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Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

February 19, 1999

Re: Undocketed
Transaction between GTE Corporation and Bell Atlantic Corporation, whereby GTE will become a wholly-owned subsidiary of Bell Atlantic

Dear Ms. Bayo:

Pursuant to the Commission's January 27, 1999 Notice of Workshop in this proceeding, you will find enclosed an original and seven copies of the joint Comments of GTE Corporation and Bell Atlantic Corporation.

In addition, please note that Mr. Geoffrey Gould, GTE's Vice President-Government and Regulatory Affairs, and Mr. Mark J. Mathis, Bell Atlantic's Senior Vice-President, Regulatory, plan to make presentations on behalf of their respective companies at the workshop on March 1. The presentations will last no longer than 20 minutes each.

If you have any questions, please contact me at (813) 483-2617.

Sincerely,

Kimberly Caswell/dm

Kimberly Caswell

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BEFORE THE PUBLIC SERVICE COMMISSION

In re: Commission Workshop Regarding the Transaction Between GTE Corporation and Bell Atlantic Corporation, Whereby GTE Will Become a Wholly-Owned Subsidiary of Bell Atlantic	)))))	Undocketed Filed: February 19, 1999

COMMENTS OF GTE CORPORATION AND BELL ATLANTIC CORPORATION

GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") file these Comments in accordance with the Commission's January 27, 1999 Notice of Workshop seeking additional comments and discussion about the GTE-Bell Atlantic indirect transfer of control. The Commission approved the GTE-Bell Atlantic transaction by a December 7, 1998 Order. (Order No. PSC-98-1645-FOF-TP in Docket 981252-TP ("Approval Order").) No one protested that Order, and it became final on December 29, 1998.

GTE's and Bell Atlantic's earlier joint Comments, filed January 11 ("GTE/BA Comments"), emphasized that this is only a parent-level transaction. Bell Atlantic has no meaningful presence in Florida, and no local exchange operations here. Further, as the Commission recognized in its Approval Order, GTE's and Bell Atlantic's regulated subsidiaries in Florida will remain as subsidiaries of GTE and Bell Atlantic, respectively. The companies will continue to operate under their existing certificates and tariffs on file with this Commission. (Approval Order at 3.)

These are all the facts the Commission should need to know for purposes of the workshop, which is specifically intended to discuss the parent-level transaction the Commission has approved. Nevertheless, there is no doubt that the merger will benefit Florida consumers in the longer term. As GTE and Bell Atlantic explained in their previous Comments, the merger will enhance competition in the local, Internet and advanced data,

long-distance and wireless markets. A combined GTE-Bell Atlantic will be able to provide the complete bundle of voice and data services that consumers increasingly demand and that will be so important to the merged companies' successful competition against other Regional Bell Operating Companies ("RBOCs") nationwide. These benefits flow from the particular combination of GTE's facilities-based national network, Bell Atlantic's base of large business customers, and the ability of the combined company to create a nationally recognized brand.

The principal critics of the merger in Florida–Sprint and AT&T–are well aware that the capacity to serve the emerging market for bundled services will be critical to survival in the tomorrow's telecommunications environment. Sprint and AT&T, along with MCI/WorldCom, have merged their way to leadership positions in the national market for bundled services. GTE/Bell Atlantic will be a fourth major player in this concentrated market. Since Sprint and AT&T have the most to lose from the merger, their opposition has been no surprise.

It is also no surprise that the merger's opponents have been unable to raise any Florida-specific concerns about the transaction. The Telecommunications Resellers Association ("TRA") filed, for the second time, essentially the same Comments it submitted in other states, without any regard for Florida law or knowledge of GTE's or Bell Atlantic's operations here. The others–AT&T, Sprint, and Supra Telecommunications & Information Systems ("Supra")--made the same arguments they did at the FCC. Most of their claims–for instance, discussing Bell Atlantic's level of compliance with the FCC's NYNEX merger commitments and Bell Atlantic's progress in obtaining section 271 approval--plainly have nothing to do with Florida. In fact, Sprint admits that many of its issues are "'national'

in scope and appropriately considered by the FCC." (Sprint Comments at 2.)

Even when the Commentors raise the issue of local competition, their arguments are counterintuitive and contrary to the facts. Because Bell Atlantic has no local operations here, the issue of whether the merger would eliminate local competitors is moot. Furthermore, Bell Atlantic has never expressed any intention to obtain local certification in Florida.

