiliate. From the very outset, the FCC has viewed an RBOC's decision whether it would offer its advanced services on an integrated basis or through a separate subsidiary as a voluntary election. From that decision, of course, flows concomitant benefits and obligations. For example, in its Advanced Services Notice of Proposed Rulemaking, the FCC explicitly left the decision to the RBOC as to whether it would establish an advanced services subsidiary. In particular, the FCC stated:

> In the NPRM, we propose an *optional* alternative pathway for incumbent LECs that would allow separate affiliates to provide advanced services free from incumbent LEC regulation. In particular, if an incumbent LEC *chooses* to offer advanced services through an affiliate that is truly

[1] Blackmon Direct at p. 9.

> separate from the incumbent, that affiliate would not be deemed an incumbent LEC and therefore would not be subject to incumbent LEC regulations, including the obligations under section 251(c).

In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability, FCC 98-188, CC Docket No. 98-147, ¶ 83 (August 7, 1998). (Emphasis added).

Thus, while it has never issued an order relating to the Section 706 separate subsidiary portion of its NPRM, the FCC nonetheless made an initial decision that, if such a subsidiary were formed properly, the RBOC's advanced services would not be subject to the obligations of an incumbent local exchange carrier pursuant to Section 251(c) of the Act. In order to obtain that benefit, however, the RBOC would be required to incur *voluntarily* the costs and inefficiencies of establishing such a separate subsidiary.

Q. WASN'T THE ESTABLISHMENT OF AN ADVANCED SERVICES AFFILIATE PART OF THE SBC/AMERITECH MERGER ORDER?

Yes. SBC did in fact *agree* to establish a separate advanced services affiliate as part of its merger with Ameritech. Significantly, Ameritech had already established a separate subsidiary and built an overlay architecture from the outset; it had never developed an integrated data offering. Based on Ameritech's existing systems and staffing, therefore, it presumably determined that the costs of incumbent LEC regulation of advanced services outweighed the costs of dis-integration.

It is not surprising that SBC sought FCC authorization to operate its advanced services from a separate subsidiary during its merger approval with the FCC. The FCC had never issued an Order which concluded that a separate advanced services subsidiary was not a "successor or assign" within the meaning of the Act. Thus, SBC would want such a finding prior to establishing its organizational structure of the merged company. Dr. Blackmon's characterization of the separate subsidiary as a merger condition is incorrect.

HOW DID THE FCC REFERENCE AN ADVANCED SERVICES AFFILIATE IN THE BELL ATLANTIC SECTION 271 ORDER?

A. The FCC acknowledged in its order providing Section 271 relief to Bell Atlantic in New York that providing advanced services through a separate affiliate would reduce the ability of a BOC to discriminate against competing carriers with respect to xDSL services. *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region InterLATA Service in the State of New York,* CC Docket No. 99-295, FCC 99-404, Memorandum Opinion and Order, ¶ 332. It reached this conclusion, however, in light of the particular circumstances with respect to the provisioning of xDSL loops contained in the Bell Atlantic 271 application. After reviewing the information contained in the record relating to Bell Atlantic's provisioning of xDSL unbundled loops, the FCC concluded that it had "further assurance that competing carriers in New York will have nondiscriminatory access to xDSL-capable loops in the future as a result of Bell Atlantic's commitment to establish a separate affiliate through which it will offer retail advanced services." *Id.* In fact, the FCC explicitly stated in the very next paragraph of the order that "[i]n the absence of a separate affiliate, a BOC seeking approval under section 271 in the future could demonstrate that it provides nondiscriminatory access to xDSL loops in accordance with checklist item four by establishing by a preponderance of the evidence that it provides xDSL-capable loops to competitors in a nondiscriminatory manner." *Id.* at ¶ 333.

Q. IS IT CORRECT THAT BELL ATLANTIC MADE A DECISION TO CREATE AN ADVANCED SERVICES AFFILIATE AS PART OF ITS MERGER WITH GTE?

Yes. It is not surprising that Bell Atlantic would volunteer to offer advanced services out of a separate subsidiary as part of its merger with GTE. Once it had incurred the expense to establish a separate advanced services subsidiary in New York, the advantages of avoiding the requirements to unbundle its DSL service and to resell advanced services at a discount presumably outweighed the incremental expense to offer advanced services through a separate subsidiary. Once again, however, Bell Atlantic *chose* to establish such a subsidiary and, if its merger with GTE is approved, would presumably receive an Order from the FCC in which it would set out parameters that would establish that the subsidiary was not a "successor or assign" of either Bell Atlantic or GTE.

