

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition)	
Of Qwest Corporation)	
For Competitive Classification of Business)	DOCKET NO. UT-000883
Services in Specified Wire Centers)	

DIRECT TESTIMONY

OF

DAVID L. TEITZEL

DIRECTOR – PRODUCT AND MARKET ISSUES

QWEST CORPORATION

AUGUST 11, 2000

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1

I. INTRODUCTION

2

3 **Q. PLEASE STATE YOUR NAME, TITLE AND ADDRESS.**

4 My name is David L. Teitzel. I am employed by Qwest Corporation as Director - Product and
5 Market Issues. My business address is 1600 7th Avenue, Room 2904, Seattle, Washington,
6 98191.

7

8 **Q. PLEASE REVIEW YOUR WORK EXPERIENCE, PRESENT RESPONSIBILITIES**
9 **AND EDUCATION.**

10 A. I have been continuously employed by Qwest and its predecessor companies, U S WEST
11 and Pacific Northwest Bell, since 1974. I have held a number of management positions in
12 various departments, including Regulatory Affairs, Network, and Marketing. As a
13 Marketing product manager, I was responsible for Basic Exchange, Centrex, and
14 IntraLATA Long Distance services. I have also served as a Market Manager for
15 U S WEST DEX. I was named to my current position as Director - Product and Market
16 Issues in March 1998 and am responsible for the regulatory strategy and advocacy
17 associated with Qwest's products and services. I majored in Industrial Psychology and
18 received a Bachelor of Sciences degree from Washington State University in 1974.

19

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE TELECOMMUNICATIONS**
21 **REGULATORY COMMISSIONS?**

22 A. Yes. In 1998, I testified before the Washington Utilities and Transportation Commission

1 (Commission) in Docket UT-980311(a) regarding Universal Service. In 1999, I appeared
2 before the Commission in support of Qwest's Competitive Response proposal. In addition,
3 I have served as an expert witness in various dockets in Arizona, Colorado, Iowa,
4 Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah
5 and Wyoming.

6

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

8 A. The purpose of my testimony is to outline Qwest's proposal to have the Commission find
9 and declare that competition exists for business services in specific wire centers within the
10 state and, consistent with Washington state statutes, allow Qwest the regulatory freedom
11 necessary to meet such competition on a fair and equitable basis.

12

13 **Q. HAS QWEST SUBMITTED A FILING TO THE WASHINGTON COMMISSION**
14 **DETAILING SUCH A PROPOSAL?**

15 A. Yes. On June 7, 2000, Qwest filed a Request for Competitive Classification of Business
16 Services (Petition) in thirty-one wire centers. On July 12, 2000, the Commission set the
17 Petition for hearing and investigation and subsequently established a procedural schedule.
18 This testimony is being filed in compliance with the Commission's procedural schedule.

19

20 **II. BUSINESS COMPETITION – WASHINGTON**

21

**1 Q. IS QWEST CURRENTLY EXPERIENCING COMPETITION FOR BUSINESS
2 SERVICES IN WASHINGTON?**

3 A. Yes. The number of providers and services offered in the market for telecommunications
4 services has grown significantly in the past few years as a result of the competitive
5 environment in Washington. Qwest faces intense competition from both resellers and
6 established facilities-based competitors with substantial resources and extensive networks.
7 These established companies, which include the combined AT&T/TCG and WorldCom
8 companies, have access to financial resources greater than Qwest's with which to fund
9 expansion of their networks. Competitors range from powerful international companies
10 with substantial resources, to small innovative companies striving to carve a niche in the
11 exploding telecommunications market.

**12
13 Q. WHICH OF QWEST'S MARKETS ARE MOST VULNERABLE TO
14 COMPETITION?**

15 A. Qwest's business customer base is the most vulnerable, as these customers often can be
16 reached by competitors with a minimal level of investment.

**17
18 Q. SHOULD THIS BE A CONCERN OF THIS COMMISSION?**

19 A. Yes. The public interest is not served by keeping Qwest's hands tied while its competitors
20 win customers away. In fact, quite the opposite is true. When it loses profitable customers,
21 Qwest must recover its total costs over a smaller customer base. As the rate of loss grows,
22 and support from high margin services is no longer available, rate increases become

1 inevitable. If this Commission will allow Qwest to compete on equal footing with its
2 competitors, it will have the opportunity to retain some proportion of those revenues. The
3 result will be to mitigate the need for future rate increases, especially to customers that have
4 no alternatives.

