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1 CHAIRWOMAN SHOWALTER: Please be seated.

2 Good evening. I'm Marilyn Showalter. I'm the
3 Chairwoman of the Washington Utilities and
4 Transportation Commission, and with me is
5 Commissioner Pat Oshie.

6 We're here for a public hearing tonight.
7 The subject is Qwest's petition to the Commission to
8 have certain of its business services competitively
9 classified. That would mean, should Qwest's petition
10 be granted, that certain of its business services
11 would receive a lighter form of regulation by the
12 Commission and, in particular, they would have much
13 greater flexibility on pricing and packaging and
14 timing of their services.

15 Unlike a city council meeting or a typical
16 public meeting, this is actually a quasi-judicial
17 proceeding, and the Commissioners sit as judges.
18 We're in the middle of this proceeding, which is why
19 you see notebooks in front of you and, in fact, when
20 this part of the hearing concludes, we're going to
21 resume our testimony and cross-examination of the
22 witnesses in the case.

23 But for anyone who wants to comment, you
24 will actually be testifying under oath, and when I
25 finish my remarks here, I will swear in everyone who

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1 wants to testify. You are here to comment on the
2 matter before us. We're not here to answer
3 questions, although I think there may be Staff in the
4 back who can answer questions and, in addition, the
5 -- an Assistant Attorney General Office of Public
6 Counsel is here, Simon ffitch, who may also be able
7 to answer your questions.

8 And for anyone on either the Commission
9 Staff or Simon ffitch, why don't you stand up so that
10 people can see who you are? All right.

11 Typically, when we have people who wish to
12 comment, as the evening goes on, someone earlier has
13 made essentially the same comments that someone else
14 might want to make, or at least some of the comments.
15 And if that happens in your case, feel free to say, I
16 agree with Mr. So and So, or your first speaker, and
17 it will be as if you had said those remarks yourself.
18 And it's a way to try to keep things moving along.

19 Also, this is a solemn procedure. Please do
20 not break out into applause or laugh or boo or
21 otherwise talk. Please keep a polite silence. If
22 you need to talk to your neighbor, leave the room.

23 Finally, I ask that you keep your comments
24 short or at least as short as is possible and still
25 get your message across. You do have the alternative

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1 to put some comments in writing or, if you have
2 brought something in writing, you're welcome to hand
3 it in and merely summarize it.

4 I believe that -- oh, one final thing. When
5 you come up, introduce yourself, state your name,
6 state whether you are a Qwest customer and, in
7 particular, whether you are a Qwest business
8 customer. Also, if you have any other connection
9 with Qwest, such as you are an employee or former
10 employee or some kind of other interest in the
11 matter, you should state that, as well. And if you
12 forget, I may try to remind you. As we go on, I
13 think you'll get a feel for the first three or four
14 questions you should answer. At that point, you may
15 simply state your comments and Commissioner Oshie or
16 I may have a question for you.

17 As you can see, the court reporter is taking
18 down everything that I am saying and will take down
19 everything that you say. Therefore, please try to
20 speak slowly and clearly. In particular, if you are
21 reading material, it's very hard for any listener,
22 but also the court reporter, to take it in unless
23 it's read slowly and deliberately.

24 So with that, for anyone who plans to
25 testify, would you please stand and raise your right

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1 hand.

2 Whereupon,

3 ALL PROSPECTIVE PUBLIC SPEAKERS,

4 having been first duly sworn en masse by Chairwoman

5 Showalter, testified as follows:

6 CHAIRWOMAN SHOWALTER: Thank you.

7 MS. ANDERL: Chairwoman Showalter?

8 CHAIRWOMAN SHOWALTER: Ms. Anderl.

9 MS. ANDERL: Thank you. Just as a point of
10 order, may I ask --

11 CHAIRWOMAN SHOWALTER: Please introduce
12 yourself.

13 MS. ANDERL: Yes. I'm Lisa Anderl, I'm
14 Corporate Attorney for Qwest. I think it's
15 appropriate your admonition that parties or witnesses
16 state an affiliation or former association with
17 Qwest, but I would like to ask if that might be
18 appropriate to have it broadened to have a witness
19 identify whether they're affiliated or have a
20 relationship with any party in the proceeding.

21 CHAIRWOMAN SHOWALTER: That's true. And as
22 well, if you are here representing the chamber of
23 commerce of your city and you're speaking on behalf
24 of that organization, please identify yourself that
25 way. If you are simply speaking on your own behalf,

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1 say that. I think what you understand is we want to
2 know what your connection to the case is, if any, and
3 what your interest is, so that we can evaluate your
4 comments accordingly.

5 I'm going to take a moment here. I just
6 want to see how many people actually want to comment
7 versus are just attending and listening. Okay. We
8 have approximately 11 speakers. I'm going to suggest
9 that you try to keep your comments to five minutes or
10 less. That may sound like a short time, but actually
11 it's a long time, and you can get quite a bit across
12 in that. And if you can state it even more
13 concisely, especially if previous witnesses have
14 expressed your point of view, please do so.

15 So why don't we begin. And forgive me if I
16 don't pronounce your name correctly, but I think I
17 can get this one. Dennis Matson.