As GTE discussed in its earlier Comments, the merger will increase local competition in Florida. Within 18 months of the merger's closing, GTE and Bell Atlantic are seeking to provide on an economic basis a complete bundle of services to business customers in 21 cities in RBOC territories, including Miami, Orlando, and Jacksonville in BellSouth's Florida region. The combined company will, likewise, offer a bundle of services to residential customers in cities where it is economically feasible to do so. This will be just the first wave in a broader roll-out of bundled services for consumers. In any event, it is certain that the combined company will be able to effectively compete out-of-franchise in Florida much sooner than GTE alone would. (See GTE/BA Comments at 4-6.)

Because this workshop is a new kind of proceeding for the Commission, the following discussion will first treat the proper scope of the workshop and the Commission's authority to comment on the merger. Then GTE and Bell Atlantic will explain that none of the participants has presented any basis for this Commission to relay to the FCC any concerns about the merger's impact on Florida. If the Commission feels compelled to make any comments to the FCC, it should recommend unconditional approval of the transaction.

I. THE COMMISSION'S PROPER SCOPE OF INTEREST IS THE GTE-BELL ATLANTIC TRANSACTION IN FLORIDA.

As noted, this Commission has already approved GTE's and Bell Atlantic's joint petition for indirect transfer of control. That approval is final and unaffected by this workshop proceeding.

The Commission has never before asked for comments on an already-approved transfer of control (or, for that matter, on a not-yet-approved transaction). Based on the Commission's remarks at past agenda sessions, GTE and Bell Atlantic understand that the workshop proceeding was not motivated by any particular concern about the GTE-Bell Atlantic transfer. Rather, it has roots in the relatively recently approved MCI/WorldCom merger, and the Commission's continued grappling with the appropriate parameters of its role in evaluating merger-related transactions. This workshop process affirms that the Commission retains an interest in the public interest aspects of mergers, but recognizes the Commission's belief that its authority to rule on transfer applications may be rather narrowly circumscribed. GTE understands that this workshop is just the first instance of a process that will, on a going-forward basis, become part of the Commission's consideration of merger-related transactions.

Because it is a new process, an initial reminder of the purpose and intent of the proceeding is warranted. As the title indicates, this is an "undocketed Commission workshop regarding the transaction between GTE Corporation and Bell Atlantic corporation, whereby GTE will become a wholly-owned subsidiary of Bell Atlantic." The subject of the workshop is thus an indirect transfer of control involving only the parent companies, which are not regulated by this Commission. The transfer of control will not

affect this Commission's authority over the companies' regulated subsidiaries. As noted, the regulated GTE and Bell Atlantic subsidiaries in Florida will remain as GTE and Bell Atlantic subsidiaries, respectively, and retain their existing certificates.

Judging from the notice of the proceeding, the workshop is to be limited to the parent-level transaction the Commission has approved, rather than events that might occur in the future as GTE's and Bell Atlantic's operations become more fully integrated. As with the numerous parent-level transactions it approved in the past, the Commission will deal with those matters as they arise. It retains all the jurisdiction over the companies' regulated operations in Florida that it had before it approved the transfer.

From the transfer of control perspective, then, there is not much to discuss. There is nothing for this Commission to relate to the FCC concerning the transfer of control itself, since this parent-level transaction will have no effect on Florida operations.

Nevertheless, GTE and Bell Atlantic understand that the Commission will be interested in developments that will occur later, as the merger of operations proceeds. As such, in their petition for approval of the transaction, their January 11 Comments in this proceeding, and in this filing, GTE and Bell Atlantic review the longer-term benefits of the merger for Florida consumers. GTE agrees that the Commission has the jurisdiction to advise the FCC of its views concerning the eventual effects of the merger for Florida consumers. This does not mean, however, that the Commission should comment on the potential national effects of the merger. This Commission has jurisdiction only over telecommunications companies in Florida. Nothing in Chapter 364 of the Florida Statutes contemplates (nor could it lawfully contemplate) the Commission passing judgment on the actions of companies in other states or conducting market power or other economic

analyses that are nationwide in scope. Indeed, the Commission's Legal Staff does not believe the Commission has the authority to do a detailed economic analysis of a merger. (Brown, Commission Counsel, Jan. 6, 1998 Ag. Conf. Tr., Item 10, Request for approval of transfer of control of MCI Comm. Corp. ("MCI/WorldCom Ag. Conf. Tr.") , at 17 ("We do not see in that statute any direction from the legislature that tells us to do a full-scale economic market analysis of the potential anticompetitive effects of what is on its face a legitimate activity, which is a merger.")

