

Docket No.
Testimony of: C. Miller
Exhibit No. 1

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of)
Value-Added Communications Inc.)
for classification as a Competitive) DOCKET NO. WT-931579
Telecommunications Company)
)

TESTIMONY OF
CHARLES P. MILLER
VALUE-ADDED COMMUNICATIONS. INC.
December 21, 1993

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2
3 A. My name is Charles P. Miller. My business address is 17250
4 Dallas Parkway, Dallas, Texas 75248

5
6 **Q. BY WHOM ARE YOU EMPLOYED?**

7
8 A. Value-Added Communications, Inc. ("Value-Added")

9
10 **Q. WHAT IS YOUR POSITION WITH VALUE-ADDED?**

11
12 A. I am the General Counsel and Corporate Secretary of Value-
13 Added Communications, Inc.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16
17 A. The purpose of my testimony is to describe Value-Added's
18 services in the state of Washington in order to provide
19 factual support for the company's Petition for Classification
20 as a Competitive Telecommunications Company. The following
21 testimony will demonstrate that Value-Added's services are
22 subject to effective competition, and, therefore, the Petition
23 for Competitive Status should be granted.

24
25 **Q. PLEASE DESCRIBE THE SERVICES WHICH VALUE-ADDED OFFERS IN**
26 **WASHINGTON STATE.**

1 Value-Added provides resold interLATA and intraLATA direct
2 dialed (1+) long distance telecommunications service as well
3 as interLATA and intraLATA operator assisted long distance.
4 Value-Added contracts with aggregator locations (i.e. pay
5 telephones, hotels, etc.) to provide operator assisted
6 services to the transient public and/or patrons of the
7 aggregator establishment. Interstate service is offered in
8 conjunction with intrastate service.
9

10 **Q. HOW ARE THESE SERVICE PROVISIONED?**

11
12 A. Value-Added provides interLATA and intraLATA long distance
13 service as a switchless reseller. Value-Added's customers are
14 connected to MCI's network via switched feature group switched
15 access service facilities. The switching and network
16 transmission facilities of MCI are used to terminate all
17 calls.
18

19 **Q. DOES VALUE-ADDED PROVIDE ALTERNATE OPERATOR SERVICES AS**
20 **DESCRIBED IN WAC 480-120-021?**

21
22 A. Yes it does.
23

24 **Q. IS VALUE-ADDED AFFILIATED WITH ANY OTHER COMPANY?**

25
26 A. No, Value-Added is not affiliated with any other company.
27

1 Q. PLEASE DEFINE THE RELEVANT MARKET WITHIN WHICH VALUE-ADDED'S
2 SERVICES ARE OFFERED.

3
4 A. Value-Added's relevant markets primarily consists of small and
5 medium size business users. Residential customers are also
6 served.

7
8 Q. DO OTHER CARRIERS PROVIDE THESE SERVICES IN THESE AREAS?

9
10 A. Yes. US West, GTE, AT&T, MCI, Sprint, Metromedia and numerous
11 other carriers provide service to this market segment.

12
13 Q. WHAT IS THE GEOGRAPHIC DELINEATION OF THE RELEVANT MARKET?

14
15 A. Service is provided to customers throughout the state of
16 Washington.

17
18 Q. WHAT IS YOUR BEST ESTIMATE OF VALUE-ADDED'S SHARE OF THE
19 RELEVANT MARKET AND HOW IS THAT EXPECTED TO CHANGE?

20
21 A. Value-Added currently has customers in Washington. The
22 company's market share is insignificant and is certainly less
23 than 1% and Value-Added does not expect to grow past the 1-2%
24 market share.

1 Q. PLEASE DESCRIBE THE EASE OF ENTRY INTO THE RELEVANT MARKET BY
2 COMPETITORS.

3
4 A. Entry into the long distance business by competitors is
5 accomplished with relative ease. Non-facility based
6 aggregator long distance services are now being offered by
7 many carriers. As a result, competitors are able to enter the
8 market with minimal capital investment. The current regulatory
9 environment is also a favorable to market entry. There exists
10 few obstacles that would impede anyone from selling long
11 distance services at competitive rates.