18 MR. MATSON: Good evening. For the record,
19 my name is Dennis Matson. I'm the executive director
20 of the Economic Development Council of Thurston
21 County. The Qwest Corporation is a member of our
22 organization.

23 I'm here tonight to talk in favor of the UTC
24 Staff recommendation to grant Qwest Corporation's
25 request for pricing flexibility. We've seen

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1 substantial growth in our community in competition
2 for basic local services in the telecommunications
3 sector. For example, we use three different
4 providers in a small, private non-profit, the EDC,
5 Qwest, ATG and Reach One. These choices are made on
6 the basis of pricing and the type of services
7 offered.

8 According to the UTC Staff analysis,
9 statewide in Qwest's service area, competitors now
10 have captured about 28 percent of the market.

11 You've already granted flexibility to Qwest
12 in services to larger business customers in Seattle,
13 Spokane, Bellevue and the Vancouver markets. As a
14 second tier market here in this community, a
15 community of about 207,000 people, competitive
16 telecommunications service is critical to our future.

17 We've targeted sectors that we feel are
18 important to the economy of Thurston County in the
19 longer run, producer services, various types of
20 technology businesses, and they will be the basis of
21 our new family wage employment here. And we want to
22 make sure that our largest telecommunications
23 provider, Qwest, is competitive and serves this
24 market to its full capability. We think it's
25 important that they realize a sufficient return on

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1 their investment. That will encourage them to put
2 new infrastructure in place in the community.

3 Thank you very much. I'll be glad to answer
4 any questions you may have.

5 CHAIRWOMAN SHOWALTER: I have one, maybe
6 two. What kind of service do you receive from Reach
7 One?

8 MR. MATSON: Reach One, they have currently
9 become a CLEC. The service we receive from Reach One
10 right now is they are a local service provider for
11 Internet services, but we've been talking to them
12 about using their new service they're going to
13 provide, First Mile Digital Service, to allow using
14 dishes to allow companies in the area to access
15 services, and we've been talking to them about
16 expanding into that area, as well.

17 CHAIRWOMAN SHOWALTER: And do you use for
18 your business purposes any wireless?

19 MR. MATSON: No, but that's a service we
20 would be accessing for Reach One. Currently there's
21 nobody offering that in our particular market. Reach
22 One's just moving into that now.

23 CHAIRWOMAN SHOWALTER: Thank you. Any
24 questions?

25 MR. MATSON: I was talking about wireless

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1 high speed.

2 CHAIRWOMAN SHOWALTER: I'm talking about
3 just regular old wireless.

4 MR. MATSON: We use Verizon for that.

5 CHAIRWOMAN SHOWALTER: In other words, does
6 the Economic Development Council have and pay for
7 Verizon wireless service?

8 MR. MATSON: We are reimbursed for it.
9 Actually, it's our own private accounts. We're
10 reimbursed for any services we use that benefit the
11 EDC.

12 CHAIRWOMAN SHOWALTER: But you do use a
13 wireless phone for your business calls?

14 MR. MATSON: Correct, correct. Absolutely.

15 CHAIRWOMAN SHOWALTER: Thank you.

16 MR. MATSON: Sure.

17 CHAIRWOMAN SHOWALTER: Joe Homan.

18 MR. HOMAN: Good evening. For the record,
19 my name is Joe Homan, I'm an attorney. I practice
20 law in Tacoma, as well as Federal Way. I have
21 offices in both locations. I'm a sole practitioner.
22 I office shared with one other attorney and probably
23 had two or three support staff in my office. Back in
24 '99, our phone system was antiquated and we
25 researched and received bids from AT&T, Eschelon, as

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1 well as Qwest, to upgrade to the hardware phone
2 system as well as provide local, local long distance
3 and long distance phone service for our companies.

4 We typically use voice mail, call
5 forwarding, caller ID, as well as an Internet service
6 provider. At that point in time, based on services
7 and pricing, we went with Eschelon Telecommunications
8 and AT&T for our phone service systems, and it was
9 based mainly -- I would say the services were offered
10 by all three companies, but the pricing at the time
11 with the hardware, as well as the lines, it was
12 cheaper to go with Eschelon.

13 I recently moved my office and have also
14 sought bids for phone services and have received bids
15 from AT&T, Eschelon, Qwest, as well as MCI for my
16 phone service company. I recently consolidated with
17 Qwest back in -- I think it was November of this last
18 year.

19 I became interested in this issue because
20 around February of this year, my phone service was
21 interrupted, and basically what has happened was that
22 Eschelon and AT&T came in and captured my phone lines
23 without my prior knowledge or consent. I lost voice
24 mail, as well as phone service.

25 I raised quite a bit of stink with Qwest on

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1 it and got in touch with George Chaplin. That's how
2 -- he kept me informed on what's going on, and that's
3 why I'm here today, is that I basically don't like
4 any phone companies for that reason, that problem
5 that I went through back in February, but I have
6 observed, since I've been in business on my own, that
7 when there is freer competition, it benefits me as a
8 businessman, because it forces the competition to
9 become more consumer friendly, both from a service
10 standpoint as well as a cost standpoint, and I see
11 this happening throughout.

12 And I'm excited about what's happening here,
13 I'm in favor of Qwest's position on here, because I
14 think it will ultimately benefit me as a small
15 businessman, both in services as well as price
16 reduction.