Moreover, there would be no reason for this Commission to go beyond a Florida-specific perspective in any submission to the FCC. This Commission should be concerned only with GTE and Bell Atlantic operations here, and merger's effect here. To the extent the FCC wishes for state commission input on merger matters, it surely expects a state-specific perspective--not a state commenting on situations in other states or making observations on national market concentration or other such issues.

Above all, the Commission should not feel compelled to file comments with the FCC just because it has undertaken this post-approval review. To borrow a thought from now-Chairman Garcia, speaking in the context of the MCI/WorldCom merger proceeding: "I worry about us creating a process before a problem and trying to find a way to find a problem." (MCI/WorldCom Ag. Conf. Tr. At 34.) "[T]o create the process before we have a real problem worries me tremendously." (Id. at 35.)

Now that we have a process for the Commission to express merger concerns to federal regulators, GTE urges the Commission to use that process judiciously, and to issue comments only when it is convinced there are specific issues which it is in the interest of Florida consumers for it to address. As GTE and Bell Atlantic explain here at length, and

as the Commission's own approval indicates, there are no such issues here. Therefore, GTE and Bell Atlantic suggest that the Commission should make no comments to the FCC, but if it decides to do so, such comments should be fully supportive of the merger.

II. THE MERGER WILL NOT SUPPRESS LOCAL COMPETITION.

The Commentors' claims of harm in local markets fall into two main categories. First, they contend that the merger will remove a potential local competitor. Second, they argue that the combined company will have greater opportunities to exploit its strength to attain unfair advantage. Neither of these theories has any merit.

A. The Merger Will Not Eliminate any Actual or Potential Local Competitors.

Bell Atlantic is neither an ILEC nor a CLEC here, so the merger will not remove any actual competitors from the local market. This fact is the appropriate endpoint for any concern regarding the competitive effects of the merger in Florida. For instance, the Commission approved the relatively recent merger of MCI and WorldCom, even though these companies competed head-to-head in providing facilities-based local exchange service in a number of major urban areas in Florida--not to mention their status as long distance competitors. The Commission observed that: "Companies drop out of markets quite frequently for a variety of reasons. Although the loss of a competitor may have an impact on other market participants, as well as that competitor's customers, it does not necessarily have a harmful impact." (Request for Approval of Transfer of Control of MCI Comm. Corp. to TC Investments Corp., Order No. PSC-98-0702-FOF-TP (May 20, 1998), at 15.)

If MCI/WorldCom's elimination of actual, direct competitors operating in Florida did not trouble this Commission, there is certainly no basis for apprehension about the GTE-Bell Atlantic transaction. In this regard, the Commission's own Director of Communications aptly observed that the GTE-Bell Atlantic merger involves only two out-of-state entities, whereas the MCI-WorldCom merger involved "two major players in the State of Florida" and thus much more potential for anticompetitive problems. (D'Haeseleer, Nov. 17, 1998 Ag. Conf. Tr., Issue 19, at 28.) It would send a confusing and inappropriate signal to federal regulators if this Commission chose to comment unfavorably on the GTE/Bell Atlantic transaction, while it remained silent on the MCI-WorldCom merger.

Lacking any argument that the GTE/Bell Atlantic merger (unlike the WorldCom/MCI merger) will eliminate actual competition in Florida, the Commentors resort to arguing that GTE and Bell Atlantic might have been local competitors in Florida sometime in the future. This theoretical musing provides no basis for concern.

First, there is no foundation in reality for this theoretical possibility. As noted, Bell Atlantic has never shown any interest in entering GTE's Florida territory and to the extent merger opponents have made potential competition arguments before the FCC, they have focused on Virginia and Pennsylvania, where GTE and Bell Atlantic territories are closer together. Florida has never been mentioned in this regard.

Sprint does not even try to conceal the fact that its potential competition argument is entirely irrelevant to Florida.[1] It points to GTE's certification as a CLEC in "several

[1] Because this Commission will be interested in the Florida-specific aspects of the merger, GTE and Bell Atlantic address the potential competition (and other) arguments from this perspective. However, the Commission should know that the potential competition concerns with regard to the Pennsylvania and Virginia are also groundless.