5

6 **Q. WHAT EVIDENCE IS THERE THAT COMPETITORS ARE ACTUALLY**
7 **SERVING CUSTOMERS IN WASHINGTON?**

8 A. Confidential Exhibit DLT-2C demonstrates the estimated business billed telephone number
9 competitive losses that have occurred since Qwest began tracking losses in 1997.¹

10 Theresa Jensen, also a Qwest witness in this proceeding, identifies in her testimony the number
11 of Qwest business and residence lines being resold to competitors, the number of telephone
12 numbers ported to competitors, the location of competitors' fiber facilities, competitors who have
13 deployed switching equipment, and the number of Qwest central offices where competitors have
14 co-located. In addition, Commission Staff has requested and received additional information
15 directly from Qwest's competitors. In sum, the information in Ms. Jensen's testimony, as well as
16 the testimony that follows, when combined with the data furnished by the competitors,
17 unequivocally demonstrates that competition for Qwest's basic Business services exists in
18 Washington.

19

¹ Qwest believes these numbers are greatly understated, as the data is largely based on customers who self-report that they are leaving Qwest for a competitor. The numbers do not reflect consumers who never subscribed to Qwest service and those customers who may be converting to a competitor's service without indicating so to Qwest's service representative at the time of disconnection.

1 **Q. HAVE QWEST CUSTOMER LOSSES OCCURRED THROUGHOUT THE STATE**
2 **OR HAVE THEY BEEN CONCENTRATED IN SPECIFIC GEOGRAPHIC AREAS?**

3 A. Qwest's competitive losses have primarily occurred in the greater Seattle, Spokane,
4 Bellevue, Vancouver, and Tacoma areas. While competitors once focused exclusively on
5 the central business district of Seattle and Spokane, they now have the ability to reach
6 customers in every one of the thirty-one wire centers identified in Qwest's Petition.

7

8 **Q. WHAT STEPS HAS QWEST TAKEN TO DATE TO RETAIN OR "WIN BACK"**
9 **BUSINESS CUSTOMERS?**

10 A. Qwest has taken several steps related to competitive response under tariff regulation but
11 must be free to do more. Competitive responses employed by Qwest have included the
12 introduction of new business services such as Centrex 21 and Integrated T1 Service. Qwest
13 also utilizes product and price promotions on a regular basis but the thirty day regulatory
14 approval interval clearly places it at a competitive disadvantage when other providers have
15 a ten day interval. Qwest also has instituted a Business Competitive Response Program
16 which has provided for very targeted promotions; however, Qwest continues to lose
17 customers to alternative providers.

18

19 **Q. DOES QWEST HAVE THE ABILITY TO EFFECTIVELY COMPETE WITH OTHER**
20 **BASIC BUSINESS SERVICE PROVIDERS UNDER THE EXISTING REGULATORY**
21 **FRAMEWORK?**

22 A. No, it does not. In Docket No. UT-950200, the Commission ordered Qwest to charge state-
23 wide rates for its basic business products and services. State-wide rates are developed

1 based on costs for the entire state, including high-cost rural areas. Competitors, on the
2 other hand, are focusing on large metro areas of the state (e.g., Seattle) where they can
3 maximize their investment by reaching a high volume of customers in a concentrated area.
4 As an incumbent local exchange carrier (ILEC), Qwest doesn't have the ability to "pick and
5 choose" its customers and service area. To successfully compete, Qwest must have the
6 ability to manage and price its basic business services in a flexible manner in areas where
7 competition exists.

8

9 **Q. PLEASE DESCRIBE YOUR PROPOSAL TO CLASSIFY BUSINESS SERVICES AS**
10 **COMPETITIVE IN CERTAIN WIRE CENTERS IN THE STATE.**

11 A. Qwest is proposing that the Commission, in recognition of the increasingly competitive
12 telecommunications market for business services, classify those services as competitive in
13 thirty-one wire centers. The wire centers are those in which competitive alternatives to
14 Qwest's business services exist. Within such areas, Qwest will be able to meet customer
15 needs and respond to competition with the same relaxed regulatory oversight enjoyed by its
16 competitors.