17 I do have wireless service through AT&T.
18 They provided me the best pricing and services for my
19 wireless phone, and I use that probably 99 percent,
20 just for business alone. And I have a number of
21 clients who are looking at just going with wireless,
22 mainly for the cost savings on it, as well as using
23 phone cards and getting out of -- away from Qwest or
24 AT&T or MCI just for that sole reason on it, and I'm
25 seriously considering doing that now, too.

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1 What else can I tell you? Questions or
2 concerns that you have for me?

3 CHAIRWOMAN SHOWALTER: Just one. Who was
4 your provider prior to February?

5 MR. HOMAN: It was Eschelon and AT&T, both.

6 CHAIRWOMAN SHOWALTER: Thank you.

7 MR. HOMAN: Thank you.

8 CHAIRWOMAN SHOWALTER: Just a comment, and
9 not for you, just generally, this is regarding
10 business services only, and we are interested in what
11 your experience has been with business, including
12 wireless, and the previous commenters did keep their
13 remarks to business, but I wanted to make sure
14 everybody knows that it is not particularly relevant
15 what is happening to you in your -- at your
16 residential levels. So Jim Sullivan.

17 MR. SULLIVAN: Good evening. My name is Jim
18 Sullivan. I have an insurance agency in Renton,
19 Washington. I'm here because I'm very concerned
20 about this issue. I've been solicited almost
21 constantly by Qwest competitors, especially AT&T,
22 both for long distance services and for local
23 service. Their primary selling point is price.

24 When I contacted Qwest to ask, What, now are
25 you being price competitive, they said, Well, we

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1 don't have the flexibility in this market that they
2 have. That bothers me tremendously. There are,
3 believe me, many choices, because I -- not a week
4 goes by that I don't get solicited by somebody. They
5 don't get past my receptionist any longer, but there
6 are a plethora of competitors out there. Regardless
7 of what they're trying to tell you, they're all over
8 the place.

9 Number two point I would like to make is
10 that I have five land lines at my office, because
11 I've got three employees, I'm hoping to have a fourth
12 one shortly. I have four cell phones, all of which
13 are used for business, because much of our work
14 requires field work and I have to stay in touch with
15 the office while I'm out inspecting buildings, as do
16 my employees.

17 And so the cell phones don't show up on the
18 statistics as far as business land lines and that
19 sort of thing, the kinds of thing you keep up with,
20 but they are out there. A significant and growing
21 number of my customers rely solely on cell phones for
22 their regular communication, both business and
23 personal. And so I think the -- when you look at the
24 numbers to try to figure out market shares, I
25 understand that's a very difficult one to get a

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1 handle on, but believe me, that cell phone component
2 is significant and growing on a daily basis.

3 I would consider that the current
4 restrictions on Qwest to be unable to customize their
5 rates to individual markets to be artificial,
6 anticompetitive, unnecessary and unfair, both to
7 Qwest and its business customers.

8 The Public Counsel fact sheet that was given
9 out tonight contains a sentence. In effect, Qwest
10 could raise prices for business services with minimal
11 regulatory oversight. It can also already lower
12 prices with minimal oversight. It's my understanding
13 that they can do that, but they cannot do it on a
14 market by market basis, but their competitors can.

15 If I face that situation as an insurance
16 agent, I would be up in arms, because you have to be
17 -- you have to have that flexibility. And I would
18 urge the Commission to approve this request because I
19 think business very much needs that flexibility. I
20 would love to be able to go to Qwest and say, Give me
21 a competitive price to compete with what I'm being
22 offered here, and right now, they can't do that. I
23 think it's patently unfair.

24 Thank you very much. Do you have any
25 questions?

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1 CHAIRWOMAN SHOWALTER: No, I don't. Thank
2 you.

3 MR. SULLIVAN: Thank you.

4 CHAIRWOMAN SHOWALTER: I will comment,
5 because it came up, that Public Counsel, who is a
6 part of the Attorney General's office, is an
7 independent and separate party in this proceeding, as
8 is Commission Staff, also represented by a different
9 Assistant Attorney General. As it happens, they have
10 opposing points of view in this case, but in any
11 event, they are independent parties from this
12 Commission. Ted Sprague.

13 MR. SPRAGUE: Thank you for the opportunity
14 to speak with you this evening. My name is Ted
15 Sprague, for the record, and I am the president of
16 the Cowlitz Economic Development Council. We are a
17 Qwest business customer and Qwest is a member of our
18 organization, as well. We represent private business
19 membership of over 200 Cowlitz County companies and
20 have been in operation for 24 years.

21 As you know, these are difficult times for
22 the United States economy and for Washington State's
23 economy, but especially difficult for rural
24 economies. Many times rural economies are passed
25 over or left out on changes in technology or advances

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1 in regulatory environments.

2 In this particular sector, granting Qwest's
3 request for pricing flexibility will bring rural
4 counties in line with the larger urban areas of the
5 state and will create a more competitive environment
6 for business. It is my hope that you will grant
7 Qwest the pricing flexibility through competitive
8 pricing that business customers in urban areas
9 already enjoy and benefit from. Thank you for the
10 opportunity. Do you have any questions?

