

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

**In re Application of GTE CORPORATION )  
and BELL ATLANTIC CORPORATION )**

**for an Order Disclaiming Jurisdiction or, ) DOCKET NO. UT-981367  
in the Alternative, Approving the )  
GTE CORPORATION – BELL )  
ATLANTIC CORPORATION Merger )  
..... )**

**DIRECT TESTIMONY OF  
CHARLES L. WARD  
ON BEHALF OF  
AT&T COMMUNICATIONS  
OF THE PACIFIC NORTHWEST, INC.**

**AUGUST 2, 1999**



1

**BACKGROUND AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Charles L. Ward and my business address is 1875 Lawrence Street,  
4 Denver, Colorado, 80202.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by AT&T as Government Affairs Vice President with  
7 responsibilities for regulatory matters in seven states, including Washington.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
9 **WORK EXPERIENCE.**

10 A. I received a Bachelor of Science degree from Pennsylvania State University and a  
11 Masters in Business Administration from Southern Illinois University. I have also  
12 attended various technical and managerial training courses and have attended  
13 executive training programs at Duke University and Cornell University.

14 I began my career in telecommunications with Southwestern Bell Telephone Co.  
15 in St. Louis, Missouri in 1974. I held a variety of positions in the network  
16 organization including network design and administration, network planning and  
17 operator services. This included positions both in line operations and  
18 headquarters staff. In 1983, I transferred to AT&T as the regulatory affairs  
19 manager for the State of Missouri. Since then, I have held positions of increasing  
20 responsibility in the government affairs area, dealing with such issues as access  
21 charges and the regulation of AT&T's service offerings at both the federal and  
22 state level. I assumed my current position in March of 1996.

23 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of this testimony is to encourage the Commission, even if it  
2 determines that the proposed merger between Bell Atlantic and GTE is in the  
3 public interest of this state and the consumers of Washington, to impose  
4 reasonable conditions upon the merged company such that the interests of  
5 Washington consumers and competing telecommunications providers will  
6 continue to be protected following the merger. I discuss within this testimony the  
7 conditions that I believe would accomplish that purpose.

8 **Q. WHAT IS AT&T'S INTEREST IN HAVING CONDITIONS IMPOSED**  
9 **SUCH THAT THE MERGED COMPANY WILL CONTINUE TO**  
10 **FOLLOW CERTAIN PRACTICES?**

11 A. AT&T is a wholesale customer of GTE's services in Washington. First, AT&T  
12 purchases access services from GTE necessary for AT&T to offer high quality  
13 long distance services to its customers in this state. Second, AT&T is also a party  
14 to an interconnection agreement in Washington with GTE. That agreement  
15 governs the terms and conditions under which GTE will offer services and  
16 network elements in its territory to AT&T so that AT&T can offer local services  
17 in GTE's territory in competition with GTE. In order for AT&T to be able to  
18 continue to offer the services that it currently offers its customers in Washington,  
19 and to continue to be able to plan for those it intends to offer, it is critical that the  
20 quality and types of services currently offered by GTE not diminish.

21 **Q. GTE AND BELL ATLANTIC BOTH COMPARE THIS MERGER TO**  
22 **THOSE CURRENTLY AND PREVIOUSLY UNDERTAKEN BY MCI AND**

1           **AT&T.<sup>1</sup> IS THE IMPACT OF THOSE MERGERS THE SAME FOR**  
2           **WASHINGTON STATE AS THE ONE CONTEMPLATED BETWEEN**  
3           **BELL ATLANTIC AND GTE?**

4   A.    No. The major difference between the merger at issue in this docket and others  
5           occurring by companies who operate within this state is that GTE continues to  
6           maintain a virtual monopoly over both access services and local services offered  
7           within its operating territories. Therefore, AT&T and other purchasers of access  
8           services, local services for resale and network elements are captive customers in  
9           GTE's territory. Unlike the retail long distance and local services currently  
10          offered by AT&T, there is no alternative supplier to GTE in GTE's operating  
11          territory in Washington. Therefore, it is critical that the Commission continue to  
12          expect and to require a certain level of quality and commitment from the merged  
13          company if it determines that the proposed merger is in the public interest of this  
14          state. Such quality and commitment affects not only the services offered by the  
15          current GTE to end user customers in Washington, but also those services offered  
16          to wholesale customers such as AT&T, and, therefore, the retail customers of  
17          AT&T as well.

