

conditions for the new UNEs, and must arbitrate their differences, final approval of a new UNE amendment will take even longer, perhaps up to a full nine months after May 17. This delay is not only unnecessary and unreasonable, but would also slow competition.

CoreComm urges the FCC to require, as a condition of merger approval, that BA and GTE show they will be prepared to offer parity of access to loop information required to provision advanced services on the merger closing date and to offer the new UNEs on May 17, 2000. For instance, prior to the merger and prior to May 17, 2000, BA and GTE should be required to offer CLECs a template UNE amendment, complete with interim prices for the new UNEs, and post the template on their websites. Because state commissions must evaluate the proposed prices, BA and GTE should also be required to file cost studies with the state commissions and request that the commissions open a generic cost docket to evaluate those cost studies. All prices should be interim and subject to true-up pending the result of such costing dockets. The FCC should set a date certain by which BA/GTE must complete these tasks, preferably no less than two months in advance of the effective date of the new UNEs. BA/GTE should also be required to treat the amendments as effective upon execution. Finally, BA/GTE's compliance with these conditions should be certified by an independent auditor prior to merger approval.

### **(3) Other Market-opening Conditions**

CoreComm urges the FCC to adopt specific dates for BA/GTE implementation of the obligations outlined above. To ensure that BA/GTE continues to meet its interconnection and unbundling obligations, the FCC should also adopt a general framework that requires early

implementation activities generically for all subsequent interconnection orders. With respect to future FCC orders that adopt new interconnection or unbundling obligations, the FCC should require BA/GTE to (i) begin implementation activities within 10 calendar days of the date the order is released, (ii) post template interconnection agreement amendments on their websites no later than 30 calendar days after the release date, and (iii) file cost studies with state commissions no later than 90 days after the release date, unless the state commission requires that such costs studies be filed on an earlier date. They should be required to treat both agreements and amendments as effective upon execution, unless otherwise ordered by a state commission. Finally, an independent auditor should certify BA/GTE compliance with these terms for each subsequent FCC order. Requiring BA/GTE to institute these practices as a condition of merger approval will promote the public interest in opening local markets to competition.

**H. Most Favored Nations Commitments Including Arbitrated Terms and Conditions Should Be Available for Adoption and BA and GTE Agreements Should Be Published on the Internet**

Although BA/GTE have proposed a condition permitting CLECs to adopt negotiated in-region interconnection agreements in a manner similar to that provided in the SBC/Ameritech conditions,<sup>116</sup> it is critically important to competition that this provision be expanded to permit adoption of *arbitrated* in-region interconnection agreements, as well. By limiting in-region MFN rights to negotiated agreements,<sup>117</sup> the SBC/Ameritech merger conditions have inadvertently

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<sup>116</sup> BA/GTE Supplemental filing at 26; BA/GTE Proposed Merger Conditions at ¶ 33.

<sup>117</sup> See SBC/Ameritech Order at ¶ 491.

provided incentives for SBC/Ameritech to arbitrate interconnection arrangements out of fear that a negotiated term will be imported into other states.<sup>118</sup> In reality, this condition is now impeding competition, for it is increasing SBC/Ameritech's reluctance to make reasonable concessions in negotiations. To avoid repeating this unintended result here, the FCC should require that BA and GTE offer interconnection arrangements that they negotiated *or arbitrated* prior to the merger throughout their respective in-region areas and arrangements negotiated *or arbitrated* after the merger anywhere in BA/GTE's in-region areas.<sup>119</sup>

The FCC should also require that BA and GTE publish on their websites all effective BA and GTE interconnection agreements and amendments no later than 30 days from the merger closing date. A similar condition was imposed upon BA/GTE by the Public Utilities Commission of

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<sup>118</sup> The incentives do not stop even after an arbitration petition has been filed. In the past, many arbitrations have been resolved, by negotiations, short of a state commission's final decision. Under the SBC/Ameritech conditions or the proposed BA/GTE conditions, however, such a negotiated resolution would make the agreement a negotiated agreement, and available for adoption throughout the ILEC's region. By contrast, if the ILEC loses the disputed issue in arbitration, the loss will only be subject to adoption in the single state in which the arbitration takes place. Hence, the ILEC will have a strong incentive to continue the arbitration to the bitter end, even if it knows it will lose.