Northeast states" (Sprint Comments at 4) and asserts that: "If this proposed merger is allowed to proceed, GTE will be eliminated as a potential competitor in Bell Atlantic's territory and the development of local competition will be even slower" (id. at 5). This argument, however, has nothing to do with Florida, since there is no "Bell Atlantic territory" in Florida for GTE to enter.

While AT&T at least recognizes that it should be talking about Bell Atlantic entry into GTE territory, it still can't muster any credible claim that Bell Atlantic would have been a significant potential competitor in GTE's area. Instead, AT&T refers to its FCC filing, which, once again, focuses on Virginia and Pennsylvania, and discusses potential competition in terms of "adjacent," "contiguous," and "proximate" ILECs. (See AT&T Comments, Att. A at 23-30.) These concerns, as noted, are not relevant here, where Bell Atlantic and GTE are not adjacent ILECs–indeed, Virginia is the nearest Bell Atlantic territory to Florida.

Rather than offering any factual support for a potential competition theory, Supra merely states: "For all we know, if the merger is denied the applicants might end up in fierce competition someday." (Supra Comments at 13.) This statement is typical of Supra's comments, which are not so much about this particular merger as a general indictment of the trend of RBOC mergers. Under Supra's logic, all of these mergers should be denied, regardless of their potential benefits, if the merging entities might, theoretically, have ended up competing with each other at some point. This has never been a standard for review of mergers at the FCC or elsewhere, and is certainly not a basis for this Commission to express concern about this transaction. In any event, as noted at the outset, this

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For an explanation of this point, please see GTE's and Bell Atlantic's FCC Joint Reply to the FCC, Attachment B to GTE's and Bell Atlantic's January 11 Comments.

Commission has recently dismissed concerns about a merger's removal of even actual competitors from the market in the MCI/WorldCom merger; it would make no sense for it to express any concerns about the remote possibility that "for all we know...someday" Bell Atlantic would have competed in Florida.

B. The Merger Will Not Otherwise Delay Local Competition.

Aside from the potential competition argument, the Commentors allege that the relatively bigger, combined company will have greater incentive and ability to thwart local competition than GTE alone would. They never say exactly how or why this would happen. Instead, they make vague accusations against GTE, then leap to the conclusion that GTE's purported exclusionary tactics will become worse after the merger.

There are at least three problems with this argument: 1) GTE is not engaging in anticompetitive conduct now; 2) there is no basis for believing that the merger will prompt GTE to start behaving anticompetitively; and 3) the Commission has the authority to detect and prevent anticompetitive abuses.

1. GTE Is Not Behaving Anticompetitively Now.

The Commentors' parade of anticompetitive horribles has nothing to do with GTE. Their best "proof" that GTE must be doing something wrong is the claimed lack of meaningful local competition in GTE's area. (See, e.g., TRA Comments at 3; AT&T Comments at 5-6.) But, as GTE and others have repeatedly pointed out, firms will enter markets only if there is money to be made there. That is why competitors are targeting large business customers. That is why most of GTE's intraLATA toll market share has

been competed away since the implementation of 1+ intraLATA presubscription.

Firms' profit-making motivation also affects the amount of competition in the local market. As the Commission recently told the Florida Legislature, GTE's (and other ILECs') local residential service prices are, on average, substantially below the cost of providing that service. (Report of the Florida Pub. Serv. Comm'n on the Relationships among the Costs and Charges Associated with Providing Basic Local Service, Intrastate Access, and Other Services provided by Local Exchange Companies, in compliance with Chapter 98-277, Section 2(1), Laws of Florida and the Conclusions of the Fla. Pub. Serv. Comm'n as to the Fair and Reasonable Fla. Residential Basic Local Telecommunications Service Rate, in Compliance with Chapter 98-277, Section 2(2)(A), Laws of Fla., Feb. 15, 1999, at 9, 25.) Rational companies will not enter a market where costs exceed existing prices. The local service market is no different from any other. If prices rise toward their costs, there will be greater opportunity for profit, and competitive entry will be encouraged. If the existing system of interservice, intercustomer, and even intracustomer subsidies remains intact, it will not be.

Indeed, if GTE were engaging in the large-scale, concerted campaign to thwart competitors that the Commentors claim it is, one would expect to see some evidence of such conduct or at least a raft of complaints. But that is not the case. Most importantly, it is worth nothing that none of the Commentors has filed any complaints against GTE, and the two complaints that are pending (discussed below) are irrelevant to any issue here. In the face of this simple fact, they are forced to resort mostly to indeterminate rants about purported ILEC failings.