11 CHAIRWOMAN SHOWALTER: Thank you. Before I
12 go to the next page of witnesses, I just want to make
13 sure. Karen Rogers signed in, but did not sign up to
14 comment. So if you did not you put a yes in the yes
15 column, I'm not going to call on you.

16 MS. JOHNSON: She signed it as a yes.

17 CHAIRWOMAN SHOWALTER: As a yes, all right.
18 Well, then, Karen Rogers. Is Karen Rogers here?
19 Yes, there she is. I particularly wanted to check
20 that out, because you have come all the way from Port
21 Angeles. Didn't want to get all the way through the
22 meeting and --

23 MS. ROGERS: Oh, I can assure you I'd have
24 made sure I got to speak. Good evening. I
25 appreciate the opportunity to speak. For the record,

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1 my name is Karen Rogers. I'm a small business owner
2 in Port Angeles. I also have a dual role. I'm also
3 an elected official, I'm a city council member for
4 the city of Port Angeles.

5 I'm here to talk to you tonight about the
6 support for the petition by Qwest for the pricing
7 flexibility, and I can tell you why I'm here. Since
8 1997, I've been a telecom advocate in my community.
9 Because, you see, I'm the person who's moved from the
10 metropolitan area to a rural area, and I can honestly
11 tell you that I had to click my heels and say,
12 Dorothy, you have arrived in Kansas when it came to
13 the opportunity for the type of telecommunications
14 solutions that we did not have.

15 So let's talk about what this pricing
16 flexibility will do for us. One, small business, it
17 represents over 70 percent of the dollars in any
18 community in any state and in the United States.
19 Small business is the backbone of business. So why
20 shouldn't we have the pricing flexibility that the
21 larger metropolitan areas have. It's good for
22 business, it's good for the state. We need to
23 continue doing initiatives that promote good business
24 practices and keep businesses in a sustainable and
25 growing mode in Washington State.

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1 I'd like to talk to you about technology,
2 because I've heard testimony refer to just wireless.
3 And certainly I'm an advocate. I call forward my
4 office line directly to my cell phone, but I think
5 there's another piece that possibly was missed in
6 this. There's the voice over IP, voice over Internet
7 protocol, the impact of what the cable industry has
8 done with cable modems, and let's not forget the
9 entrance of public sector into the telecom industry.

10 So Qwest, be it Qwest, Sprint, AT&T, all the
11 big phone companies, they have tremendous
12 competition, not just by what would be considered
13 their fellow competitors in their industry, but by
14 the advancements of technology.

15 And so I would urge your support to pass
16 this pricing competition availability for us because
17 what you're doing is you're giving us choice, choice
18 gives us value, and competition keeps integrity in
19 the industry. And today, what I brought you was our
20 local phone book. And I've taken the opportunity to
21 put Post-It notes on this for you and let you know
22 that we have eight options of telephone service in
23 Port Angeles and for Sequim, which represents a gross
24 population, if you look at the county and the two
25 cities, of approximately over 40,000 people.

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1 And I can tell you that's because we've
2 worked hard as a community to work with our incumbent
3 carrier and come up with telephone solutions and also
4 high connectivity. So I would urge your support in
5 this matter. Can I answer any questions for you?

6 CHAIRWOMAN SHOWALTER: Now, why don't you
7 put -- did you want to turn that telephone book in or
8 are you just demonstrating it to us?

9 MS. ROGERS: I'd be more than happy to. No,
10 I'd be more than happy to. Then, when you visit us,
11 you can know where to stay.

12 CHAIRWOMAN SHOWALTER: You may or may not
13 know that when I was 20, 19 and 20, I lived in a
14 tepee out on Eden Valley Road.

15 MS. ROGERS: And I can assure you it's still
16 a popular thing.

17 CHAIRWOMAN SHOWALTER: And as a matter of
18 fact, we had a little telephone in a tree. There was
19 no house, but we did have a telephone.

20 MS. ROGERS: Well, that's what we call our
21 wireless today, so --

22 CHAIRWOMAN SHOWALTER: Why don't you put
23 that on the chair just beside -- right there, right
24 there, and we'll -- if anyone else has other things,
25 we'll pick them up later.

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1 MS. ROGERS: Great. Thank you for the time.

2 CHAIRWOMAN SHOWALTER: Thank you. Len
3 Bowman.

4 MR. BOWMAN: I probably didn't write that
5 very well. It's Leon Bowman.

6 CHAIRWOMAN SHOWALTER: Oh, that was my
7 fault.

8 MR. BOWMAN: I hope that's the one. I'm
9 Leon Bowman. I'm from Centralia. I run a small
10 business there and have for 35 years. I guess I'm
11 going to be the blacksheep, because I do not see the
12 technology coming to our group, our community, that
13 everyone else is seeing. I don't see the opportunity
14 of having other competitors in our community.

15 When I first started in business, I had a
16 partner, and his brother-in-law worked in the
17 telephone industry in Seattle. And it was known in
18 the industry, the telephone industry, that the
19 smaller communities only got what the larger
20 communities had shed and done away with. That's
21 still true today.

22 I was talked into taking the Qwest business
23 custom choice package, I am a Qwest subscriber, and I
24 could not use the custom choice package because we
25 didn't have the technology in our central office to

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1 do the call forwarding and the call waiting and many
2 other things that I needed in my business. My only
3 option is to go out and buy a telephone system that
4 has that built into the telephone system.