<sup>119</sup> BA/GTE, as a condition of its Ohio merger conditions, is required to "offer to new entrant carriers in Ohio *any* interconnection terms which GTE or Bell Atlantic obtain in Ohio or elsewhere in the nation," which presumably includes both negotiated and arbitrated arrangements. *In the Matter of Bell Atlantic Corporation and GTE Corporation for Consent and Approval of a Change in Control*, Case No. 98-1398-TP-AMT, Opinion and Order, 38 (PUCO Feb. 10, 2000)(emphasis added) ("PUCO BA/GTE Merger Order"). If, however, the FCC is not willing to include arbitrated terms in this condition, it should eliminate this condition entirely to prevent the counterproductive repercussions that flow from it. Without this condition, CLECs will realistically have more effective and efficient negotiations with BA/GTE on a state-to-state basis because BA/GTE's fear that CLECs will be able to import negotiated terms will vanish.

Ohio.<sup>120</sup> On a going forward basis, new agreements should be posted within 10 days of state commission approval. The listed agreements should be include easily found notations indicating the termination dates and whether the agreement was arbitrated or negotiated. Such a requirement would enhance CLECs' knowledge of other agreements (and amendments to agreements) available for adoption. Access to the agreements should be free of charge and publication should be in Word or WordPerfect format, which would facilitate efforts of CLECs to propose modifications to agreements that BA/GTE had already entered, or to splice together portions of different agreements pursuant to their rights under the FCC's "pick-and-choose" Rule.<sup>121</sup>

**I. Sufficient Resources Must Be Allocated to Critical BA/GTE Business Areas to Ensure Timely Responses to CLECs for Interconnection, Collocation and Negotiation Request**

Joint Applicants' Supplemental Filing paints a picture of a merged company that will thrive in multiple product markets, continually expanding its product lines and entering new geographic markets.<sup>122</sup> As Joint Applicants search for merger synergies and attempt to fulfill all of these grand promises, there is a very real danger that they will reduce the resources devoted to their wholesale business which provides support to their competitors. This threat became reality recently in New York, where the New York Public Service Commission was forced to adopt emergency measures to require Bell Atlantic-New York to resolve OSS problems that resulted in a failure to switch tens

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<sup>120</sup> See PUCO BA/GTE Merger Order at 36.

<sup>121</sup> 47 C.F.R. 51.809.

<sup>122</sup> See, e.g., Supplemental Filing of BA/GTE at 2-11.

thousands of local service customers to competitors.<sup>123</sup> The Commission found that the “resolution of Bell Atlantic’s OSS problems is essential to enable competitive telephone companies to offer local access service to customers. Delayed implementation of corrective measures will delay competitive service offerings to customers to the detriment of the general welfare.”<sup>124</sup>

While Bell Atlantic-New York may have resolved this particular crisis,<sup>125</sup> the fact that it occurred nevertheless affirms that ILECs may not always devote significant resources to opening their local markets to competition. Thus as a condition of merger approval, the FCC should require BA/GTE to dedicate sufficient resources both to their local service centers that assist CLECs and process orders on a daily basis, and to their negotiation teams that develop and negotiate interconnection agreements and pricing for interconnection services. At a minimum, BA/GTE should be required to present 252(i) adoption agreements to CLECs within ten (10) business days of receiving a CLEC’s request to adopt an agreement. The FCC should also establish an informal staff mediation process under which a CLEC can request FCC staff mediation if it believes BA/GTE

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<sup>123</sup> Peter S. Goodman, *Bell Atlantic Systems Under Scrutiny - N.Y., FCC Call on Firm to Fix Local Switching Problems*, Washington Post, Feb. 19, 2000, at E01.

<sup>124</sup> *Complaint of MCI Worldcom, Inc. against Bell Atlantic-New York concerning Billing Completion Notices, Firm Order Commitments, Acknowledgments and Tracking Numbers*, Case No. 00-C-0008, *Complaint of AT&T Communications of New York, Inc. against Bell Atlantic-New York concerning Acknowledgments, Completion Notices and Pre-Order Outages*, Case 00-C-0009, Order Directing Improvements to Wholesale Service Performance, 3 (N.Y. P.S.C., Feb.11, 2000).

<sup>125</sup> *Bell Atlantic told N.Y. PSC it's well on its way*, Communications Daily, Feb. 25, 2000, at 8 (reporting that in a filing with the New York Commission Bell Atlantic stated it is “working to eliminate processing glitches that affected sending of electronic order acknowledgments to CLECs”).

is not negotiating an interconnection agreement or amendment in good faith. Finally, consistent with the recommendations outlined above, BA/GTE should be required to propose contract language and TELRIC pricing for new or modified interconnection obligations arising out of a FCC or state commission order within 30 calendar days of the release of such order.