17

18 **Q. WHY IS QWEST REQUESTING COMPETITIVE CLASSIFICATION OF BUSINESS**
19 **SERVICES AT THE WIRE CENTER LEVEL?**

20 A. Qwest has chosen wire centers as its relevant market for competitive classification purposes
21 for ease of measurement and implementation. Evidence supporting the existence of
22 competition has been gathered on a wire center basis and was submitted in that fashion in

1 Qwest's Petition.

2

3 **Q. ON WHAT BASIS IS QWEST MAKING ITS REQUEST THAT BUSINESS SERVICES**
4 **BE CLASSIFIED AS COMPETITIVE IN THE THIRTY ONE WIRE CENTERS?**

5 A. Qwest is requesting the Commission find that its business services are subject to
6 competition in specific wire centers pursuant to RCW 80.36.330, which authorizes the
7 Commission to classify a telecommunications service provided by a telecommunications
8 company as a "competitive" telecommunications service if it finds the service is "subject to
9 effective competition." The statute defines "effective competition" to mean that
10 "customers of the service have reasonably available alternatives and that the service is not
11 provided to a significant captive customer base." In determining whether a particular
12 service is a competitive service, the law requires the Commission consider, among other
13 factors:

14 The number and size of alternative providers of services;

15 The extent to which services are available from alternate providers in the relevant
16 market;

17 The ability of alternative providers to make functionally equivalent or substitute
18 services readily available at competitive rates, terms and conditions; and

19 Other indicators of market power, which may include market share, growth in
20 market share, ease of entry, and the affiliation of providers.

21

22 **Q. WHAT FLEXIBILITY WILL COMPETITIVE CLASSIFICATION OF BUSINESS**

1 **SERVICES PROVIDE FOR QWEST?**

2 A. With competitive classification, Qwest will be able to:

3 Change prices, term, and conditions for business services upon ten days notice to
4 the Commission.

5 Implement promotional offerings/discounts on services on ten days notice. This
6 will encompass limited duration as well as permanent programs designed to
7 attract customers or increase customer awareness of a particular offering.

8 Offer incentives designed to attract and/or retain customers on ten days notice.

9 Package, bundle, and/or price services on a customer-specific basis.

10 Offerings and prices may vary between competitive geographic areas. With this flexibility,
11 Qwest will be able to effectively respond to customer and market demands in the areas
12 subject to competition.

13

14 Q. **UNDER YOUR PROPOSAL, WHAT CONTROLS WILL BE IN PLACE TO GOVERN**
15 **PRICE INCREASES?**

16 A. The market will determine efficient prices. Qwest will lose market share if it attempts to
17 sustain prices that are not market-based.

18

19 Q. **DO QWEST'S COMPETITORS CURRENTLY HAVE AN ADVANTAGE IN THE**
20 **MARKETPLACE?**

21 A. Yes. Competitors of Qwest have several advantages in the marketplace. First, they can
22 introduce and change services and prices upon ten days notice to the Commission, while

1 Qwest is required to provide thirty days notice. A thirty day interval only applicable to
2 ILECs provides competitors time to respond to ILEC promotions or price changes with
3 their own promotion or new pricing arrangement before an ILEC's tariff is approved.

4

5 Second, competitors also tend to base their prices at levels competitive with the ILEC's
6 statewide averaged rates. When Qwest is afforded pricing freedom in competitive areas,
7 alternative providers will be forced to reevaluate their prices and possibly reset them, based
8 on a more fully competitive market.

9

10 Third, competitors can presently offer a broader array of services than Qwest. The prohibition
11 against interLATA entry until 271 relief is granted enables competitors to offer a full package
12 of services from a single provider, thereby maximizing discounted profits based on volume
13 purchases. Qwest cannot yet compete on an equal basis due to the current interLATA
14 restriction.

15

16 In summary, while competitive classification of Qwest's business services in selected markets
17 will not completely level the competitive playing field, it will at least enable Qwest greater
18 freedom in attempting to retain existing customers and recapture former customers.

19

20 **Q. IS QWEST ASKING FOR BENEFITS NOT CURRENTLY AFFORDED**
21 **ALTERNATIVE PROVIDERS?**

22 A. No. Qwest is asking for the ability to respond to the competitive business market under the
23 same conditions currently enjoyed by its competitors.