5 I am really concerned that if Qwest, being
6 the only competition in many parts of Centralia, and
7 there is one other company that has come in there
8 that is trying to do the digital part, but they don't
9 serve many areas of Centralia and Chehalis. Qwest
10 being the only -- the main one, and they can't afford
11 to put the technology in, what is some outsider going
12 to be -- how are they going to be able to put the
13 technology in?

14 I do use wireless. I can't use wireless
15 inside my shop, I can't use wireless at my house, I
16 can't use wireless downtown Centralia. I've tried
17 two different servers and there's too many dead
18 spots. So wireless is not really a good option.
19 It's something we put up with, but still, I couldn't
20 run my business with wireless. I have to have hard
21 wire.

22 So I would ask that you take a real hard
23 look at this on the side of keeping it regulated.
24 They are making a profit. Thank you.

25 CHAIRWOMAN SHOWALTER: Just one question.

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1 You said some parts of your community don't have a
2 choice, but implying that other parts do. For your
3 own business, do you -- are there any competitors
4 available to you?

5 MR. BOWMAN: I can go -- Local Access has
6 digital that is available to me.

7 CHAIRWOMAN SHOWALTER: That's the name of
8 the company, Local Access?

9 MR. BOWMAN: Yes, ma'am. It's Local Access
10 Telephone Company and Local Access Internet. They
11 started out as an Internet provider. They have
12 started a telephone service up. I looked at the
13 pricing and it didn't make sense to go with them. I
14 stayed with Qwest.

15 CHAIRWOMAN SHOWALTER: Thank you.

16 MR. BOWMAN: Thank you.

17 CHAIRWOMAN SHOWALTER: Brenda Roberts.

18 MS. ROBERTS: Good evening. My name is
19 Brenda Roberts. I am a Qwest employee and I am also
20 the president of the Communications Workers of
21 America, Local 7800, in Seattle, and I am here
22 tonight on behalf of my local membership, which is
23 over 2,000, and on behalf of the active and retired
24 CWA members, which number more than 6,000 in the
25 state of Washington, asking for your support for this

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1 petition.

2 Today Qwest has more regulatory constraints
3 than its competitors. Regulations that reflect the
4 competitive environment will benefit all consumers
5 and strengthen Washington's telecommunications
6 marketplace and infrastructure.

7 Qwest is an important contributor to
8 Washington communities, but when competitors can
9 offer the same service with less regulation, it gives
10 them an advantage that has cost Qwest greatly in lost
11 lines and revenue.

12 But the loss is not only at Qwest. I know
13 firsthand about the loss of jobs. Over the past 18
14 months, our local alone has lost over 500 members.
15 Many worked as technicians and in technical support
16 for Qwest business service. I hear from technicians
17 almost daily about the impacts of competition on
18 their workloads. They see competitors' trucks at
19 businesses that used to be customers of Qwest. They
20 are concerned that the loss of revenue as a result of
21 competition will inhibit Qwest's ability to respond
22 to our business customers' demand and could result in
23 additional job loss.

24 Please support this petition. Thank you.

25 CHAIRWOMAN SHOWALTER: Thank you. Alok

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1 Sharma.

2 MR. SHARMA: Good evening. My name is Alok
3 Sharma, and I'm a sales rep in business market at
4 Qwest. I have been in my current position for a year
5 and a half. And one of the functions I perform is
6 inbound and outbound sales only in mid-size and small
7 businesses.

8 I, along with my colleagues, face
9 competition on a daily basis. I have experienced
10 competition not only in Seattle, but other areas like
11 Moses Lake and Aberdeen and other areas. It's not
12 uncommon that customer call -- customers who are like
13 we have great, good relationship, they call and say
14 they were contacted by the resellers, or like
15 competition like Eschelon, Allegiance, AT&T, McLeod
16 offering communications services.

17 As a commission salesperson, what we're
18 facing in business market is impacting my ability to
19 financially take care of my family, so I strongly
20 believe that Qwest must have competitive pricing
21 flexibility. Thank you.

22 CHAIRWOMAN SHOWALTER: Thank you.

23 MR. SHARMA: Are there any questions I can
24 answer?

25 CHAIRWOMAN SHOWALTER: No, thank you. David

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1 Schiller.

2 MR. SCHILLER: My name is David Schiller,
3 and I'm an employee of Qwest. I have worked for US
4 West and Qwest for a total of seven and a half years.
5 During my tenure, I worked exclusively in the small
6 and medium-size business market segment over the
7 phone and face-to-face. I am passionate about my
8 job, my customers, and my employer.

9 I'm here today to bring a clear picture of
10 what I'm seeing in the marketplace. I'm here on my
11 own time to tell this story. Long gone are the days
12 where Qwest is the only choice that business
13 customers have. It is not unusual for my customers
14 to have several bids from competitors for all of
15 their varying telecommunications services.

16 The competitors I see every day are agile
17 and nimble, offering different solutions and pricing
18 structures for each customer situation. Their
19 pricing is set based on the competitive nature of a
20 unique set of circumstances. Unfortunately, that is
21 not the way that we are allowed to compete. By being
22 in a one size fits all model, it is more difficult to
23 win in the marketplace, even with the customers whose
24 first choice is to be with Qwest. The bottom line is
25 that many of our customers are leaving.