## **VII. CONCLUSION**

For the foregoing reasons, CoreComm urges the FCC to approve Joint Applicants' merger only if its adopts the additional conditions advocated by CoreComm herein.

Respectfully submitted,



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Eric J. Branfman  
Tamar E. Finn  
Philip J. Macres

Christopher A. Holt  
Assistant General Counsel for Regulatory  
And Corporate Affairs

CoreComm Incorporated  
110 East 59th Street  
26th Floor  
New York, NY 10022

Swidler Berlin Shereff Friedman, LLP  
3000 K Street, N.W.  
Suite 300  
Washington, DC 20007

Counsel for CoreComm, Inc.

March 1, 2000

## Certificate of Service

I, Wendy Mills, do hereby certify that on this 1<sup>st</sup> day of March, 2000, the foregoing Comments of CoreComm Inc. were served on the following via hand delivery\* or via first class mail.

Magalie Roman Salas\*  
Secretary  
Federal Communications Commission  
The Portals - TW-A325  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

Chairman William E. Kennard\*  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W., Suite B201  
Washington, D.C. 20554

Michael K. Powell\*  
Commissioner  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W. - 8<sup>th</sup> Floor  
Washington, D.C. 20554

Gloria Tristani\*  
Commissioner  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W. - 8<sup>th</sup> Floor  
Washington, D.C. 20554

Susan Ness\*  
Commissioner  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W. - 8<sup>th</sup> Floor  
Washington, D.C. 20554

Harold Furchtgott-Roth\*  
Commissioner  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W. - 8<sup>th</sup> Floor  
Washington, D.C. 20554

International Transcription Service\*  
The Portals - CY-B402  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

Janice Myles\*  
Policy and Program Planning Division  
Common Carrier Bureau  
Federal Communications Commission  
445 Twelfth Street, S.W., Room 5-C327  
Washington, D.C. 20554

Lauren Kravetz\*  
Wireless Telecommunications Bureau  
Federal Communications Commission  
445 Twelfth Street, S.W., Room 4-A163  
Washington, D.C. 20554

Matthew Vitale\*  
International Bureau  
Federal Communications Commission  
445 Twelfth Street, S.W., Room 6-A821  
Washington, D.C. 20554

Julie Patterson\*  
Policy and Program Planning Division  
Common Carrier Bureau  
Federal Communications Commission  
445 Twelfth Street, S.W., Room 5-C134  
Washington, D.C. 20554

Larry Strickling\*  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W. - 5<sup>th</sup> Floor  
Washington, D.C. 20554

Mark J. Mathis  
John Thorne  
Michael E. Glover  
Leslie A. Vial  
Lawrence W. Katz  
Bell Atlantic Corporation  
1095 Avenue of the Americas  
New York, NY 10036

William P. Barr  
GTE Corporation  
1850 M Street, N.W.  
Suite 1200  
Washington, D.C. 20036

Steven G. Bradbury  
John P. Frantz  
Kirkland & Ellis  
655 15<sup>th</sup> Street, N.W.  
Washington, D.C. 20005

Richard E. Wiley  
R. Michael Senkowski  
Suzanne Yelen  
Wiley, Rein & Felding  
1776 K Street, N.W.  
Washington, D.C. 20006

  
Wendy Mills

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application            )  
of Bell Atlantic Corporation and GTE            )  
Corporation for Consent and Approval        )  
of a Change in Control.                            )

Case No. 98-1398-TP-AMT

**AMENDED JOINT APPLICATION**

Bell Atlantic Corporation (“Bell Atlantic”) and GTE Corporation (“GTE”) (collectively, the “Joint Applicants”) hereby submit this Amended Application pursuant to Revised Code Section 4905.402, in further support of their request for approval by the Public Utilities Commission of Ohio of a transaction whereby GTE will become a wholly-owned subsidiary of Bell Atlantic. As a result of this transaction, Bell Atlantic will acquire indirect control of GTE North Incorporated (“GTE North”) a “domestic telephone company” as defined in Revised Code Section 4905.402. Neither Bell Atlantic nor its affiliates are currently affiliated with GTE or its affiliates.

In this Amended Joint Application, Joint Applicants restate the items addressed in their original application filed October 2, 1998. Additionally, this Amended Joint Application addresses the issues raised in the Commission’s Entry dated December 22, 1998 and the Preliminary Independent Staff Proposal dated February 22, 1999. In so doing, this Amended Joint Application further demonstrates the GTE-Bell Atlantic merger will promote the public convenience in Ohio, in at least the following ways:

1. Cost Savings and Infrastructure Investment: Joint Applicants will flow a portion of the savings allocable to regulated Ohio telephone operations directly back to the Ohio communities served by GTE North. Specifically, Joint Applicants will invest in Ohio’s telecommunications infrastructure by deploying CLASS and Caller ID

services throughout its service area within three years after the merger closes.