Q. GIVEN THESE BENEFITS, WHY DOESN'T U S WEST "VOLUNTARILY" ESTABLISH AN ADVANCED SERVICES SUBSIDIARY AS WELL?

A. U S WEST may indeed at some later date also decide that the benefits conferred upon it by establishing a separate advanced services subsidiary outweigh the costs and inefficiencies of dis-integrating its operations. That, however, is a choice that U S WEST is entitled to make, not a condition that should be imposed on it. Additionally, the circumstances present in the SBC/Ameritech merger and the BA/GTE merger are not present here. Those transactions were horizontal mergers of two ILECS,

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which is not the case in this vertical merger of Qwest and U S WEST.

Q. YOU HAVE REFERRED SEVERAL TIMES IN YOUR TESTIMONY TO THE COSTS AND INEFFICIENCIES OF DIS-INTEGRATING US WEST'S OPERATIONS. CAN YOU EXPLAIN WHAT YOU MEAN?

Except as limited by legal requirements, !nterprise Networking operates on an integrated basis with U S WEST Communications. Accordingly, existing retail sales channels may take orders for high speed data services and network operating systems may also support the regulated high speed data products throughout the 14 state region. In limited circumstances there are operations and systems on a regional basis (i.e. Western, Central, & Eastern) -- but never on an individual state basis. Therefore, if U S WEST were required to implement an Advanced Data Services separate affiliate only for the State of Washington as proposed by Staff, U S WEST may need to establish two different environments. One environment would support the advanced data services affiliate through a mediated access architecture while the existing environment would support the retail division of U S WEST for all other states.

To require a duplicated operations and system environment in order to support one state places U S WEST in an untenable position. First, additional work centers with duplicative processes would need to be established and maintained for all pre-ordering, ordering, provisioning, maintenance, repair and billing activities. OSSs would need to be modified not only to place the Advanced Services separate affiliate on new mediated access systems for the State of Washington, but all downstream systems would need to be modified to behave differently based on whether the request for service originated in Washington or any

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of the other 13 states. For example, issues such as who has authorization to view the account, obtain status on the service request, obtain repair data etc., would need to be addressed and mechanized to assure the correct access and processing by the correct side of the business. Essentially, U S WEST would need to re-design its Advanced Services business for one state. This would result in a costly method of providing Advanced Services, and possibly higher rates, for customers in the State of Washington.

In order to realize any scope and scale benefits of a separate advanced services subsidiary, U S WEST would be required to build systems for the affiliate and transfer equipment and employees on a regional basis. Dr. Blackmon's request that this Commission order U S WEST to create a separate advanced services affiliate for the State of Washington would only serve to reduce the attractiveness of offering advanced service offerings in the State of Washington because of increased operational costs and inefficiencies. Such an outcome is precisely what Dr. Blackmon states a separate affiliate will avoid.

CAN'T U S WEST CREATE A REGIONAL ADVANCED SERVICES AFFILIATE BASED UPON AN ORDER BY THE WASHINGTON COMMISSION?

A. U S WEST could do so. However, the Washington Commission does not have the authority to confer on U S WEST the ability to transfer equipment and employees on a regional basis. Thus, U S WEST would be required to seek authority from other jurisdictions for that purpose. In addition, it is my understanding that the Washington Commission does not have the authority to establish that the separate advanced services subsidiary is not a "successor or assign" of U S WEST which is a benefit U S WEST should receive from dis-integrating its business (which would be the one benefit U S WEST could obtain by such an order).

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Staff's request that this Commission impose such a requirement in one state in order to approve the merger of U S WEST and Qwest is, in my opinion, asking this Commission to go far beyond its authority.

Q. BUT ISN'T DR. BLACKMON'S REQUEST THAT THE WASHINGTON COMMISSION REQUIRE U S WEST TO ESTABLISH AN ADVANCED SERVICES AFFILIATE CONTINGENT ON THE FCC's FAILURE TO IMPOSE SUCH A REQUIREMENT?

A. Yes, and that is exactly the point. If the FCC determines that it is inappropriate or unlawful to require U S WEST and Qwest to create a separate advanced services subsidiary as a condition of their merger, that determination should be definitive. Staff asserts that "it is important that Washington state regulators not assume that the FCC will take care of competitive issues in Washington state." Yet the rationale for requiring that U S WEST establish an advanced services affiliate rests on services which tend to be predominantly subject to the jurisdiction of the federal regulators rather than the jurisdiction of Washington state regulators.