24

1 **Q. ISN'T QWEST CURRENTLY ABLE TO INTRODUCE PRICE CHANGES ON TEN**
2 **DAYS NOTICE THROUGH RATE BANDED TARIFFS?**

3 A. Yes, however, rate banded tariffs do not provide competitive parity. They still require a
4 price floor and a price ceiling. Competitors can then price their services within the range of
5 the band or below the Qwest price floor. To change the price band requires thirty days
6 notice. Qwest should be allowed to compete on a parity basis with its competitors.

7

8 **Q. WILL THERE BE ANY RESTRICTIONS ON HOW QWEST MAY PRICE SERVICES**
9 **WITHIN THE COMPETITIVE GEOGRAPHIC AREA?**

10 A. Yes. Qwest will not be able to price in a manner that will result in a price squeeze. RCW
11 86.36.330 states that "prices charged for competitive telecommunications services shall
12 cover their cost." For this reason, the Commission requires any applicant for competitive
13 classification to provide the Commission with a verifiable cost of service study supporting
14 the contention that the price or rate charged for the service covers its cost." Qwest relies on
15 the cost studies previously filed for each component of its business services to verify that
16 Qwest's rates for these services will continue to be priced above cost under competitive
17 classification. Qwest has provided the Commission with detailed evidence showing the
18 costs of each of its business services currently being offered. There is nothing in this
19 proceeding that proposes a price change. The Commission has already found Qwest's
20 current business rates to be priced above cost.

21

22 Because there are appropriate regulatory and legislative safeguards to ensure those services

1 are priced above cost under competitive classification, Qwest currently satisfies and will
2 continue to satisfy both RCW 80.36.330 and WAC 480-120-023 cost requirements.

3

4 **Q. HOW WILL QWEST PROVIDE REASONABLE NOTICE OF PRICE LIST**
5 **CHANGES FOR BUSINESS SERVICES TO ITS CUSTOMERS AND THE**
6 **COMMISSION?**

7 A. Qwest intends to adhere to the Commission's ten-day notice requirement for price listed
8 services for its competitively classified business services. Customer notification will be
9 provided through the most appropriate means available to Qwest such as through bill
10 inserts, bill message lines, newspaper notices, direct promotions, etc.

11

12 **Q. SPECIFICALLY, WHICH BUSINESS TELECOMMUNICATIONS SERVICES IS**
13 **QWEST REQUESTING BE CLASSIFIED AS COMPETITIVE?**

14 A. The business basic exchange telecommunications services for which Qwest requests
15 competitive classification in the above-mentioned wire centers include all network access
16 related services, including lines, trunks and discretionary features offered to business
17 customers. Attachment A to Qwest's Petition identifies the specific services.

18

19 For the purposes of this proceeding, "business services" are all of the business basic
20 exchange telecommunications services and discretionary features offered to business
21 customers by alternative providers in the competitive geographic areas, including packages
22 of features and network access arrangements. Business telecommunications services fall

1 into two categories. The first category consists of those services which provide access to
2 the network such as Centrex and PBX trunks. The second category is discretionary
3 business features which are software enhancements available as line or trunk options. They
4 are features assigned by the telecommunications provider when the line is provisioned at
5 the central office switch. Business services also include discretionary features that are
6 technically available via the central office switch technology employed by alternative
7 providers but may not necessarily be offered via those providers' price lists.

8

9 **Q. WHY DID QWEST INCLUDE DISCRETIONARY SERVICES AS PART OF ITS**
10 **PETITION?**

11 A. Discretionary features represent an important component of business telecommunications
12 services and solutions in that they enable subscribers to operate more efficiently.

13 Discretionary feature offerings also enable providers to differentiate their product offerings
14 in both price and design. While providers competing in the business services market offer
15 their own spectrum of business services offerings, their collection of services are designed
16 to meet the needs of business customers and replace a full range of services previously
17 subscribed to from Qwest. Their services are offered in direct competition with and as a
18 complete alternative to those of Qwest and every other provider in the market.

19

20 **Q. PLEASE IDENTIFY THE WIRE CENTERS WHERE QWEST IS PROPOSING**
21 **BUSINESS SERVICES BE DESIGNATED AS COMPETITIVE?**

22 A. The thirty-one wire centers are: Bellevue Glencourt, Bellevue Sherwood, Issaquah, Kent

1 O'Brien, Auburn, Renton, Seattle Atwater, Seattle Campus, Seattle Cherry, Seattle
2 Duwamish, Seattle East, Seattle Elliott, Seattle Emerson, Seattle Lakeview, Seattle Main,
3 Seattle Sunset, Seattle West, Spokane Chestnut, Spokane Fairfax, Spokane Hudson,
4 Spokane Keystone, Spokane Moran, Spokane Riverside, Spokane Walnut, Spokane
5 Whitworth, Tacoma Fawcett, Tacoma Greenfield, Tacoma Juniper, Tacoma Waverly,
6 Vancouver Orchards, and Vancouver Oxford.