Supra complains, inexplicably, about BellSouth practices. (Supra Comments at 15.)

When it does mention GTE, it cites no examples of GTE conduct, but asserts, with no support whatsoever, that "GTE has failed to provide nondiscriminatory access to its operations support systems, reasonable and nondiscriminatory interconnection, reasonable and nondiscriminatory collocation and reasonable and nondiscriminatory access to unbundled network elements." (Supra Comments at 21.) GTE has no idea what Supra is talking about, but it's not Florida, and it's not GTE. GTE and Supra had, in fact, executed an interconnection agreement, which GTE submitted to the Commission for approval in May 1998--only to have Supra ask GTE to withdraw the agreement days later, for reasons that had nothing to do with GTE. While it may be true that Supra is today getting no UNEs or other features from GTE, Supra has only itself to blame for that.

TRA's allegations are similarly inapposite. It states that: "In order to enter into GTE's service territory, TRA's members will be forced to interconnect, only on a 'take it or leave it' basis by signing a GTE-drafted interconnection agreement." (TRA Comments at 4.) GTE has executed over 90 interconnection agreements with competitive local exchange carriers ("CLECs"), the vast majority of which are small companies like TRA's members. These CLECs typically adopt terms of the AT&T/GTE agreement, the prices and material provisions of which were drafted not by GTE, but by this Commission. If a CLEC wants to negotiate its own agreement, GTE stands ready to do that. If those negotiations fail, the CLEC has the right to seek arbitration before the Commission. So TRA's "take-it-or-leave it" claim is objectively untrue.

Sprint complains about the lack of fully electronic operations support systems (OSS), then lists examples of purported anticompetitive conduct. But none of these examples involve Florida, concerning instead claimed situations in New York and Virginia.

GTE is complying with the terms for OSS access set forth in the Commission's arbitration orders, so Sprint has no relevant, legitimate grounds for complaint in this regard.

Nor does Sprint have any basis to claim that GTE after the merger will refuse to negotiate the "modifications to standard access and interconnection arrangements" that Sprint says it will need to bring new services to market. The only support Sprint offers for this allegation is that "there will be no viable choice for new service providers other than the merged monopoly." (Sprint Comments at 8.) Sprint's argument about new service delivery is confusing; in any event, its premise is just plain wrong. Since the merger is not removing any local competitors, there will be just as many choices for new service providers after the merger as before.

Although AT&T makes the greatest effort to cite specific CLEC complaints of GTE's "anticompetitive entry obstacles," this effort is just as empty as the others. As an initial matter, just because a complaint is filed doesn't mean it has any legitimate basis. In any event, there is only one formal CLEC complaint outstanding against GTE, and that was filed by Intermedia Communications Inc. (ICI). It concerns reciprocal compensation for Internet service provider (ISP) traffic, which is hardly a GTE-specific issue. The same reciprocal compensation dispute has arisen before the FCC and most other state commissions. Indeed, ICI did not even file its complaint against GTE until the Commission had rendered a decision favorable to CLECs in a BellSouth complaint case. ICI's complaint is essentially a dispute about the jurisdictional nature of ISP traffic. The FCC will soon settle this dispute, and its recent ruling on GTE's ADSL tariff proves that GTE's position here is well-founded.

AT&T's only other formal complaint citation (Docket no. 981854-TP) is misleading.

That complaint, also filed by ICI, was, by ICI's own admission, basically a "placeholder" for collocation space. ICI felt it was necessary because of the possible precedential effect of a recent Commission ruling on a collocation complaint brought by Supra against BellSouth. ICI has told the Commission that it does not oppose GTE's request for an order dismissing its complaint, as long as the order affirms Intermedia's priority for physical collocation space. (Response of Intermedia Communications Inc. to GTE's Motion to Dismiss, Jan. 27, 1999.) Just as important as the disposition of the Complaint, however, is the insight it provides into GTE's relationship with its most active competitor in Florida:

> [i]t is worth noting to the Commission that both sides appear to be addressing the merits of the dispute cooperatively and in good faith. For example, GTEFL responded quickly to BFRs submitted by Intermedia with respect to certain central offices, and has indicated that it will negotiate in good faith with respect to any central office where the availability of space remains in dispute. Based on its working relationship with GTEFL and the immediate history of this particular dispute, Intermedia remains hopeful that all issues can be resolved bilaterally.