Moreover, Joint Applicants will deploy advanced ADSL services in at least nine additional exchanges within three years after the merger closes. In addition, Joint Applicants will provide funding for enhanced lifeline services, for programs intended to increase telephone subscribership levels, and for telecommunications education programs, including distance learning and computer centers.

2. Service Quality: Joint Applicants will ensure that the quality of service provided to GTE North's existing Ohio customers is at least as good after the merger as it is today. To carry out these assurances and to further provide for specific benefits to ratepayers (including residential ratepayers) resulting from the savings and efficiencies the merger will produce, GTE North will identify specific exchanges most in need of attention, and will improve service levels in those exchanges over the next three years.
3. Carrier-to-Carrier Relationships and OSS systems: Joint Applicants will increase the amount of the resale discount currently available to competitors wishing to enter GTE North's Ohio territory. Joint Applicants will also commit to specific alternative dispute resolution procedures. Joint Applicants will work together and in collaboration with New Entrant Carriers (NECs) to develop performance measures and change management processes, enforced by self-actuating financial incentives.
4. Ohio Presence: The merger will not diminish GTE's presence in Ohio. Indeed, the merged company will increase its business in Ohio -- by competing against SBC-Ameritech for local exchange customers in Cleveland, and against Cincinnati Bell for

local exchange customers in Cincinnati -- within 18 months after the merger closes. In addition, GTE North will maintain Ohio headquarters.

5. Market Study: Joint Applicants do not believe the merger raises any market power issues in Ohio (as evidenced by the Justice Department's May 7, 1999 decision not to challenge any aspect of the merger as it relates to Ohio). Nevertheless, Joint Applicants will commit to a process for assessing market developments in GTE North's Ohio territory.
6. Books and Records/Affiliates: Joint Applicants will make all relevant books and records available to Commission staff. Moreover, Joint Applicants confirm the merger will not affect the Commission's authority over any GTE entity over which the Commission has jurisdiction today.

Joint Applicants have previously addressed some of these commitments through the testimony and other evidence already in the record in this case. Joint Applicants identify and explain these commitments in greater detail in the document attached hereto as Exhibit 9. Joint Applicants will further explain these commitments in their supplemental direct testimony in support of this Amended Joint Application.

#### **DESCRIPTION OF THE JOINT APPLICANTS**

The Joint Applicants are Bell Atlantic (which will acquire indirect "control" of GTE North, as that term is defined in Revised Code §4905.402(A)(1)), and GTE Corporation, the parent company of GTE North (GTE North, although it is not incorporated in Ohio, is still a domestic "telephone company," as that term is defined in Revised Code §4905.402(A)(3)).

**A. Bell Atlantic**

Bell Atlantic Corporation is a corporation created and existing under the laws of the State of Delaware. Its principal office is located at 1095 Avenue of the Americas, New York, New York 10036. Bell Atlantic's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations throughout the United States and in several foreign countries. Bell Atlantic's regulated local telephone subsidiaries provide service in thirteen states and the District of Columbia.

Although Bell Atlantic itself is not a regulated telephone company within Ohio or elsewhere, Bell Atlantic's local telephone subsidiaries are subject to public utility regulation in the states in which they operate as well as regulation by the Federal Communications Commission ("FCC") for the interstate services they provide to end users and interexchange carriers.

In 1997, Bell Atlantic had annual operating revenues of \$30 billion. It has a strong balance sheet and investment-grade credit rating. Its operating companies serve approximately 40.8 million access lines, providing in the Northeast and Mid-Atlantic. Bell Atlantic's cellular operations provide service to approximately 6 million customers.

Bell Atlantic Communications, Inc. ("BACI") is an operating affiliate of Bell Atlantic subject to Commission jurisdiction with authority to operate as a switchless reseller of long distance telecommunications services throughout Ohio. NYNEX Long Distance ("NLD") d/b/a Bell Atlantic Long Distance is also a switchless reseller of long distance telecommunications services in Ohio. Additionally, PrimeCo Personal Communications, L.P., a company in which Bell Atlantic holds a substantial interest, provides wireless telecommunications service in Ohio.

## **B. GTE**

GTE Corporation is a corporation created and existing under the laws of the State of New York, with its principal office located at 1255 Corporate Drive, Irving, Texas 75038-2518.