7

8 **Q. WHY IS QWEST INCLUDING ONLY THIRTY-ONE WIRE CENTERS IN ITS**
9 **PETITION? DOES THAT MEAN THERE ISN'T COMPETITION IN OTHER WIRE**
10 **CENTERS?**

11 A. No. Qwest included these wire centers because in each wire center, business customers
12 have –at the minimum – at least four alternative facilities-based providers from which to
13 choose for basic business services. While Qwest could have listed additional wire centers
14 which have one or two alternative providers, it chose not to in this proceeding. Wire
15 centers where customers can choose from five different facility-based providers clearly
16 indicates no barrier to entry and extensive competitive alternatives. In addition to facilities-
17 based providers, Qwest is also facing other forms of significant competition as is discussed
18 below and in the testimony being filed in this proceeding by Theresa Jensen.

19

20 **III. THE NUMBER AND SIZE OF ALTERNATIVE PROVIDERS**

21

22 **Q. ARE WASHINGTON BUSINESS CONSUMERS ABLE TO CHOOSE FROM A WIDE**

1 **VARIETY OF ALTERNATIVE PROVIDERS FOR BASIC BUSINESS SERVICES?**

2 A. Yes. Qwest is aware of at least thirty-one competitive providers offering business
3 telecommunications services in Washington and as many as twenty providers offering
4 service in a single wire center included as a proposed competitive geographic area.
5 Attachment F to Qwest's Petition identifies known CLECs providing business services in
6 Washington. These competitors offer a full package of business services to customers in
7 the areas they choose to serve. Theresa Jensen addresses the extent and diversity of
8 competitive presence, specifically in the thirty-one specified wire centers, in her testimony.

9

10 **Q. ARE THESE ALTERNATIVE PROVIDERS FINANCIALLY SOUND COMPANIES?**

11 A. Yes, Qwest's competitors are large, well-financed and experienced corporations with
12 significant market capitalization. For example, AT&T, a \$94.2 billion company,
13 WorldCom, a \$102.9 billion company, Level 3, a \$23.4 billion company, NEXTLINK, a
14 \$9.52 billion company, Teligent, a \$1.04 billion company, and ELI, a \$806.8 million
15 company, all offer services in the specified wire centers and are some of the most
16 substantial providers of telecommunications services around the country.² Other
17 competitors are privately financed. Alternative providers have the technology in place and
18 the financial resources to access customers in each of the areas in which they serve.

19

1 ² <http://biz.yahoo.com/i/>, August 9, 2000. Market capitalization figures are available on this website
2 in the corporate profiles section for each corporation. Qwest's market capitalization as of
3 August 8, 2000 was \$88.4 billion.

1 **IV. THE EXTENT TO WHICH SERVICES ARE AVAILABLE FROM ALTERNATIVE PROVIDERS**

2

3 Q. ARE BASIC BUSINESS SERVICES REASONABLY AVAILABLE FROM ALTERNATIVE
4 PROVIDERS IN THE SPECIFIED WIRE CENTERS?

5 A. Yes. Business customers in the thirty one wire centers are no longer limited to one
6 provider as their sole source for business telecommunications services. Attachments B and
7 D to Qwest's Petition provides a list of services offered by a number of competitive
8 providers in Washington. Today, in every one of the thirty one wire centers, customers can
9 go to the well-advertised and widely available competitors of Qwest to purchase equivalent
10 service offerings. (A sample of competitors' advertising is included as Attachment J to
11 Qwest's Petition.) Alternative providers of business services are diversified in their
12 business offerings, providing one stop shopping and a broad range of services to their end-
13 user customers. These providers offer service through a variety of means, including carrier-
14 owned central office switches, carrier facilities independently owned, operated and
15 controlled by the competitors, collocation, resale of Qwest and other carrier products, and
16 unbundled network elements. Theresa Jensen quantifies the number of competitors present
17 in each of the thirty-one wire centers.