(Id. at 3.)

This kind of language, affirming GTE's good faith and reasonableness in dealing with its competitors, sharply contrasts with the Commentors' unsupported allegations of GTE's deliberately obstructionist attitude.

Aside from ICI's filings, no other formal complaints have been made against GTE. The two others listed in the Commission's annual competition report AT&T references were informal in nature and both were closed after discussions between the companies.

In short, this is hardly the avalanche of evidence one would anticipate if GTE were on a campaign to foreclose local entry.

2. There Is No Reason to Believe that GTE Will Behave Anticompetitively Later.

The Commentors' argument that the merger will intensify GTE's anticompetitive proclivities rests on the premise that GTE is behaving anticompetitively today. As explained above, that is not true. Furthermore, regardless of GTE's past relations with competitors, there is no factual or logical basis for the Commentors' assumption that they will get worse after the merger. The facts show that, if anything, the merged company will make greater efforts to affirmatively open its markets to competition. As proof, the Commission need only look to the fact that Bell Atlantic has already entered into more than 700 interconnection agreements (facilities-based and resale) throughout its 14 jurisdictions. Moreover, competitors within Bell Atlantic's serving areas already have captured approximately 1.3 million lines, approximately 800,000 of which are being served over competitors' own facilities. Another half-million of these lines are being served through resale, and over 60,000 are being served over unbundled loops. In addition, the number of interconnection trunks has grown to approximately 470,000 and more than 650 collocation sites already have been completed. In short, there is no reason for the Commission to have any concern regarding the merged companies' attitudes or actions regarding competition.

3. The Commission Has the Authority to Prevent Anticompetitive Behavior.

In addition to being unfounded, the Commentors' predictions about GTE's resolve to keep its markets closed assume away the important fact that this Commission has the authority to prevent and correct anticompetitive activity. The Legislature has directed the

Commission to exercise its jurisdiction to "[e]nsure that all providers of telecommunications services are treated fairly, by preventing anticompetitive behavior and eliminating unnecessary regulatory restraint." (Fla. Stat. Ch. 364.01(4)(g).) "The Commission shall have continuing oversight jurisdiction over cross-subsidization, predatory pricing, or other similar anticompetitive behavior and may investigate, upon complaint or on its own motion, allegations of such practices." (Fla. Stat. Ch. 364.3381(3).)

If, after the merger, a GTE competitor believes GTE is engaging in anticompetitive conduct, it can file a complaint, just as it can today. The Commission's confidence in its ability to police anticompetitive conduct was apparently one reason it felt comfortable approving the MCI/WorldCom merger, even though that transaction presented a much greater potential for anticompetitive activity. (Deason, Jan. 6 MCI/WorldCom Ag. Conf. Tr. at 31 ("I do get some comfort from the fact that we do have specific anticompetitive jurisdiction, but it seems to be more on a case-by-case complaint basis as opposed to a threshold question as to whether you approve or disprove a merger or transfer.")

The Commission's ability to regulate GTE will be just as effective after the merger as it is now. Sprint's and Supra's contentions to the contrary (Sprint Comments at 2; Supra Comments at 21) are based on a theory--"benchmarking"--that is not relevant in Florida. Benchmarking basically concerns the FCC's ability to evaluate one RBOC's practices by looking at the others. Sprint and others have claimed, at the federal level, that the merger will reduce by one the number of ILECs and thus hamper the FCC's use of benchmarking. GTE's FCC Reply rebuts in detail this argument (GTE's and Bell Atlantic's FCC Reply at 38-40, included as Attachment B to GTE's and Bell Atlantic's Jan. 11 Comments); for purposes of this workshop proceeding, it is enough to know that the benchmarking

argument is irrelevant to this Commission for the simple reason that the merger will not reduce the number of ILECs in Florida. Again, GTE is the only Florida ILEC involved in this transaction; Bell Atlantic is not an ILEC or even an ALEC here.

While the Commission can continue to effectively regulate GTE, it should not (and, in fact, cannot) take the kind of extreme measures some of the Commentors suggest. Supra and TRA, in particular, appear oblivious to the limited nature of this workshop proceeding. They appear unaware that the Commission has already approved the GTE-Bell Atlantic transaction and do not even pay lip service to the legal standards which apply in Florida. Supra makes perhaps the most ridiculous recommendation of all--that, "[a]s a condition on the merger," this Commission require GTE to divest itself of 25% of its central offices and loops in Florida–with Supra being given the first opportunity to purchase the divested assets. (Supra Comments at 23-27.) The self-serving nature of this recommendation is obvious.