GTE's subsidiaries provide telecommunications services on a regulated and unregulated basis in various locations in the United States and in several foreign countries. GTE's regulated incumbent local telephone subsidiaries provide service in 28 states, including Ohio. (GTE is in the process of selling certain telephone properties in various states, not including Ohio.)

Although GTE itself is not a regulated telephone company within Ohio or elsewhere, GTE's incumbent local telephone subsidiaries, or operating companies, are subject to public utility regulation in the states in which they operate as well as regulation by the FCC for the interstate services they provide to end users and interexchange carriers. GTE North is such a local telephone subsidiary.

In 1997, GTE had annual operating revenues of \$23 billion. It has a strong balance sheet and investment-grade credit rating. Its operating companies serve approximately 22.3 million access lines throughout the country. GTE's cellular operations provide service to 4.6 million customers and its long distance operations provide service to almost 3 million customers.

GTE has the following regulated subsidiaries in Ohio:

1. GTE North

GTE North provides local telephone service, access service, and intraLATA toll service between its own exchanges and the exchanges of other local telephone companies. As noted above, GTE North is a "domestic telephone company" within the meaning of Revised Code §4905.402.

## 2. Other GTE Affiliates

In addition to GTE North, GTE has several other subsidiaries that are authorized by the Commission to provide regulated services in the State of Ohio ("the other GTE Affiliates"):

- GTE Communications Corporation ("GTECC," formerly known as GTE Card Services, Inc. d/b/a GTE Long Distance) is a switchless reseller of long distance telecommunications services. GTECC obtained authority to provide long distance services throughout Ohio in Case No. 96-252-CT-ACE, filed its final tariffs effective August 22, 1996, and is the holder of Certificate No. 90-5679. Although GTECC also provides competitive local exchange service in certain states, it does not provide competitive local exchange service anywhere in Ohio.
- GTE Wireless Affiliates, specifically, GTE Mobilnet of Ohio LP, GTE Mobilnet of Cleveland Incorporated, and Ohio RSA # 3 LP (providing cellular telephone service in northeastern Ohio) and GTE Wireless of the Midwest Incorporated (providing personal communications service in southwestern Ohio) have been providing competitive wireless communications services in Ohio for several years.
- GTE Telecommunication Services Incorporated ("GTE TSI") is a switchless reseller of long distance telecommunications services in Ohio.

As is apparent from the descriptions of Bell Atlantic and GTE subsidiaries in Ohio, there is some overlap with respect to the companies' long distance reseller services, but none with respect to their core business as local exchange service carriers. Accordingly, Bell Atlantic and GTE do not compete against each other within Ohio to any meaningful extent, and do not compete at all in Ohio's local exchange market.

**C. Service Addresses**

Notices and other pleadings in connection with this Joint Application should be served on the Joint Applicants as follows:

For GTE:

Thomas E. Lodge, Esq.  
THOMPSON HINE & FLORY LLP  
One Columbus  
10 West Broad Street  
Columbus, Ohio 43215-3435  
(614) 469-3200

John Rogovin  
Jeff Carlisle  
O'MELVENY & MYERS LLP  
555 Thirteenth Street, N.W.  
Washington, DC 20004  
(202) 383-5300

For Bell Atlantic:

John Walker  
BELL ATLANTIC CORPORATION  
1710 H Street, N.W.  
11th Floor  
Washington, D.C. 20006  
(202) 392-5926

Robert W. Woltz, Jr.  
BELL ATLANTIC CORPORATION  
600 East Main Street  
24th Floor  
Richmond, VA 23219  
Phone: (804) 772-1595

## DESCRIPTION OF THE STOCK TRANSFER AND CHANGE OF CONTROL

### A. Holding Company Stock Transfer

The mechanics of the merger of GTE and Bell Atlantic are described in the Merger Agreement, attached hereto as Exhibit 1. GTE will merge into Beta Gamma Corporation, a subsidiary of Bell Atlantic created solely to facilitate the merger. GTE will be the surviving subsidiary, and Bell Atlantic will be the surviving parent corporation. GTE's shareholders will receive 1.22 shares of Bell Atlantic for every share owned of GTE.

At closing, (i) the merged company's headquarters will be located in New York City; (ii) Charles R. Lee, currently Chairman and Chief Executive Officer of GTE, will become Chairman and co-Chief Executive Officer of the merged company; (iii) Ivan Seidenberg, currently Chairman and Chief Executive Officer of Bell Atlantic, will become President and co-Chief Executive Officer of the merged company; and (iv) the Boards of Directors of GTE and Bell Atlantic will each have selected half of the new Board of Directors for the merged company. Until July 1, 2002, the new Board of Directors will nominate GTE and Bell Atlantic directors for election to maintain equality on the Board.

