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MICHAEL P. GOGGIN
General Attorney

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BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(305) 347-5561

April 29, 1999

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: 980253-TX ("Fresh Look") Docket

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Responsive Testimony of C. Ned Johnston, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Michael P. Goggin (kr)
Michael P. Goggin

Enclosures

cc: All parties of record
Marshall M. Criser III
William J. Ellenberg II
Nancy B. White

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**CERTIFICATE OF SERVICE
Docket No. 980253-TX**

**I HEREBY CERTIFY that a true and correct copy of the foregoing was served via
U.S. Mail this 29th day of April, 1999 to the following:**

**James C. Falvey
American Communications
Services, Inc.
133 National Business Parkway
Suite 200
Annapolis Junction, MD 20701**

**AT&T Communications of the
Southern States, Inc.
Marsha Rule
101 North Monroe Street, Suite 700
Tallahassee, FL 32301-1549
Phone: (850) 425-6365
Fax: 425-6343**

**Cox Communications (VA)
Jill Butler
4585 Village Ave.
Norfolk, VA 23502
Phone: 757-369-4524
Fax: 757-369-4500**

**DMS, Information Technology
Program
Carolyn Mason, Regulatory
Coordinator
4050 Esplanade Way
Bldg 4030, Rm. 180L
Tallahassee, FL 32399-0950
Phone: 922-7503
Fax: 488-9837**

**Florida Competitive Carriers Assoc.
c/o McWhirter Law Firm
Vicki Kaufman
117 S. Gadsden St.
Tallahassee, FL 32301
Phone: 850-222-2525
Fax: 222-5606**

**Landers Law Firm
Scheffel Wright
P.O. Box 271
Tallahassee, FL 32302
Phone: 850-681-0311
Fax: 224-5595**

**Messer Law Firm
Floyd Self
P.O. Box 1876
Tallahassee, FL 32302-1876
Phone: 850-222-0720
Fax: 224-4359**

**Pennington Law Firm
Barbara Auger
P.O. Box 10095
Tallahassee, FL 32302-2095
Phone: 850-222-3533
Fax: 222-2126**

**TCG South Florida
c/o Rutledge Law Firm
Kenneth Hoffman
P.O. Box 551
Tallahassee, FL 32302-0551
Phone: 850-681-6788
Fax: 681-6515**

**Time Warner Communications
Ms. Rose Mary Glista
700 South Quebec Street
Englewood, CO 80111
Phone: 919-501-7704
Fax: 919-501-7719**

**Carolyn Marek
Time Warner Telecom
Southeast Region
233 Bramerton Court
Franklin, Tennessee 37069
Tel. No. (615) 376-6404
Fax. No. (615) 376-6405**

**Rick Melson
Hopping Green Sams & Smith
123 So. Calhoun Street
Tallahassee, FL 32314**

**Kim Caswell
Mike Scobie
GTE
P.O. Box 110
Tampa, FL 33601**

**Normal Horton, Jr.
Messer Law Firm
P.O. Box 1876
Tallahassee, FL 32302-1876
Tel. No. (850) 222-0720
Atty. for e.spire**

**Carolyn Mason
Freddy Martinez
Derek Howard
Dept. Management Svcs.
Information Tech. Program
4050 Esplannade Way
Bldg. 4030, Suite 180
Tallahassee, FL**

**Charles Rehwinkel
Sprint
P.O. Box 2214
Tallahassee, FL 32316**

**Sandy Khazraee
Sprint
P.O. Box 2214
Tallahassee, FL 32316**

**Jeff Wahlen
Ausley Law Firm
227 South Calhoun Street
Tallahassee, FL**

**Rhonda Merritt
AT&T Communications of the
Southern States, Inc.
101 North Monroe Street
#700
Tallahassee, FL 32301-1549**

**Scheff Wright
Landers Law Firm
P.O. Box 271
Tallahassee, FL 32302**

**Nanette Edwards
700 Boulevard So.
#101
Huntsville, AL 35802**

**Joe Hartwig
480 E. Eau Gallie
Indian Harbour Beach, FL 32937**

**Michelle Herschel
FECA
P.O. Box 590
Tallahassee, FL 32302**

**Morton Posnor
Swidler & Berlin
3000 K Street, N.W.
#300
Washington, D.C. 20007**

**Monica Barone
Sprint
3100 Cumberland Circle
Atlanta, GA 30339**

**Frank Wood
3504 Rosemont Ridge
Tallahassee, FL 32312**

**Ned Johnston
BellSouth Telecommunications, Inc.
701 Northpoint Parkway
Suite 400
West Palm Beach, FL 33407**

Michael P. Goggin (ke)
Michael P. Goggin

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BELLSOUTH TELECOMMUNICATIONS, INC.
RESPONSIVE TESTIMONY OF C. NED JOHNSTON
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 980253-TX

April 29, 1999

Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH
BELLSOUTH TELECOMMUNICATIONS, INC. OR ITS AFFILIATE.
("BELLSOUTH" OR "THE COMPANY").