TRA doesn't necessarily oppose the merger, but urges the Commission "to impose specific pre-merger conditions before approving the proposed merger" (TRA Comments at 1)–including ensuring that Bell Atlantic complies with its section 271 obligations. (TRA Comments at 5-6.) Even Sprint, which was present at the agenda where the merger was approved, inexplicably asserts that "approval of the merger must be denied," before launching into an irrelevant discussion of the FCC's Bell Atlantic-NYNEX merger conditions. These proposals deserve none of the Commission's attention because it has already approved the merger and, in any event, has no jurisdiction to take the suggested actions.

* * *

Nothing in the Commentors' assortment of irrelevant, confusing, moot, unsubstantiated, and nonsensical claims should provoke any Commission anxiety about the merger's effects on local competition. The true story, as GTE explained in its initial Comments, is that the merger will bring undeniable consumer gains in the form of innovative, full-service packages and broader local entry.

III. MORE CLAIMS THAT HAVE NOTHING TO DO WITH THE MERGER

Because the parties mainly parrot their FCC filings, they include a number of other matters that have nothing to do with GTE or with this Commission's jurisdiction. This extraneous matter is useful only to affirm Commissioners' immediate impression that the claims of the merger's opponents are irrelevant to the indirect transfer of control the Commission approved. (See GTE/BA Comments at 2, citing Nov. 17, 1998 Ag. Conf. Tr., Item 19, at 29-30 (Clark), 7 (Jacobs).)

1. Access Charges. The interexchange carriers (IXCs) use every forum they can to advocate reductions in intrastate access charges, and this one is no exception. Sprint complains that the merger will further the "elimination of local exchange access competition" and that Bell Atlantic's and GTE's access rates continue to be priced well above their costs. (Sprint Comments at 9.) AT&T, likewise, contends that GTE's above-cost access charges will "price squeeze ALECS and IXCs out of the local and long distance markets" and predicts that a combined GTE-Bell Atlantic will have greater ability to implement such a price squeeze.

GTE's access charges have nothing to do with this merger and the suggestion that

they somehow evidence anticompetitive conduct is absurd.

First, the merger will have no effect on local exchange access competition, because it is not removing any access suppliers in Florida.

Second, GTE's access charge levels are strictly controlled by statute, as the Commission made very clear when its dismissed an MCI complaint about GTE's "anticompetitive" access charges in 1997. (Complaint by MCI Telecomm. Corp. Against GTE Florida Inc. Regarding Anti-competitive Practices Related to Excessive Intrastate Switched Access Pricing, Order no. PSC-97-1370-FOF-TP (Oct. 29, 1997).) The Legislature in 1995 and again in 1998 determined the proper level of reductions for access charges and GTE fully complied with those legislative mandates. Those determinations accommodated the IXCs' concerns, but with due regard for maintenance of contributions flowing to basic local service. Even the Commission has advised the Legislature that the ILECs should not have to fund access reductions beyond the amount of revenues made available from rebalancing local rates. (FPSC Report on Subsidies and Fair and Reasonable Rate at 125.)

Third, there is no evidence that GTE has ever tried to engage in a price squeeze or other type of price discrimination strategy and no reason to believe that the merger would motivate it to do so.

Fourth, existing regulatory safeguards, such as the toll imputation rules, would prevent price squeezes. (See, e.g. Order no. 24859 in Docket 900708-TL.)

Fifth, even if regulatory safeguards were somehow incapable of detecting price discrimination, it would be exceedingly difficult for GTE to successfully execute a price squeeze. As GTE's and Bell Atlantic's FCC Reply points out, the IXCs have been unable

to explain how an ILEC pursuing a price squeeze strategy could engineer a squeeze that, at a minimum, was sufficiently severe and lengthy (and all but undetectable) as to drive some current competitors from the market. (See GTE/BA Comments, Att. B, FCC Reply, at 42-43.)

In short, AT&T's and Sprint's contentions about access charge-related abuses are patently implausible, they do not correspond to the facts or the law here in Florida, and they have no conceivable relation to the merger.