12
13 Q. DOES VALUE-ADDED PROVIDE ANY OF ITS SERVICES TO A CAPTIVE
14 CUSTOMER BASE?

15
16 A. No, it does not. Value-Added's customers may use another
17 carrier's service at any time. Changes to the customer's
18 choice of his/her primary interexchange carrier may be
19 accomplished quickly and easily through the local exchange
20 telephone company. In addition, other carriers may be used at
21 any time through the dialing of an access code.

22
23 Q. DO ALL OF VALUE-ADDED'S SERVICES IN WASHINGTON FACE
24 COMPETITION FROM FUNCTIONALLY EQUIVALENT OR SUBSTITUTE
25 SERVICES? EXPLAIN.

26
27 A. Yes, they do. Value-Added competes directly with numerous
28 other companies which market similar services. These include

1 both national carriers such as AT&T, MCI and US Sprint as well
2 as numerous regional carriers. These carriers offer services
3 that are direct substitutes for Value-Added outbound 1+,
4 Travel card and operator services.

5
6 **Q. HOW LONG HAS VALUE-ADDED BEEN IN BUSINESS?**

7
8 A. The company was incorporated June 14, 1990 under the laws of
9 the State of California.

10
11 **Q. WHAT IS THE BASIS FOR THE REGULATORY WAIVERS THAT VALUE-ADDED**
12 **REQUESTED IN CONJUNCTION WITH ITS PETITION FOR CLASSIFICATION**
13 **AS A COMPETITIVE TELECOMMUNICATIONS COMPANY?**

14
15 A. The waivers are warranted due to the extent of competition in
16 Washington long distance market. The regulations we have
17 requested to be waived are intended to protect ratepayer's
18 from utility actions which result in improper rate increases
19 or other unfair treatment of customers. Since Value-Added
20 provides its services subject to effective competition, with
21 no captive customer base, it must adopt rates and service
22 practices that are fair and reasonable. Should Value-Added
23 charge excessive rates or engage in unfair treatment of its
24 customers, the customer would simply choose another carrier.
25 The waiver of the accounting and other financial requirements
26 are also warranted by the competitive market. If a company's
27 financial practices undermine its provision of services, the
28 customer can go elsewhere.

1 In short, none of the regulations Value-Added has requested to
2 be waived provide the customer with any protection which is
3 not already provided by the competitive marketplace. The net
4 result of these regulations on a competitive company is
5 increased administrative costs which must ultimately be borne
6 by the ratepaying consumer. It is hoped that the Commission
7 recognizes that competition negates the need for many of its
8 regulations and that it will grant the waivers requested by
9 Value-Added.

10
11 **Q. HOW WILL VALUE-ADDED PROVIDE NOTICE OF PRICE LIST CHANGES TO**
12 **CUSTOMERS AND THE COMMISSION?**

13
14 A. Value-Added will give the Commission and its customers at
15 least ten (10) days notice of any price changes. Value-Added
16 will amend its price list in compliance with Commission rules.


17
18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19
20 A. Yes, it does.

VERIFICATION


I, Charles P. Miller, upon being duly sworn, depose and state as follows:

That I have read the foregoing TESTIMONY of Charles P. Miller and am familiar with the facts contained therein; that the testimony of Charles P. Miller was prepared by me or under my supervision and review and that the information contained herein is true and correct to the best of my knowledge and belief.



Charles P. Miller
General Counsel and Corporate Secretary
Value-Added Communications, Inc.

Subscribed and sworn to before me this 21ST day of December, 1993.



NOTARY PUBLIC in and for the state
of ^{Illinois} ~~Texas~~. My Commission expires:
6-25-97