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1 I would like to also share the fact that
2 this is not just in the Seattle corridor. I see it
3 in big cities and small, statewide, Vancouver,
4 Auburn, Bremerton, and the list goes on. I
5 appreciate you taking the time to hear my story, and
6 hope that the right thing is done for Qwest and our
7 customers so we too can compete on an even playing
8 field. And I'm happy to answer any questions that
9 you may have.

10 CHAIRWOMAN SHOWALTER: Thank you. Mark
11 Johnson.

12 MR. JOHNSON: Good evening, Honorable
13 Commissioners. For the record, I am Mark Johnson,
14 assistant state director for the National Federation
15 of Independent Business, here tonight representing
16 15,000 small business owners in the state of
17 Washington, here tonight asking for you respectfully
18 to deny Qwest's petition for deregulation of their
19 business services.

20 I have members in each of the 68 cities that
21 Qwest currently serves. NFIB and its members are
22 traditionally fierce defenders of the free enterprise
23 system and, in most instances, favor less government
24 regulation. This, however, is a rare instance where
25 NFIB feels government oversight is necessary to

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1 protect the consumer from monopolistic practices and
2 pricing.

3 The entire case hinges on whether or not
4 there is competition for local businesses in Qwest's
5 service areas. The answer of my members is no. And
6 furthermore, where there is alternative providers,
7 most small business owners are not aware of the
8 services and are not actively pursued by the
9 competitors because they're too small and not to be
10 bothered with.

11 NFIB surveyed its members on phone
12 competition and usage, and I want to share those
13 survey results with you. Question number one, Are
14 you satisfied with the rates and services provided by
15 your current telecommunications company? Forty-two
16 percent, yes; 45 percent, no; and 14 percent
17 undecided.

18 Question number two, Would you consider
19 changing local phone providers if competition was
20 available in your area? Sixty-one percent, yes; 14
21 percent, no; and 24 percent undecided.

22 Question number three, How many business
23 lines do you currently have in your business?
24 Eighty-seven percent of the respondents had ten or
25 fewer lines. I received several letters from our

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1 members throughout the state of Washington, many of
2 which would have liked to have been here tonight but
3 are busy running their businesses, live too far from
4 Olympia, or are trying to spend a few precious
5 moments with their families tonight.

6 I wanted to highlight just a few of the
7 letters that I received, just to give you a flavor of
8 what the members are saying.

9 Dear Commission, we are very sorry we cannot
10 attend the meeting you are having in Olympia tonight
11 concerning the deregulation of Qwest phone services.
12 We have no other choice in this part of Washington.
13 Qwest is it. If they are deregulated, we'll have no
14 choice but to take what that they give us, and as you
15 can see, no competition at all. Please make them
16 show you why there is competition in this area before
17 you allow them to deregulate. As we said, we are
18 unable to come to the meeting tonight. We're farmers
19 and we're in the middle of harvest. Glen and Diane
20 Rowdy.

21 CHAIRWOMAN SHOWALTER: Where are they from?

22 MR. JOHNSON: This one is from Tonasket.
23 Excuse me. It doesn't say on this particular letter
24 here. That is not one of the areas.

25 This next one is from Longview, and I think

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1 we had some folks from Longview here. Dear
2 Commissioners, I urge you to deny Qwest's petition
3 for deregulation. I would urge you to ask for real
4 proof that competition exists in Washington. In
5 Longview, there is no competition. Their attitude
6 reflects in this fact. Chester Doll, small business
7 owner, Longview, Washington.

8 This is from Clarkston, Washington. We live
9 in Clarkston. We own two small businesses. Our only
10 carrier here is Qwest and we are very concerned,
11 concerned that they will raise our rates once they
12 are allowed to deregulate their business services.
13 We're asking that you deny this petition for
14 deregulation until they can show that real
15 competition exists where they conduct businesses.
16 G.L. and Lois Chestnut, Clarkston, Washington.

17 This is from Spokane, not exactly a small
18 city. Please do not deregulate Qwest. The lack of
19 government oversight will result in higher prices and
20 probably reduce services. Jim Hanley, Acme TV
21 Services, Spokane, Washington.

22 Just one more. I'm sorry I won't be able to
23 attend the hearing on the 17th. I think the best
24 option for the consumer, especially small to
25 medium-sized businesses like ours, continues to be

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1 strong oversight by the WUTC, with the caveat that
2 services needs to continue to improve. I simply
3 don't believe competitive market forces are
4 sufficient at this time to warrant deregulation of
5 business services. John Adels (phonetic), president
6 of Atlas Supply, Inc., Seattle, Washington.

7 I think these letters, and I've received
8 many, show the sentiment of the small business owners
9 in Washington State, and I again respectfully request
10 that the Commission deny Qwest's petition. Thank you
11 for this opportunity to share our concerns.

12 CHAIRWOMAN SHOWALTER: Two questions. In
13 your own business, that is the NFIB, your branch,
14 what telecommunications carriers do you use for
15 business services?

16 MR. JOHNSON: My cellular phone is with
17 Verizon, I think our local is with Qwest, and ATG, I
18 believe, is our Internet provider.