18

19 **V. THE ABILITY OF ALTERNATIVE PROVIDERS TO MAKE FUNCTIONALLY EQUIVALENT**
20 **OR SUBSTITUTE SERVICES READILY AVAILABLE AT COMPETITIVE RATES, TERMS, AND**
21 **CONDITIONS.**

22

23 Q. DO ALTERNATIVE PROVIDERS OFFER FUNCTIONALLY EQUIVALENT AND SUBSTITUTE

1 BUSINESS SERVICES AT COMPETITIVE RATES, ON COMPETITIVE TERMS, AND WITH
2 SIMILAR CONDITIONS?

3 A. Yes. Alternative providers offer business services equivalent to those offered by Qwest. Attachments B and
4 D to Qwest's Petition demonstrate that competitors currently offer equivalent services at comparable rates and
5 on comparable terms. In fact, the offerings of some companies are more advanced and less expensive than
6 what Qwest currently provides.

7

8 Attachments B and D demonstrate that the services requested by Qwest for competitive classification are
9 available at competitive rates and under comparable terms and conditions. As with any industry, each
10 competitor offers its own particular brand of services, often with a different name or bundled with a different
11 package of features to draw customers to the uniqueness of its services and contrast its services with those of
12 its competitors. This differentiation inherent in any competitive market gives customers a choice as to how
13 they receive and use the services available to them. However, what is clear from the wide-range of services
14 offered by each competitor is that customers can substitute one provider's services for that of another, at the
15 customer's discretion. Businesses benefit from this competitive differentiation in the market. In the race to
16 serve customers that a competitive market creates, competitors are forced to be creative in how they offer their
17 services and in what packages of services they offer. This differentiation is what drives innovation in a
18 competitive market.

19

20 Attachment B details the features known to be offered by competitive providers of business services.

21

22 Q. WHAT OTHER EVIDENCE DO YOU RELY UPON TO DEMONSTRATE THAT ALTERNATE
23 PROVIDERS OFFER FUNCTIONALLY EQUIVALENT AND SUBSTITUTE BUSINESS SERVICES?

24 A. Alternate providers are capable of offering functionally equivalent and substitutable services because of the
25 switch technology they employ. It is basically the same technology currently available to Qwest. In addition,
26 competitors are also offering services through the resale of Qwest services or through the purchase of Qwest

1 unbundled local switching. Those competitors have ready access to the same technology that Qwest utilizes in
2 the provisioning of basic business services and features. However, many competitors are choosing to invest
3 significant resources in the deployment of their own switching facilities.

4

5 Attachment C to Qwest's Petition details the features and functionality available on common switch types
6 currently utilized by Qwest's competitors. By utilizing their own switching facilities, competitors are able to
7 uniquely customize their service offerings to meet the needs of their target market. It is readily apparent that
8 competitors are technologically capable of providing functionally equivalent services to those offered by
9 Qwest; whether they include such services within their price list is a matter of provider choice – not technical
10 constraint.

11

12 **Q. DO COMPETITORS OFFER EVERY BUSINESS SERVICE OFFERED BY QWEST?**

13 A. No. Nor does Qwest offer every service provided by its competitors. However, this does not make the market
14 for basic business services any less competitive.

15

16 Product differentiation is the hallmark of a competitive environment. That each provider offers its services at
17 different prices or in different packages is a part of the choice that a competitive market brings to customers.

18 Without such differentiation, one would have to question whether the market was in fact competitive at all.

19 Attachments B and D and Confidential Attachments G and H to Qwest's Petition leave no doubt that services
20 equivalent to those provided by Qwest have been deployed in every competitive area examined.

21

22 **Q. HOW WAS THE LIST OF COMPETITIVE SERVICES DEVELOPED?**

23 A. Each business service or feature that is provisioned as part of the feature or function assignments associated
24 with a business basic exchange access line was identified. Qwest then compared its list of services identified
25 in Attachment A to Qwest's Petition with services offered by Competitive Local Exchange Carriers (CLECs) -
26 see Attachment D to the Petition. Qwest also compared its list of its services to services or features available

1 from the various switch manufacturers utilized by its competitors. If the switch manufacturer utilized by the
2 CLEC offered the feature or service, Qwest included the product in its list of competitive service. See
3 Attachment C to Qwest's Petition for this information.

