

Exhibit No.:
Issue: Relevant Geographic Markets
Definition of Mass Market Customers
Witness: Arthur P. Martinez
Sponsoring Party: Spectra Communications Group, LLC d/b/a
CenturyTel and CenturyTel of Missouri, LLC
Type of Exhibit: Rebuttal Testimony
Case No.: TO-2004-0207
Date Testimony Prepared: January 16, 2004

SPECTRA COMMUNICATIONS GROUP, LLC D/B/A
CENTURYTEL

AND

CENTURYTEL OF MISSOURI, LLC

PHASE I

FILED

FEB 09 2004

REBUTTAL TESTIMONY Missouri Public
Service Commission

OF

ARTHUR P. MARTINEZ

CASE NO. TO-2004-0207

Exhibit No. 6
Case No(s). TO-2004-0207
Date 1-27-04 Rptr. KF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

AFFIDAVIT

I, Arthur P. Martinez, of lawful age and being duly sworn, state:

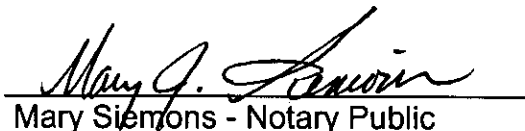
I am presently Director of Government Relations for CenturyTel.
My business address is 220 Madison Street, Jefferson City,
Missouri 65101.

Attached hereto and made a part hereof for all purposes is my
Rebuttal Testimony in Case No. TO-2004-0207, Phase I.

I hereby swear and affirm that my answers contained in the
attached testimony to the questions therein propounded are true
and correct to the best of my knowledge and belief.


Arthur P. Martinez

Subscribed and sworn to before me this 16th day of January, 2004.


Mary Siemons - Notary Public

My commission expires: July 8, 2004

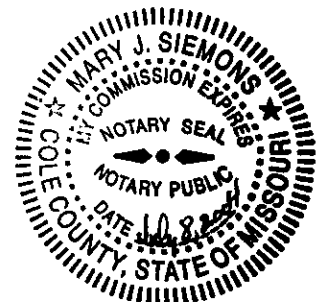


Table Of Contents

Phase I

Rebuttal Testimony of

Arthur P. Martinez

	<u>Page</u>
Identification of Witness	1
Purpose of Testimony	1
Geographic Market Determination	2
Cross-Over Point Between Mass Market and Enterprise Market	5

1
2
3
4
5
6
7
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PHASE I
REBUTTAL TESTIMONY
OF
ARTHUR P. MARTINEZ
CASE NO. T0-2004-0207

Identification of Witness

Q. Please state your name and business address.

A. My name is Arthur P. Martinez. My business address is 220 Madison Street, Jefferson City, Missouri 65101.

Q. By whom are you employed and in what capacity?

A. I am the Director of Government Relations for both Spectra Communications Group, LLC d/b/a CenturyTel and CenturyTel of Missouri, LLC (collectively referred to herein as "CenturyTel") and I am testifying in this proceeding on their behalf.

Q. Have you testified previously in this case?

A. Yes, I submitted direct testimony in Phase I of this proceeding on December 18, 2003, and my educational background and business experience were fully set forth therein.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. As reflected in the Rebuttal Testimony of Staff Witness Walter Cecil, direct testimony presented by the parties to this case generally recommended that the Commission find the appropriate geographic market for impairment analysis of local switching in the mass-

1 market to be either wire centers or metropolitan statistical areas. In contrast to those
2 recommendations, Staff Witnesses Cecil and Christopher Thomas introduced yet a
3 different recommendation for the Commission's consideration, the use of "exchange
4 area" as the appropriate geographic market for examining impairment of local circuit
5 switching in Missouri. My rebuttal testimony will address the parties' proposals and
6 support CenturyTel's previously stated position that metropolitan statistical areas are the
7 appropriate geographic market in Missouri for such purpose. In addition, I will respond
8 to the parties' proposals concerning the appropriate cut-off point between mass market
9 and enterprise customers. While several parties address issues concerning the FCC's
10 impairment analysis process, including the application of mass market switching triggers,
11 those issues are not consistent with this Commission's Order Establishing Procedural
12 Schedule setting forth the Three-Phase proceeding. As delineated in that Order, I will
13 address such issues in Phase II of this proceeding.

14 15 Geographic Market Determination

16
17 **Q. You referenced Staff Witness Walter Cecil's depiction of the direct testimony of the**
18 **parties regarding the market determination issue as basically falling into two**
19 **camp: those advocating the use of the wire center and those advocating**
20 **metropolitan statistical areas. Would you agree with his analysis?**

21 **A.** Generally, yes. In addition to CenturyTel, SBC Missouri, through its witnesses Gary A.
22 Fleming and Timothy J. Tardiff, and Sprint, through their witness Mark D. Harper,
23 recommend that this Commission adopt Metropolitan Statistical Areas (or "MSAs") to
24 define the geographic markets for the purpose of the mass market switching analysis. In

1 its previous filings with the Commission, CenturyTel notified the Commission that it
2 would be challenging the impairment finding with regard to the St. Louis, Missouri-
3 Illinois Metropolitan Statistical Area.¹

4 **Q. Do the other parties filing direct testimony recommend the use of wire centers in**
5 **addressing this issue?**

6 A. The testimony filed by Robert McCausland (Sage), Michael Starkey (Sage) and August
7 Ankum (MCI), would appear to advocate the use of the individual ILEC wire center as
8 the appropriate geographic market. However, Mr. Starkey and Dr. Ankum would suggest
9 that exceptions may exist even to this narrow definition. Further, Dr. Ankum would
10 advocate that the adoption of the wire center should only be a “starting point” or a
11 “provisional” definition, while Mr. Gilan (on behalf of the CLEC Coalition) does not
12 recommend any geographic area “at this time,” but rather advocates that the Commission
13 only adopt a “tentative” market definition in this phase of the proceeding.