19 CHAIRWOMAN SHOWALTER: Okay. Thank you.

20 MR. JOHNSON: Thank you.

21 CHAIRWOMAN SHOWALTER: I will pass over
22 Michelle Sullivan, unless she wishes to comment. She
23 did not sign up. Okay. Others of you I'm passing
24 over because you've signed in no, that you did not
25 want to testify. Jim King.

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1 MR. KING: Thank you, Madam Chairman,
2 members of the Commission. Jim King. Today I'm
3 representing the Washington Drywall Coalition, which
4 is approximately 50 small businesses, mostly in Puget
5 Sound area and Spokane, mostly drywall contractors,
6 some drywall suppliers.

7 And communicating with my membership on this
8 issue over the last couple of weeks, they've all
9 indicated that, in their locations, there is no
10 competition. Even though they're in Puget Sound
11 suburbia and Spokane, they tend to be outside of the
12 urban cores or the city cores, in less dense areas,
13 where competition has not found it economical to open
14 up and go with the infrastructure or go after the
15 business. They're basically captive of Qwest.

16 They're very concerned -- they understand,
17 you know, in some areas Qwest may have competition,
18 and if this was a rifle shot instead of a shotgun
19 petition, they would probably not have concerns. But
20 every one of my members that is in Qwest's areas of
21 the state do not believe that they have any
22 alternative where they're at, at their geographic
23 locations in terms of Qwest, and they have -- most of
24 them use cell phones to be in touch with the field,
25 although being in the -- most of them in the

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1 residential business and in areas where there often
2 is not good reception yet and even opposition to new
3 cell towers, which is a whole other issue, they are
4 dependent upon their land lines for their office, for
5 fax, for communications.

6 They're dependent upon that phone number for
7 continued business, and they were unanimous in
8 opposition to granting this petition at this time.
9 They feel that, like many small businesses throughout
10 the state, they would find themselves captive of an
11 unregulated monopoly if this petition were to be
12 passed.

13 They recognize that with changing technology
14 at some time in the future, there may be competition,
15 but they felt very strongly at this time they have no
16 alternative to Qwest for very core, basic needs for
17 their business. They are, as I said, unanimously
18 opposed to this petition.

19 CHAIRWOMAN SHOWALTER: You've been general
20 as to where the location is of your members. Can you
21 be at all any more specific?

22 MR. KING: Well, they stretch from Lacey
23 through Edgewood and Puyallup and Lakewood, Kent
24 Valley, right on up into Snohomish County, and then
25 in the outlying areas of Spokane. None of them are

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1 in the central area. That's not where you set up a
2 construction outfit or yard or anything. They're out
3 in areas that are becoming residential, actually, in
4 many cases. Many times they are rural or remain
5 rural. They're out there where they can have their
6 construction yard and where they have their office,
7 and then they're out working in our growing areas of
8 residential development, but none of those are areas
9 of density of service that has proven itself
10 attractive, at least that they're aware of, to
11 competition in the telephone market.

12 CHAIRWOMAN SHOWALTER: All right. I didn't
13 catch all those, but you mentioned Lacey, Lakewood
14 and Kent.

15 MR. KING: Lacey, Lakewood, Edgewood,
16 Puyallup, South Hill. Basically, take the periphery
17 of Puget Sound, and that's where they find their
18 businesses located. Up through Auburn, Kent, up into
19 Snohomish County, well, Snohomish, Lynnwood. Some of
20 them move into different service areas than Qwest,
21 but the ones that are in Qwest are saying they don't
22 feel -- they've not seen that they have competition.

23 CHAIRWOMAN SHOWALTER: All right. I want to
24 just interrupt one thing. The court reporter can
25 only take down one person at a time, so if I ask a

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1 question, please wait until I finish --

2 MR. KING: Okay.

3 CHAIRWOMAN SHOWALTER: -- because we can't
4 overlap. So my question now is are you testifying
5 that in Lacey, Lakewood, Kent, Edgewood, Puyallup,
6 South Hill and Auburn, your members have no choice in
7 terms of business --

8 MR. KING: Where they're at -- oh, sorry.

9 CHAIRWOMAN SHOWALTER: You really do need to
10 wait until I finish my question.

11 MR. KING: Yeah.

12 CHAIRWOMAN SHOWALTER: So my question is are
13 you testifying that, for those cities that I just
14 mentioned, your members have no choice as far as a
15 land line business provider?

16 MR. KING: Where they are located in those
17 cities, they have no choice. I wouldn't say, I
18 couldn't say or that they're saying that nowhere in
19 those cities, but where they're located in those
20 cities and in the unincorporated areas around those
21 cities, where they're at, they're telling me they
22 don't have a choice.

23 CHAIRWOMAN SHOWALTER: Well, if you care to,
24 you should supplement the record with their business
25 addresses.

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1 MR. KING: Okay.

2 CHAIRWOMAN SHOWALTER: Otherwise, actually,
3 we don't know where specifically a business would not
4 have a choice.

5 MR. KING: I think the point they're making,
6 I'm making, too, is there are a lot -- in fact, the
7 vast majority of geography in the state you would
8 find there is no choice, as opposed to whereas some
9 of the population is in the vast geography of the
10 state. And we're looking at a petition that takes in
11 the whole service area of Qwest within the state.