Q. DR. BLACKMON URGES THIS COMMISSION TO REQUIRE THAT U S WEST DEPLOY MEGABIT IN CERTAIN LOCATIONS AS A CONDITION OF APPROVING THE MERGER BETWEEN US WEST AND QWEST. DO YOU HAVE ANY OBSERVATION REGARDING THAT REQUEST?

A. Yes. Dr. Blackmon's request that this Commission require that U S WEST target deployment of the merged company's own advanced service offerings to include low-income groups in rural and urban areas is misplaced. The majority of U S WEST's frame relay and ATM services and all of its xDSL and Internet access (transport) services are subject to federal rather than state jurisdiction. The FCC, in its recent decision in *In the Matter of GTE Telephone Operating Cos.*, 13 FCC Rcd. 22466, CC Docket No. 98-79, FCC 98-292, 1988 WL 758442 (FCC Oct. 20, 1988), held that DSL services such as MegaBit are "interstate services [that are] properly tariffed at the federal level." In its *GTE Telephone* Order, the FCC reasoned that the jurisdictional nature of a service must be determined by examining the jurisdictional nature of the traffic that the service carries, rather than the physical location of the technology that provides the service. *Id*. at ¶¶ 12, 16-23. In other words, the FCC ruled that the jurisdictional nature of the traffic is determined by the originating and terminating locations of the data communications. Applying that analytical method to Internet traffic, the FCC concluded that such traffic is interstate in nature because it flows through equipment of the local Internet Service Provider ("ISP") to various Internet websites that reside on computers based locally, nationally and internationally. *Id* at ¶¶ 1, 22-28.

As of today, 100 percent of our customers purchase MegaBit Services out of the federal tariff. Similarly, !nterprise America's Internet access services are not subject to state jurisdiction. Yet Staff's proposal ignores these jurisdictional issues and asks this Commission to order deployment of services that are wholly within the realm of the FCC.

DO YOU AGREE WITH DR. BLACKMON'S ASSESSMENT THAT U S WEST HAS AN ADVANTAGE OVER RHYTHMS, COVAD AND GTE BECAUSE IT CAN OFFER ADVANCED SERVICES WITHIN ITS OPERATING COMPANY?

No. Covad and Rhythms have adopted a business model which targets the lucrative advanced services market while ignoring the less lucrative residential voice market. To then complain that U S WEST has an unfair advantage because it has integrated its voice and advanced services operations, ignores the reality that U S WEST can be forced to provide residential voice service while sharing its facilities with competitors who can choose to market solely its advanced services products. Significantly, Covad and Rhythms are offering advanced services through their respective operating companies – they have merely chosen "operate" solely as an advanced services company. So, too, GTE may similarly choose to market only advanced services in U S WEST's territory through its advanced services affiliate and force U S WEST to provide voice service to those residential customers. In sum, U S WEST does not carry any unfair advantage. To the contrary, despite the fact it currently operates in a competitive environment, the burdens imposed on U S WEST allegedly be cause of its previous monopoly places it at a competitive disadvantage.

The future plans of U S WEST's competitors show that integrated operations are likely to be the rule rather than the exception. DLECs such as Covad, Northpoint and Rhythms have all announced plans to offer voice-over-DSL services. Yet there is no suggestion in this docket that these companies should be required to set up a separate affiliate in order to offer voice services – that obligation would appear to apply only to the merged U S WEST/Qwest. Nor is there any discussion of imposing such a requirement on any other provider who may wish as part of its "operations" to offer switched voice and data services on an integrated basis.

AT&T, which has more than twice the combined market capitalization of U S WEST and Qwest and which has a large cable subscriber base, has announced an aggressive roll-out of local voice and high speed data in the Seattle area through its cable infra-structure. Presumably, AT&T will be able to offer local and long distance telephony, high speed data, Internet access, and video on an integrated basis. AT&T, moreover, will be able to discriminate at will against firms like Covad, Rhythms and GTE with respect to access to its infrastructure. A requirement that U S WEST offer advanced services in its territory through a separate subsidiary will only further impede U S WEST's ability to compete against full-service operations such as AT&T.

HOW DO YOU RESPOND TO DR. BLACKMON'S SUGGESTION THAT, ABSENT THE CREATION OF ONE OR MORE SEPARATE AFFILIATES TO PROVIDE ALL ADVANCED SERVICES AND INTERNET ACCESS SERVICES, THE MERGED COMPANY WILL BE ABLE TO STIFLE COMPETITION?