A. My name is C. Ned Johnston. Since 1991, I've held the position of
Market Assessment Manager-Florida for BellSouth.

Q. ARE YOU THE SAME C. NED JOHNSTON THAT FILED TESTIMONY
IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the comments and
testimony offered by proponents of the proposed "Fresh Look" Rules. I
would like to begin by describing the evolution of competition in
BellSouth's Florida area for business telecommunications services, and
some situations that BellSouth has faced in this competitive

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1 marketplace. Competition in this market has been developing for a
2 very long period of time, to a level where it is both unnecessary and
3 inappropriate for this Commission to adopt the Rules proposed in this
4 Docket.

5

6 Q. HOW LONG HAS BELLSOUTH FACED COMPETITION IN FLORIDA?

7

8 A. Competition for ESSX and Centrex services actually began in the
9 1970's. In the private line market, BellSouth began facing competition
10 from private microwave and satellites in the early 1980's. This
11 developing competitive environment was recognized by the
12 Commission in 1985 when it granted BellSouth and other Local
13 Exchange Companies (LECs) the authority to develop Contract Service
14 Arrangements in Docket No. 820537-TP, Order No. 12765.

15

16 In the late 1980's, intense competition for Special Access and a variety
17 of private line services developed very rapidly. For example,
18 Intermedia, Inc., entered the Orlando and Miami markets in 1987 and
19 1988, respectively and very soon thereafter had a presence in all of
20 BellSouth's Florida territory where complex business customers were
21 served. Similarly, Teleport Communications Group (TCG) entered the
22 South Florida area after Intermedia and quickly emerged as a very
23 viable competitor. Teleport has since become part of AT&T.

24 In Jacksonville, Continental Fiber Technologies entered the market in
25 1992 and provided BellSouth with serious competition. Continental

1 Fiber has since evolved into what is now Media One, which recently
2 received a takeover bid from AT&T. Time Warner entered the Orlando
3 telecommunications market about this time as well. The competitors I
4 have identified here are just a few examples.

5
6 In their Alternative Access Vendor (AAV) roles, these competitors
7 deployed extensive facilities consisting primarily of fiber optic cable and
8 the associated electronics. This made it possible for these companies
9 to tie these facilities into their newly purchased central offices very
10 quickly in anticipation of, or immediately following the enactment of
11 legislation in Florida in 1995 that enabled them to add all types of basic
12 local exchange service to their other competitive service offerings.
13 BellSouth is aware that Time Warner, for example, installed a working
14 central office switch in advance of the enactment of the legislation. The
15 enactment of the 1995 legislation on telecommunications in Florida was
16 important but must be placed in the proper context as one step in
17 process of ever-increasing competition for business customers which
18 has been developing for a very long time.

19

20 Q. HOW DO THESE ALTERNATIVE LOCAL EXCHANGE CARRIERS
21 (ALECs) GENERALLY FOCUS THEIR MARKETING EFFORTS?

22

23 A. Generally, these facilities based companies focus on BellSouth's most
24 sophisticated, complex business customers.

25

1 Q. HAVE THESE ALECS BEEN ABLE TO SELL THEIR SERVICES TO
2 MEDIUM AND LARGE BUSINESS CUSTOMERS?

3

4 A. Yes, they have. ALECs often win business from large customers for
5 whom BellSouth also competes. ALECs now provide large volumes of
6 dial tone via fiber to large companies, hotels, universities and
7 governments. ALECs have been particularly aggressive and
8 successful marketing Primary Rate ISDN to businesses and Internet
9 Service Providers.

10

11 Q. DO YOU BELIEVE THAT YOUR EXISTING CONTRACTS
12 REPRESENT A SIGNIFICANT BARRIER TO MARKET ENTRY?

13

14 A. Not at all. In fact, BellSouth has ongoing contracts with customers who
15 have obtained a variety of additional services from ALECs under
16 separate agreements.

17 Moreover, the average term of our business customer contracts is three
18 years, so approximately one third of them expire every year. The vast
19 majority of these contracts were entered into after January 1, 1996,
20 when many ALECs already were actively competing with BellSouth.

21

22 Q. HAS THE COMMISSION RECOGNIZED THE EVOLVING
23 COMPETITIVE ENVIRONMENT OVER TIME?

24

25

1 A. Yes. The Commission has recognized the expanding competitive
2 environment several times since 1983 by approving BellSouth tariff
3 filings that expand the number and types of service eligible for Contract
4 Service Arrangement treatment. In addition, the Commission found in
5 Docket 960786-TL that BellSouth faced a number of facilities-based
6 competitors in the business market in Florida.

7

8 Q. WOULD YOU SUMMARIZE YOUR TESTIMONY?

9

10 A. The business market for telecommunications services has been
11 evolving in a competitive manner for many years in Florida. Customers
12 have many choices in the marketplace where both BellSouth and many
13 ALECs seek to enter into contracts for service as existing contracts for
14 all service providers expire as well as when new customer needs arise.
15 It is neither necessary nor appropriate for the Commission to intercede
16 in this market by promulgating the Rules proposed in this Docket.

17

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19

20 A. Yes, it does.

21

22

23

24

25