12 But I'll get back to them and if they want
13 to put their particular business addresses in, we
14 will, but many of them have been in newly
15 incorporated or until now unincorporated areas. The
16 point they were making is they're outside of the
17 dense development areas where you see alternatives
18 developing.

19 CHAIRWOMAN SHOWALTER: Thank you.

20 MR. KING: Mm-hmm.

21 CHAIRWOMAN SHOWALTER: Gary Smith.

22 MR. SMITH: Thank you. Gary Smith,
23 Executive Director, Independent Business Association.
24 First I want to thank you for holding a hearing in
25 the evening to make it more accessible for the folks

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1 that are working. We have surveyed our members and
2 they've asked me to come tonight and express their
3 opposition to the proposal by Qwest to classify their
4 business services as competitive.

5 There's a number of reasons. The primary
6 reason is they do not feel that there is sufficient
7 competition. There are some areas of the state that
8 they are telling me, and I am not an expert, so I'm
9 not going to try and tell you for a fact there's not
10 competition. They are not aware of competition.

11 There are areas that there is competition,
12 but the competition has no burden to serve them. In
13 other words, they could ask for service and that
14 competitor or that CLEC could say no, we don't want
15 to serve you. Washington certainly is not the same
16 throughout, as you well know. There are differences
17 almost within a city and so we can't look at the
18 state as a -- as one uniform entity; we have to look
19 at the state as being very different in different
20 areas.

21 Most of the resellers that I'm aware of -- or
22 most of the competitors I'm aware of are resellers,
23 so they're using the services or they're buying it
24 wholesale, services from Qwest, in order to provide
25 those services to the customer. Our members do not

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1 feel that that's really competition at all. If
2 they're, in fact, buying the service wholesale from
3 the same people that they would have their service
4 from Qwest, they don't figure that's really good
5 competition.

6 I understand under the current law that
7 Qwest already has the authority to reduce rates under
8 their existing regulatory scheme if, in fact,
9 competition dictates that. I know that comments
10 earlier were that cell phones are an option. Well,
11 they may be an option for a very small number of
12 small businesses, but for most small businesses,
13 their customers contact them using land lines and
14 they're using the telephone book. I don't even know
15 how you get a cell phone number into a telephone
16 book. I've never tried. I do have a cell phone, but
17 I guarantee you it's not in the telephone book.

18 So when we surveyed our members, we found
19 that those in the Qwest service area, and I
20 apologize, I will give you the -- supplement it for
21 the record. I ran out of the office today without
22 getting the exact number. I know that more than 80
23 percent of them opposed the petition to have Qwest
24 business services classified as competitive, and the
25 primary reason, again, is they felt that there was

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1 not enough competition.

2 Whether that is real or perceived, the
3 reality is is they don't think there's enough
4 competition. They believe strongly that if, in fact,
5 Qwest was given this new classification, that Qwest
6 could raise their prices and the competitors will
7 simply follow. One individual said it's just like
8 the oil companies, and was referencing how the
9 current competition in the oil industry isn't doing a
10 whole lot.

11 By taking this and making it a competitive
12 classification, we believe it's going to increase the
13 burden on small business dramatically. Number one,
14 in many cases, if rates go up, they're going to have
15 to start shopping for telephone service, trying to
16 locate competitors in their area and trying to locate
17 somebody that may serve them in order to try and hold
18 their costs down.

19 At this point, if you're not aware, and I'm
20 sure you are, most small businesses out there are
21 struggling just to keep the doors open. They don't
22 need a new burden like this.

23 The other issue is is seeing the competitors
24 have no mandate to serve, they could decide, Well,
25 this isn't a profitable service area, we'll simply

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1 pull out. We won't do that business over there
2 anymore. And here's a small business owner, maybe
3 with a very short period of notice, all of a sudden
4 having to find another telephone carrier.

5 So with all due respect, we don't feel this
6 is the time to grant Qwest this request for a
7 competitive classification for business services.
8 I'd be more than happy to respond to questions.

9 CHAIRWOMAN SHOWALTER: How many members do
10 you have?

11 MR. SMITH: We have, in the state of
12 Washington, about 4,800 small business owners.

13 CHAIRWOMAN SHOWALTER: And how many members
14 participated in your survey?

15 MR. SMITH: We sent it out to all of them.
16 Again, I left it in the office. I'll try and
17 supplement the record, if that's all right.

18 CHAIRWOMAN SHOWALTER: But as a ballpark, do
19 you know how many responded?

20 MR. SMITH: Oh, I would guess someplace near
21 three to 400.

22 CHAIRWOMAN SHOWALTER: Thank you. All
23 right. I believe -- oh, let me see if I missed a
24 page here. No, I didn't. I believe that's all I
25 have here of people who signed up. Is there anyone

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1 else who would like to testify? Well, then, thank
2 you very much. We really do appreciate your coming
3 and testifying or just listening. It helps us
4 understand how this issue affects people from
5 different parts of the state and it helps us
6 understand that this issue matters to people, and
7 that's why we -- you are here, I assume.

8 So thank you very much, and that will
9 conclude the public hearing. We'll now take a break
10 till 7:00 and resume the rest of our proceeding.

11 (Public hearing adjourned at 6:55 p.m.)

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