For federal income tax purposes, the merger is intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986. Assuming the merger qualifies as such a reorganization, GTE shareholders will realize no gain or loss with respect to the exchange of their GTE shares for Bell Atlantic shares, except for cash received in lieu of fractional shares. Furthermore, the merger is intended to be accounted for as a pooling of interests transaction under Generally Accepted Accounting Principles and APD Opinion 16. As such, Bell Atlantic will retroactively restate for financial purposes its Consolidated Financial

Statements to include the assets, shareholder equity, and results of operations of GTE as though GTE and Bell Atlantic had been combined at the beginning of all reported periods.

Since this is a stock transaction involving the two parent corporations, with the exchange of voting common shares of GTE for Bell Atlantic stock, it will not be necessary for Bell Atlantic to issue bonds, notes, or any other form of indebtedness to finance the merger, nor will it be necessary to sell any assets in Ohio to consummate the merger.

After the transaction is completed, Bell Atlantic, as the surviving parent will have indirectly acquired control of GTE North, but otherwise the corporate structure of GTE North, and its relationship to GTE, will remain unchanged.

**B. Regulatory Obligations**

Until the transaction is completed, Bell Atlantic and GTE will continue to operate as independent entities. The transaction will not occur until all necessary governmental and regulatory approvals and reviews have been obtained or completed. This process includes a review by the Department of Justice, the FCC, and a number of state commissions. The Justice Department cleared the merger on May 7, 1999.

When the transaction is completed, GTE North will remain a subsidiary of GTE. The authorizations and licenses currently held by the GTE North will remain in place. The transactions necessary to complete the merger will not change the relationship of GTE North with the Commission: GTE North will simply become a second-tier subsidiary of Bell Atlantic. Thus, the stock transaction will not entail any change in the rates, terms or conditions for the provision of any telecommunications services provided in Ohio. Further, no operations, lines, plants, franchises or permits of GTE North will merge with the lines, plants, franchises or

permits of any Bell Atlantic entity; the transaction that is the subject of this application does not involve the merger of any telephone companies.

Therefore, the parent company merger will not interfere with the Commission's jurisdiction nor impede the satisfaction of its public policy goals. GTE North will remain subject to, and will continue to meet, all of its obligations and commitments under the Commission's rules, regulations and decisions.

### **REASONS FOR THE STOCK TRANSACTION**

Bell Atlantic and GTE are merging because, over the long-term, they can better achieve their goals in the increasingly competitive telecommunications environment as a combined entity. Although Bell Atlantic and GTE have each pursued these goals separately, the changing nature of the telecommunications industry within the United States makes it desirable for them to pool their resources and expertise.

The telecommunications industry has changed because technology, customer expectations, and public policy have changed radically within the last five years. Advancing technology has expanded the options available to consumers, who then create a demand for new services and new service providers. These changes are continuing and accelerating. The Telecommunications Act of 1996 (the "1996 Act") and the actions of this Commission have recognized these changes and have, accordingly, opened the doors to competition.

Incumbent local exchange carriers, like GTE's and Bell Atlantic's operating companies, must not only meet the future needs of their current customers, they must also compete with the numerous alternative providers who are entering the marketplace. Moreover, in order to enter new territories and offer viable competitive services, incumbent companies must ensure that they have adequate resources.

Companies spanning the spectrum of sizes and services have recognized these complex dynamics and have taken significant steps to modify their business practices accordingly. For example, WorldCom has merged with UUNet, MFS, Brooks Fiber, and, most recently, MCI. Qwest has, within only a few years become a significant player in the telecommunications industry through strategic mergers, including its merger with LCI and its recently announced acquisition of U S West. Sprint has formed international alliances with, among others, France Telecom and Deutsche Telekom. As the Commission is also aware, numerous local telephone company mergers have also taken place or are underway: Ameritech/SBC/SNET (currently the subject of Case No. 98-1082-TP-AMT), SBC/Pac Bell, and Bell Atlantic/NYNEX. Even AT&T, the largest telecommunications corporation in the United States, has decided that corporate mergers and alliances are essential in the new telecommunications environment. AT&T has bought Teleport and invested over \$100 billion to bypass the local loop by purchasing TCI and MediaOne, and forming a joint venture with Time Warner. In addition, AT&T has formed alliances with numerous foreign carriers, including British Telecom and Nippon Telephone & Telegraph.