18   **Q.    WHAT TYPES OF CONDITIONS DO YOU RECOMMEND THAT THE**  
19   **COMMISSION CONSIDER IMPOSING?**

20   A.    Under the authority granted it in RCW 80.01.040, the Commission has the  
21          authority and indeed the obligation to insure that quality telecommunications

---

<sup>1</sup> McCarren Direct Testimony, p. 4; McCallion Direct Testimony, p. 14.

1 services are offered by every company that operates in Washington. The exercise  
2 of that authority requires that the Commission impose the following conditions  
3 upon the merged Bell Atlantic/GTE company:

4 Require that the merged company continue to invest in its operations in the state of  
5 Washington, and to commit to spending the budget dollars that are currently  
6 committed to this state by GTE over the next several years. Because the next  
7 several years will be a transition period for the merged company whereby the new  
8 company's priorities will continue to be determined, the Commission should  
9 protect this state by obligating a financial commitment to the state in the interim.  
10 Neither company has given the Commission such a commitment in this docket.

11 Require the merged company to continue to honor its obligations in the AT&T/GTE  
12 interconnection agreement during the duration of that agreement, without  
13 modification unless agreed upon by both parties to the agreement. This should  
14 include continuing to honor all obligations to provide a Real Time Electronic  
15 Interface for operational support systems ("OSS") needed to support pre-ordering,  
16 ordering, provisioning, maintenance/repair, and billing of local services. As this  
17 Commission is aware, OSS are critical to a new entrant's ability to compete for  
18 local customers, yet no commitment has been made by either company regarding  
19 what systems will be employed post-merger.

20 Require the merged company to continue to meet the current acceptable levels of quality  
21 to both end-user and wholesale customers that GTE currently meets, and to prove  
22 that it is meeting that level of quality on a monthly basis. Customers in

1 Washington have historically enjoyed a satisfactory level of service quality from  
2 GTE, one that is not necessarily repeated across the industry or even across all of  
3 GTE's current operating territories. Until the Commission establishes absolute  
4 levels of quality through a rule-making proceeding that incumbent local exchange  
5 carriers must comply with, it is absolutely imperative that the Commission  
6 monitor the merged company's level of quality delivered to end-user and  
7 wholesale customers through monthly reporting by the merged company. The  
8 Commission clearly has the authority to require such reporting under WAC 480-  
9 120-535. In addition, AT&T would recommend that the Commission consider  
10 imposing penalties under the authority granted it in RCW 80.04.380, or require  
11 compensation to the customer, for any month in which the merged company's  
12 performance falls below that currently achieved by GTE in Washington state.  
13 Neither Bell Atlantic nor GTE has currently committed to meet any particular  
14 level of quality to Washington end-user and wholesale customers once the merger  
15 has been completed.

16

17 **Q. BY YOUR DISCUSSION OF CONDITIONS THAT THE COMMISSION**  
18 **SHOULD CONSIDER IMPOSING UPON THE MERGED COMPANY,**  
19 **ARE YOU ADVOCATING THAT THE COMMISSION APPROVE THE**  
20 **MERGER?**

21 A. No. As discussed in the testimony of AT&T witness Stephen Levinson filed  
22 herewith, AT&T believes the proposed merger fails to satisfy the interests of  
23 Washington state, and of a competitive environment generally. Nevertheless, if

1           the Commission determines that the merger should be approved, AT&T believes  
2           it is critical that the above conditions be imposed in order to protect the interests  
3           of both end-user and wholesale customers of the merged company in Washington.

4 **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A.    Yes. AT&T appreciates the opportunity to present its views to the Commission  
6           on the proposed merger.