4

5 **Q. HOW DID YOU KNOW WHICH MANUFACTURER WAS UTILIZED BY THE CLEC?**

6 A. Attachment C to Qwest's Petition includes information on the switch technology utilized by the most active
7 CLECs in Washington.

8

9

VI. OTHER INDICATORS OF MARKET POWER

10

11 **Q. IN ADDITION TO THE INFORMATION YOU'VE PROVIDED ABOVE, WHAT OTHER FACTORS**
12 **DEMONSTRATE THAT QWEST DOES NOT POSSESS MARKET POWER IN THE SPECIFIED WIRE**
13 **CENTERS?**

14 A. Qwest's share of the business services market in the thirty one wire centers is decreasing as a direct result of
15 competition, as demonstrated by the estimated business billed telephone number competitive losses depicted
16 on Confidential Exhibit DLT-2C.

17

18 The extent to which competitors are purchasing wholesale services from Qwest and the documentation
19 relative to competitors fiber facilities, furnished attachments to Qwest's Petition, makes clear that the known
20 market loss estimates only scratch the surface of competitors' gain in market share in the thirty one wire
21 centers. The available evidence of market loss combined with the evidence of competitive presence
22 demonstrated in Ms. Jensen's testimony provides ample justification for competitive classification. There was
23 a time when customers looked exclusively to one local exchange carrier for business services. With the
24 advent of competition, this no longer remains true. Customers can now seek out a number of providers for
25 business services in the specified wire centers and do so. Competition is thriving and customers are taking
26 advantage of competitive offerings. Competitive classification will not slow the distribution of market share

1 among the various providers of service. It will promote quality, speed the provision of new and more
2 advanced services and encourage the continued growth and development of competition.

3

4 **Q. DO COMPETITORS FACE BARRIERS TO ENTRY?**

5 A. No. Competitors have entered the market for business services in the thirty one specified wire centers rapidly
6 and with ease. In determining whether effective competition exists, RCW 80.36.330 directs the Commission
7 to consider “ease of entry” into the relevant market. With no fewer than four alternative providers of business
8 services in each of the wire centers considered in this proceeding, it is clear that entry is not limited. In fact,
9 the evidence shows that as many as twenty providers offer business services in the specified wire centers.
10 This demonstrates that competitors have found the market accessible and entry into the market very possible.
11 If customers were not willing to choose service from non-Qwest providers, or if the services offered by other
12 providers were not on par with those offered by Qwest, then competitors would not be entering into the
13 market so rapidly and so successfully. The number of new entrants, their growing market share, and the loss
14 of customers to competitors by Qwest, as demonstrated elsewhere in this testimony, show that competitors are
15 successfully entering this market.

16

17 **Q. DO ANY QWEST AFFILIATES PROVIDE BUSINESS SERVICES IN THE THIRTY ONE WIRE**
18 **CENTERS?**

19 A. The only Qwest affiliate providing business services in the specified wire centers is Qwest Wireless. Prior to
20 completion of the recent Qwest and U S WEST merger, Qwest did not offer local exchange service in
21 Washington.

22

23 WorldCom and AT&T each have affiliates providing service in some of the specified wire centers in
24 Washington. TCG is now owned by AT&T and MCI/Metro and WorldCom are now a part of MCI
25 WorldCom (now referred to as WorldCom). However, these are just a few of the several providers of
26 business services in Washington. That these providers have affiliates, some of which may be serving in the

1 same wire centers, has not limited the offerings available to consumers; rather, it has broadened the services
2 offered. Each provider, affiliated or not, has its own price lists and service offerings with different rates,
3 different packages of business services and a different branding provided to the end-user. The services of
4 each of the providers of business services are substitutable by business customers depending on how they wish
5 to tailor their suite of services. These competitive offerings are independent and have helped advance
6 competition in the market. Further, prime competitors offering services in the specified wire centers, such as
7 NEXTLINK, have no affiliates and are independently capturing market share.

8
9 **Q. DOES QWEST HAVE MARKET POWER IN THESE SELECTED MARKETS?**

10 A. No. Qwest does not have market power in the specified wire centers. The evidence discussed herein, as well
11 as in Ms. Jensen's testimony demonstrates that market share is dispersed among several providers in the wire
12 centers. This evidence demonstrates that no one competitor has market power but rather that all are
13 competing for a share of the business customers in the thirty one wire centers specified in Qwest's Petition.