2. Section 271 of the Telecommunications Act of 1996

AT&T's and Sprint's respective discussions of the Act's section 271 requirements are mystifying. As the Commission knows, GTE is not subject to the Act's section 271 checklist detailing an ILEC's efforts to open its local markets. As the Commission also knows, Bell Atlantic has no local operations here in Florida and, of course, the Commission has no jurisdiction over Bell Atlantic's local operations in other states. Plainly, then, there is no basis for this Commission to evaluate the legality of the merger under section 271 of the federal Act, as AT&T and Sprint would have it do.

The IXCs' own Comments only prove this point. Sprint argues that the FCC should require GTE and Bell Atlantic to show how they will "divest GTE's interLATA long distance businesses within Bell Atlantic's service territories" prior to considering the merits of the FCC merger petition. (Sprint Comments at 10.) Leaving aside the merits of Sprint's argument, it offers nothing relevant from a Florida perspective. Sprint doesn't even attempt to link the section 271 issues to Florida; its argument is directed to the FCC, not this Commission.

AT&T at least acknowledges that "the issue of section 271 compliance may seem

to be less of a direct concern to this Commission because GTE is not subject to section 271 and Bell Atlantic has no local operations in Florida," but then concludes, inexplicably, that FCC approval of the merger "would directly and adversely affect Floridians." (AT&T Comments at 4-5.) This empty rhetoric is as far as AT&T goes at feigning relevance of the 271 issue to Florida. AT&T cannot explain what connection Bell Atlantic's section 271 compliance could possibly have to Florida.

While the arguments about Bell Atlantic's 271 compliance must be dismissed out of hand as irrelevant to Florida, the Commission should at least know the true facts regarding this issue. Contrary to the IXCs' claims, and as shown by the information provided in section II(B), Bell Atlantic has opened its local markets and is well on its way to obtaining section 271 relief. Its first application–for New York–is expected to be filed with the FCC in the near future. That application will build on three years of evidentiary proceedings at the state level and will include proof that each of section 271's checklist items are available to competitors.

Moreover, Bell Atlantic will draw upon its New York experience to promptly file applications in a number of additional states, and has already initiated pre-filing proceedings in some of those states.

3. The NYNEX Merger Conditions. AT&T and Sprint contend that Bell Atlantic has not met the conditions the FCC imposed in conjunction with Bell Atlantic's merger with NYNEX. (AT&T Comments at 6; Sprint Comments at 11.) These allegations just underscore the weakness of these entities' economic arguments. Unable to come up with any legitimate challenges to the merger, they resort to unsubstantiated claims that are unrelated to the merger. The FCC's NYNEX merger conditions have nothing to do with

Florida and nothing to do with GTE. What's more, they have nothing to do with even the FCC's review of the GTE/Bell Atlantic merger. As the FCC has repeatedly recognized, transfer application proceedings are not a forum for airing pre-existing grievances that do not bear on the central question of whether this merger is in the public interest. This conclusion has particular force here, when the parties' contentions related to the NYNEX commitments are already the subject of ongoing proceedings before the FCC. GTE and Bell Atlantic are confident that the NYNEX-related complaints will be rejected in those proceedings, for reasons detailed in Appendix J to their FCC Reply (GTE/BA Comments, Att. B.)

IV. CONCLUSION

The critics of the GTE-Bell Atlantic merger have offered nothing to justify advising the FCC of any concerns about the transaction. The FCC has already heard all of their arguments, because–regardless of their merits–these arguments are properly directed to and considered by federal regulators. It is telling that none of the Commentors (or anyone else, for that matter) protested the Commission's Order approving the transfer of control. There is no reason for this Commission to reiterate Commentors' claims that have nothing to do with this Commission's scope of interest, which is the State of Florida.

In summary, the Commission should feel reassured about its finding that the transfer of control is "in the public interest." (Approval Order at 3.) The merger will not have any anticompetitive effects in Florida or elsewhere. Rather, a combined GTE-Bell Atlantic will gain the wherewithal to offer the packaged services (including local, long-distance, wireless, and Internet) that companies like Sprint, MCI WorldCom, and AT&T

already can, and to make significant inroads into RBOC markets. Thus, If the Commission feels compelled to tell the FCC anything about the merger, it should be that the transaction will enhance Florida consumers' competitive choices.

Respectfully submitted on February 19, 1999.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Comments of GTE Corporation and Bell Atlantic Corporation were hand-delivered on February 19, 1999 to:

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