GTE and Bell Atlantic are thus merging so they can better achieve their mutual goals in this changing environment. First, each company wants to ensure that, in the face of competition, it will remain a strong, healthy provider of basic telecommunications services in its current territories. Second, each company wants to be a fully integrated telecommunications service provider, able to offer business and residential customers packaged voice, data, long distance, video, wireless and other advanced and innovative services. Third, each company wants a national presence, with the ability to compete not only for business customers in hotly contested

markets, but also for residential consumers. Competition is a goal of both companies, consistent with both companies' longstanding commitments to universal service.

The merged company, operating with combined resources, management, personnel and technical expertise, will have more financial and operational strength than either company would have on its own. The merger will roughly double the size of each company, which will receive revenues from a widely distributed national base of customers and services. Bell Atlantic's and GTE's combined assets, management and personnel will result in more efficient corporate operations reflecting the best practices of both companies, creating a stronger and more competitive merged entity. Consequently, the merged company can, over the long-term, translate these parent company benefits into stronger support for its operations in Ohio, thereby benefiting both business and residential customers.

## **THE STOCK TRANSACTION AND THE PUBLIC CONVENIENCE**

### **A. Competition with Other Incumbent Local Telephone Companies**

Bell Atlantic's territories are concentrated in the Northeast and Mid-Atlantic, and it does not have the dispersed facilities necessary to enter and compete effectively as a CLEC in key markets outside its region, such as Cleveland and Cincinnati. GTE, with its network dispersed geographically throughout the United States, is the "enabler" that will allow Bell Atlantic to enter new markets throughout the country. Moreover, the merged company will have a broader financial base, giving it the strength necessary to support entry into new markets and making it better able to offer consumers a highly attractive package of local, wireless, long distance and internet services.

## **B. Packaged Services**

Before the 1996 Act, telecommunications markets were divided not only geographically but also by product line. Today, however, the markets for telecommunications services are demanding and being served by firms offering a full range of telecommunications services on a nationwide basis. The 1996 Act's deregulatory provisions have allowed four entities to form or plan expanded alliances capable of providing such packages across the country:

MCI/WorldCom/MFS/UUNet, AT&T/TCI/MediaOne/Time Warner/Teleport, SBC/PacTel/SNET/Ameritech and Sprint/Sprint Spectrum. The merger of Bell Atlantic and GTE will create a fifth new competitor with the nationwide presence and financial resources necessary to compete head-to-head with the big four telecommunications carriers in providing the full array of telecommunications services around the country.

## **C. Internet and Data**

Consumers in Ohio are also increasing their demands for data services, making it important to ensure that a sufficient number of healthy competitors provide such services throughout Ohio. The merger will advance this goal by strengthening GTE Internetworking (formerly known as BBN). GTE Internetworking is currently the fourth largest provider of Internet backbone services, but still far behind WorldCom, Cable & Wireless (spun off from MCI) and Sprint. The WorldCom, Cable & Wireless and Sprint data networks are significantly larger than GTE's data network. AT&T has catapulted itself into the top ranks of Internet service providers by investing tens of billions to acquire TCI and MediaOne. The merger will combine GTE Internetworking's facilities with the opportunity to access Bell Atlantic's large urban customer base, including the hundreds of Fortune 1000 businesses based in Bell Atlantic's territory with offices across the country. GTE Internetworking could potentially have access to a

solid base of high volume data customers, enabling it to expand services faster and ensure a continued high level of competition in this critical sector.

**D. Long Distance**

The merger will increase competition in the long distance market in Ohio by presenting the Joint Applicants with a better opportunity to utilize a combination of GTE's national facilities and resale capabilities. Construction of a national long-distance network requires large volumes of traffic to achieve necessary economies of scale and scope. Not surprisingly, there are few long distance facilities-based networks that are truly national in reach today. With the FCC's approval of the merger of WorldCom and MCI, there are now only three fully national facilities-based carriers: MCI/WorldCom, AT&T and Sprint. Resellers of long distance service, like GTECC, are critically dependent today on one of these few network providers to supply their long distance services. Thus, although it provides long distance service in Ohio through GTECC, GTECC is almost wholly dependent on WorldCom's facilities.

**E. Synergies**

The Joint Applicants will have the opportunity to realize synergies that will, over the long-term, make the merged companies more efficient and responsive in the marketplace. These expected synergies include, among other things, the consolidation and elimination of redundant management functions, primarily in the headquarters functions, the consolidation of the two companies' capital and purchasing programs, and the combination of the two companies' development efforts for new systems and services.