This suggestion appears to be based on the unsubstantiated notions that: (a) U S WEST currently has an inappropriate competitive advantage in the provision of advanced services, and (b) the merger with Qwest will allow the combined company to "monopolize the advanced services market," "stifle advanced services competition" and create an even larger and more inappropriate competitive advantage. Neither proposition is accurate.

PLEASE EXPLAIN WHY THESE PROPOSITIONS ARE INACCURATE.

First, there is the claim that U S WEST has some inappropriate competitive advantage over other providers of advanced services in Washington because U S WEST provides advanced services within the same corporate entity that provides the basic network services used to provide the advanced services. Absent the Telecommunications Act of 1996 and the resulting FCC orders mandating collocation, interconnection, cost-based unbundled network elements (UNEs), resale, and now "line sharing," Dr. Blackmon's argument *might* be debatable. However, because U S WEST is obligated to provide to its competitors non-discriminatory access to its basic network through a variety of methods, including the provision of an unbundled loop at TELRIC rates and the implementation of line sharing, there is no basis to argue that U S WEST has a potential competitive advantage over other providers of telecommunications and advanced services.

Second, the current competitive landscape in Washington refutes the theoretical claim that U S WEST currently enjoys an inappropriate competitive advantage in the provision of advanced services in this state. The large number of intervenors in this docket establishes that, contrary to Dr. Blackmon's claim that "[t]he potential exists for advanced services to be competitive," advanced services *are* competitive today. No less than four of the country's most competitive providers of advanced services are actively doing business in Washington, including Covad, Rhythms, Nextlink, and AT&T.

Third, if it were true that the provision of advanced services within the same corporate entity that provides the basic network services used to provide those advances services constituted a "competitive advantage," the suggestion that an advanced services subsidiary be required would have to be applied with equal force and effect to AT&T and any other full-service, facilities-based provider. After all, as I previously mentioned, AT&T in Washington touts itself as being the integrated provider of a variety of services, including basic service, cable service, and data services, etc.

In addition, there is no basis for the suggestion that the merger will increase the likelihood that the merged company will attempt to thwart competition due to increased pressure to deliver revenue and earnings growth. All companies, including Covad, Rhythms, Nextlink, AT&T, and McLeodUSA, face pressure from

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the market to produce revenue and earnings growth. Investors demand it. This business reality cannot be transformed into an increased ability on the part of the merged company to “monopolize the advanced services market” and “stifle advanced services competition.” Further, it cannot be argued that *if* the combined company is permitted to monopolize the advanced services market, and *if* U S WEST is permitted to stifle advanced services competition, competitors will be unable to get access to the core network upon which advanced services build. U S WEST’s continuing legal obligations to provide loops and other UNEs at TELRIC rates, to offer retail services at a resale discount, to allow its competitors to collocate in its central offices, and to interconnect its network with those of its competitors, as well as its cooperation in then implementation of line sharing, all refute the notion that the merged company will attempt to block access to the core network.

WHY ARE U S WEST’S OBLIGATIONS UNDER THE FEDERAL TELECOMMUNICATIONS ACT OF 1996 IMPORTANT IN THIS EQUATION?

The various obligations of U S WEST under the Act are important because Dr. Blackmon appears to have discounted them in making his assertions that the merged company will somehow “stifle” advanced services competition. Dr. Blackmon makes much of the fact that the same corporate entity that provides advanced services also provides the basic network services used to provide those advanced services.

He then concludes that the merger will in some way allow U S WEST to prohibit competitors from accessing the core network. It is simply incorrect to state that competitors will be unable to get access to the core network upon which advanced services build. Post-merger, U S WEST will continue to have the obligation to provide access to its basic network through resale, interconnection, collocation, and the sale of unbundled network elements.

BUT DON'T YOU AGREE THAT ILECs CURRENTLY ENJOY A COMPETITIVE ADVANTAGE IN THE PROVISION OF ADVANCED SERVICES?

No. Empirical evidence overwhelmingly demonstrates that CLECs have not been impaired in their ability to provide successfully advanced services, even without a separate advanced services affiliate requirement on U S WEST or other ILECs . First and foremost, the Federal Communications Commission ("FCC") recently concluded that CLECs are *ahead of* incumbent LECs in rolling out advanced data services.[2] The FCC noted in February 1999, for example, that CLECs such as Covad, Rhythms, NetConnections, e.spire, and Network Plus have succeeded in providing service to residential consumers.[3] And many other CLECs have burgeoning data operations. CLECs now provide xDSL service in each of the 10

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[2] *See Section 706 Report* ¶¶ 53, 56, 58 (discussing current deployment of broadband facilities beginning with those that are the most advanced, and listing CLECs -- as well as cable operators, utilities, and wireless cable operators -- ahead of incumbent LECs).

