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Ohio Consumers' Counsel

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Consumers' Counsel

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February 24, 1999

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Room TW-B204
Washington, D.C. 20554

Re: Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer of Control, CC Docket No. 98-184

Dear Ms. Salas:

Pursuant to Section 1.1206 of the Commission's rules, the Ohio Consumers' Counsel hereby submits this notice of an ex parte presentation in the above-referenced permit-but-disclose proceeding. On February 22, 1999, Theresa V. Czarski of the Maryland People's Counsel and Larry Frimerman of the Ohio Consumers' Counsel met with Commissioner Michael Powell and Kyle Dixon regarding the above-referenced proceeding.

During the meeting, Ms. Czarski and Mr. Frimerman presented information regarding "Consumer Perspectives on the Bell Atlantic/GTE Merger." A copy of this presentation is attached to this letter.

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Copies of the Notice of Ex Parte Presentation have been provided to the above-referenced persons and served on the parties listed in the Commission's latest Public Notice regarding this proceeding. An original and one copy have also been submitted to the Secretary's office.

Respectfully submitted,

Terry L. Etter

Terry L. Etter
Assistant Consumers' Counsel

cc: Janice Myles, Common Carrier Bureau
Michael Kende, CCB
To-Quyen Truong, CCB
Jeanine Poltronieri, Wireless Telecommunications Bureau
Regina Keeney, Chief, International Bureau
Steve E. Weingarten, Chief, Commercial Wireless Division

Consumer Perspectives on the Bell Atlantic/GTE Merger

Ex Parte Presentation

Ohio Consumers' Counsel
Maryland Peoples Counsel

February 22, 1999

The Proposed Bell Atlantic/GTE Merger Would Bring Little Competitive Benefit to Residential Consumers

- The combined company would focus its efforts on service to large businesses based in Bell Atlantic's region – service to residential customers is merely an afterthought
- Initially the combined company would provide local exchange, long distance, and data transmission services for large businesses – markets which already have considerable competition
- Residential and small business consumers would not be targeted until the combined company recoups its facilities investment (Application, Kissell Declaration, ¶9), which is estimated to be 3.1 to 4.6 years after market entry (BA-GTE Reply, Kissell-Zimmerman Declaration, ¶¶17-18)

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- **Even then, the Joint Applicants have not guaranteed that they would *ever* market to residential and small business customers!**
- Thus, any promise of competition in the residential market – which is most in need of competition – from this merger is tenuous at best

The Proposed Bell Atlantic/GTE Merger Could Harm Consumers

- The proposed merger would create the largest telephone company in the United States, which could deter potential competitors from entering the local exchange market in many areas of the combined company's territory
- Service quality – already an issue in many of the rural areas that would be served by the combined company – could suffer even more as the combined company focuses its efforts on expansion into other markets
- The Joint Applicants have not guaranteed that they would pass along synergy savings to their current customers, who therefore would not benefit from lower rates and/or improved service quality

The Trend Toward ILEC Consolidation Is Not in the Public Interest

- "Merger Mania" merely reduces the number of competitors in the marketplace — now is the time to put on the brakes.
- Neither competition nor existing price regulation schemes (unless modified) would constrain the merging ILECs to flow through merger benefits to customers of their noncompetitive services.
  - Quantitative measures show little progress toward breaking ILEC dominance of the local exchange market.
  - Five mergers of Tier 1 ILECs have been proposed or completed since the end point (1995) of the FCC's study period used for establishing the current X factor.

Post-merger Conditions Would Likely Be Ineffective in Remedying Harm to Consumers

- The decision to allow two ILECs to merge is irreversible
- Conditions may be difficult to enforce
- Benefits that ILECs promise may be difficult to enforce
- None of the proposed or approved mergers to date have provided consumers with substantive benefits

CERTIFICATE OF SERVICE

I, Terry L. Etter, do hereby certify that on the 24th day of February 1999 copies of the attached document were served by overnight delivery (as indicated) or by first class mail, postage prepaid, to the following persons:

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* – Served by Overnight Delivery