**F. Competition For Customers**

As longstanding providers of local exchange service in their respective territories, GTE and Bell Atlantic have proven records of providing service not only to high volume business

customers, but also, and primarily, to their residential and small business customers. The merged company will continue to serve all customers in their territories, unlike many other competitors in the market who are interested only in serving high-end business customers.

**G. Corporate Citizenship**

GTE and Bell Atlantic support their local communities. The merged company will continue to observe this tradition of corporate citizenship that has been a hallmark of GTE and Bell Atlantic policy for many years.

**H. Impact on Employment**

The merger is not expected to have a material impact on employment levels of GTE hourly workers and Bell Atlantic associates, and all existing union contracts will be honored. Any labor reductions occasioned by the merger will come, most likely, from the consolidation and elimination of redundant management positions. Any consolidation of management positions that does occur is expected to be accomplished to the extent possible, by attrition, retirement, and other voluntary measures.

Significantly, the Communications Workers of America, the International Brotherhood of Electrical Workers, and the AFL-CIO have all expressed strong support for this merger on behalf of their members who are employees of Joint Applicants.

**I. Benefits from Best Practices**

The merged company will be able to draw upon the expertise and abilities of the personnel from both companies, adopting each company's best practices to better serve the public. Bell Atlantic and GTE have operated networks and marketed services in geographically distinct markets: the South, Midwest and West for GTE, and the Mid-Atlantic and Northeast for Bell Atlantic. Accordingly, they have developed separate yet complementary skills. These

complementary skills will, when combined, allow both companies to better maintain and improve the quality and efficiency of the service they provide.

**J. Continued Regulatory Compliance**

The stock transaction will not affect GTE North's status as a subsidiary of GTE, nor will it affect the regulatory authority of this Commission over GTE North in any respect. GTE North's customers will continue to obtain the same products and services as they did before the stock transaction, at the same rates they paid before the stock transaction. GTE North will continue to submit reports to the Commission as required and GTE North will remain subject to the Commission's jurisdiction. Following the stock transaction, as before, GTE North will, as necessary, apply to the Commission for appropriate authorization to change the rates, terms or conditions of service, or to introduce new services.

**K. No Anti-Competitive Effect**

Even though GTE and Bell Atlantic subsidiaries are authorized to provide long distance service in Ohio, their common ownership will not significantly impact competition for long distance services. Combined, GTE and Bell Atlantic's subsidiaries serve only a small fraction of the total long distance market in Ohio. Long distance services are provided in Ohio by numerous other competitors, and the market as a whole is dominated by the three largest long distance companies, AT&T, MCI/WorldCom and Sprint. Accordingly, even though GTE and Bell Atlantic's separate subsidiaries in Ohio will now be commonly owned, there will be no anti-competitive effect in Ohio.

Indeed, the United States Department of Justice has decided not to object to any aspect of this merger, other than to require Joint Applicants to divest certain overlapping wireless properties, none of which are in Ohio. After an exhaustive inquiry, the Department identified no

anti-competitive impacts of the merger concerning any wireline telephone operations, including those within Ohio. Joint Applicants have entered into a consent decree with the Department of Justice regarding the wireless issues. The Consent Decree and supporting papers are attached as Exhibit 8 hereto.

**L. Additional Commitments in Response to Independent Staff Proposal**

In response to Joint Applicants' original application dated October 2, 1998, the Commission issued an Entry dated December 22, 1998 identifying nine issues to be addressed in this proceeding. On February 22, 1999, the Preliminary Independent Staff Proposal Relative to the Issues Identified by the Public Utilities Commission of Ohio was filed in this docket.

Joint Applicants hereby respond to the Independent Staff Proposal in the document attached as Exhibit 9, entitled "Commitments of the Joint Applicants." That document sets forth the commitments Joint Applicants will undertake if the Commission approves this Joint Application and after the merger transaction is closed. Each and all of the commitments reflected in Exhibit 9 are incorporated by reference in this Joint Application. These commitments will be explained further in the supplemental direct testimony to be filed herein.

**REVISED CODE SECTION 4905.402**

Under Revised Code §4905.402(B), Bell Atlantic is obligated to obtain the prior approval of the Commission before acquiring indirect control of GTE North, and has therefore filed this Joint Application with GTE. Approval is to be granted "after review of the application" or "after any necessary hearing" once "the Commission is satisfied that approval of the application will promote public convenience and result in the provision of adequate service [by GTE North] for a reasonable rate, rental, toll or charge." For the reasons described in the foregoing, and for those described below, the Commission should promptly so find.