[3] *Id.* ¶ 56.

largest MSAs, and 25 of the top 50.[4] They are in at least 21 states and 273 cities.[5] In fact, the Association for Local Telecommunications Services ("ALTS") -- the CLECs' own trade association -- asserts that new entrants, rather than incumbents, "were the first" to deploy high-speed data services and "continue to deploy such advanced technologies at a dramatic pace."[6] ALTS further insists that CLECs *lead incumbents* in providing advanced services over incumbent LECs' loops.[7]

Plainly, CLECs are not *impaired* in their ability to provision advanced services using ILEC UNEs, even when the ILEC provisioning the UNEs also provides advanced services itself under the same corporate umbrella. Competition is prospering under the current regulatory regime, and the competitive strength of new entrants is only increasing. CLECs are stepping up their deployment of advanced services dramatically and have formed numerous strategic alliances with major IXCs and other high-tech companies to assist this effort.[8] Given the vitality of competition *in the absence* of an advanced services affiliate requirement for the ILEC, there is no basis for finding that CLECs *need* the supposed protection of such an affiliate requirement in order to compete with incumbent LECs in the provision of advanced services.

ABSENT REQUIRING U S WEST TO PROVISION ADVANCED SERVICES OUT OF A SEPARATE AFFILIATE, HOW WILL THE WASHINGTON COMMISSION KNOW THAT U S WEST IS PROVIDING ITS COMPETITORS APPROPRIATE ACCESS TO ITS FACILITIES?

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4 *See UNE Fact Report* at VI-19, submitted with Comments of United States Telephone Association, May 26, 1999, in *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996,* CC Docket No. 96-98 ("*UNE Fact Report*").

5 *Id.*

6 Petition of the Association for Local Telecommunications Services (ALTS) for a Declaratory Ruling Establishing Conditions Necessary to Promote Deployment of Advanced Telecommunications Capability Under Section 706 of the Telecommunications Act of 1996 at ii, CC Docket No. 98-78 (filed May 27, 1998).

7 *See* ALTS Press Release, *ALTS' Fall Education Seminar Proves Success of Telecom Act in Stimulating Broadband Data and Competitive Providers*, Sept. 18, 1998.

8 *See UNE Fact Report* at VI-24.

In the same manner that it does now. As Mr. Reynolds points out in his testimony, U S WEST has fully opened up its local markets in this State. The following data show that competitors are availing themselves of all three modes of entry in Washington:

1. With respect to resale, as of December 31, 1999 U S WEST had provisioned over 23,000 resold lines in Washington and over 431,600 throughout U S WEST's 14 state region.

2. With respect to UNEs, as of December 31, 1999 U S WEST had provisioned over 6,526 unbundled loops in Washington and 44,578 throughout U S WEST's 14 state region.

3. Finally, as of December 31, 1999, 19 CLECs had 272 operational collocations in 60 of U S WEST's 115 central offices. From these collocations, CLECs have access to almost 90 percent of U S WEST's access lines in Washington. Thus, CLECs are positioned well to compete as they choose.

While it is true that CLECs in Washington, and elsewhere, have chosen to target their entry to the most lucrative markets, the fact of the matter is, based on the number and location of collocations in U S WEST's central offices in Washington, approximately 90% of the access lines (i.e., the vast majority of U S WEST's customers) could easily be served by a provider other than U S WEST. If customers are considered "captive" to U S WEST, it is a direct result of the business decisions of the CLECs. Requiring U S WEST to establish an advanced services affiliate will not only further incent existing DLECs to eschew residential voice competition, it will also serve to eliminate a viable

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mode of competitive entry.

WHAT DO YOU MEAN, "ELIMINATE A VIABLE MODE OF COMPETITIVE ENTRY"?

The FCC has held that an advanced services affiliate would not be subject to the requirements of Section 251(c) of the Act. Hence, resale of advanced services at a wholesale discount could no longer be a viable mode of competitive entry for a new entrant in the advanced services market in the State of Washington.

This Commission should allow competition, as it is protected by the Telecommunications Act of 1996, to drive how the market place can best serve advanced services consumers in the State of Washington.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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