14
15 **Q. DOES THE PRESENCE OF QWEST WIRELESS IN THE BUSINESS SERVICE MARKETS HAVE AN**
16 **EFFECT ON QWEST'S MARKET POWER?**

17 A. The presence of Qwest Wireless in the business services markets has no effect on Qwest's market power. As
18 the evidence shows, it has not limited the development of a variety of competitive alternatives available to
19 customers at all. The wide array of offerings from so many unaffiliated, independent providers speaks for
20 itself.

21
22 **Q. IS QWEST'S CUSTOMER BASE FOR BUSINESS SERVICES A CAPTIVE CUSTOMER BASE?**

23 A. No. If Qwest's customer base were captive and could only access Qwest's business services, Qwest would
24 not be in a position to request competitive classification. The information filed in support of Qwest's Petition,
25 along with the testimony, collectively make clear that Qwest does not have a captive customer base for
26 business services. Taken together, the evidence presented proves that Qwest's customers have reasonable and

1 available alternatives in the specified thirty one wire centers specified in Qwest's Petition. Qwest's business
2 customers in these areas are not captive.

3
4 **VII. OTHER CONSIDERATIONS**

5
6 **Q. HOW WILL CONSUMERS BENEFIT FROM THE COMPETITIVE CLASSIFICATION OF QWEST
7 BUSINESS SERVICES IN THESE SELECTED MARKET AREAS?**

8 A. Competitive classification of Qwest's business products will produce a marketplace that provides all
9 competitors added incentives to innovate and create new and better services with more advanced features and
10 options. The most effective way to achieve excellence and growth in the market is to treat all competitors
11 neutrally and allow them to compete fairly.

12
13 If Qwest is allowed to compete fairly and on a equal basis with the many competitors offering business
14 services in the identified wire centers in Washington, the alternatives available to customers will continue to
15 flourish and multiply. The competition spurred by technological advances and encouraged by Commission,
16 federal, and state policy has now embedded itself in the business services market around the state.
17 Competitive classification of Qwest's business services in the specified wire centers cannot adversely impact
18 this level of competition; instead, it will heighten the level of competitive intensity.

19
20 By allowing Qwest to compete on an equal basis, the Commission will trigger more competition and growth in
21 the markets for business services. The Commission will provide Qwest and its competitors with the incentive
22 and the opportunity to innovate and improve services for the future. A freely competitive market can and will
23 achieve new benefits, as opening competitive segments of the business services market already have. By
24 allowing Qwest the flexibility its competitors enjoy today, shifting prices will no longer be a sufficient means
25 for competitors to woo customers to their service. Instead, all carriers will have to offer better or more
26 advanced services to attract customers to them. To constrain the market and stop it from achieving the

1 efficiencies that will result from unfettered competition would be counter to the Commission's own
2 competitive goals and harmful to customers of business services.

3
4 **VIII. SUMMARY**

5
6 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

7 A. The evidence of competition for business telecommunications services in the thirty one wire centers specified
8 in Qwest's Petition leaves no doubt that state and federal policies promoting telecommunications competition
9 as been overwhelmingly successful in these markets. The number of competitors and the availability of a
10 variety of substitute services are a tribute to those policies and the benefits they have brought to consumers.
11 Such success should not spur complacency, however, on the part of companies or the Commission in securing
12 the most important benefits of competition for Washington customers. To enable customers to enjoy the true
13 benefits of competition, the commission must allow fair, neutral and efficient competition to develop. For
14 customers to realize the fruits of genuine competition, all competitors, including Qwest, must be given parity
15 in regulatory treatment essential to simulate appropriate investment, pricing and innovation in the market.

16
17 The creation of these efficiencies is the essence of the competitive classification statute, RCW 80.36.330.
18 Once effective competition exists, the only logical and reasonable approach is to allow that competition to
19 take its natural course. Qwest has clearly demonstrated the existence of effective competition as detailed in
20 this testimony, as well as in its Petition and in the testimony filed by Theresa Jensen. In exploring each of the
21 proxies for measuring effective competition set forth in RCW 80.36.330, Qwest has shown that competition is
22 thriving in the thirty one wire centers included herein.

23
24 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

25 A. Yes, it does.

26

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition)
Of Qwest Corporation) DOCKET NO. UT-000883
For Competitive Classification of Business)
Services in Specified Wire Centers)

EXHIBITS OF DAVID L. TEITZEL

QWEST CORPORATION

AUGUST 11, 2000

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