14 **Q. What is the Staff position concerning the recommendation of wire centers as the**
15 **appropriate geographic market?**

16 A. Staff Witness Cecil testifies that in the Staff’s view and in the context of the Triennial
17 Review Order, the wire center is not an appropriate geographic definition for unbundled
18 local switching mass-market local telecommunications services. (Cecil Rebuttal, p. 8.)
19 Staff Witness Thomas, in supporting his “exchange” definition, notes that CLECs market
20 their services to consumers in areas wider than a wire center, and that there are scale and
21 scope economies to be obtained from serving areas wider than a wire center. (Thomas
22 Rebuttal, pp. 9, 14.)

¹ CenturyTel’s Response to Order Directing Filing, Case No. TO-2004-0207, November 12, 2003.

1 **Q. You addressed the infirmities associated with the adoption of the "wire center" as**
2 **an appropriate geographic market at pages 8-10 of your Direct Testimony,**
3 **previously filed in this phase of the proceeding. Has the direct testimony of the**
4 **other parties provided any basis for changing your opinion?**

5 A. No, it has not. While I do not intend to be redundant, I also would point out that SBC
6 Witnesses Fleming and Tardiff, as well as Sprint Witness Harper, provide extensive
7 analysis as to why the appropriate geographic unit should not be something smaller than
8 an MSA, such as an individual wire center. In addition to ignoring the precise type of
9 scale economies that the TRO explicitly requires, defining the geographic market as a
10 wire center would provide a strong disincentive for competitive providers to expand the
11 use of their switches to serve the mass market. Clearly, the suggested "micro-analysis"
12 offered by Dr. Ankum of further subdividing below the wire center to differentiate small
13 business and residential customers, will result in a self-fulfilling prophecy that will deter
14 competition and the benefits envisioned by the TRO.

15 **Q. You addressed the Staff's rejection of the wire center concept. What is the basis for**
16 **Staff's reservations concerning the MSA as the appropriate geographic market?**

17 A. It appears that the primary issue concerns competitive alternatives in the "outer areas" of
18 the MSA. While recognizing that one CLEC switch can serve a wide area through the
19 use of appropriate transport and extended enhanced links, Staff opines that "it may be
20 likely that more rural and remote exchanges will be underserved or completely bypassed
21 while still being technically, but not practically, part of the market." Staff further notes
22 that there are "several ILECs in each of the metropolitan statistical areas in the State,"
23 and there "are also areas of the State that do not fall into any metropolitan statistical

1 area.” (Cecil Rebuttal, p. 9.) However, it is important to understand the scope of the
2 analysis associated with the choice of MSAs, particularly as it relates to such criticisms.
3 Clearly there is some territory in each MSA that is served by incumbent local exchange
4 telephone companies other than those challenging the impairment finding. Indeed, four
5 of the MSAs, including the St. Louis MSA in which CenturyTel is making such a
6 challenge, extend into other states. As SBC Witness Fleming points out, “SBC Missouri
7 is proposing that the Commission define the market areas as those portions of the MSAs
8 located within Missouri, and that the use of these markets for impairment analysis for
9 SBC Missouri be limited to SBC Missouri’s service areas.” (Fleming Direct, p. 7.)

10 **Q. Would you characterize the Staff’s proposal of defining the geographic market on**
11 **an “exchange” level as an appropriate “compromise” position between the two**
12 **definitions discussed above?**

13 A. While Staff’s position may appear to be a compromise and more acceptable than the
14 “wire center” concept, I would respectfully suggest that it remains inconsistent with
15 actual competitive entry and the TRO’s admonition of “not defining the market so
16 narrowly that a competitor serving that market alone would not be able to take advantage
17 of available scale and scope economies.”

18
19 **Cross-Over Point Between Mass Market And Enterprise Market**

20
21 **Q. What is CenturyTel's position on the number of DS0 lines that should be supplied to**
22 **a multi-line DS0 customer before that customer is considered to be an enterprise**
23 **customer rather than a mass market customer?**

1 A. As I discussed in my Direct Testimony, CenturyTel proposes to utilize the FCC's default
2 rule for the DS0 crossover which it has determined to be four lines or more in density
3 zone one of the top 50 MSAs. Under the FCC's proposal, those multi-line customers
4 served by three DS0 loops or fewer would be considered part of the mass market, while
5 those multi-line customers served by four or more DS0 lines would be considered part of
6 the enterprise market. SBC Missouri Witness Fleming provided the Commission with a
7 detailed analysis demonstrating that such an approach is appropriate, and CenturyTel
8 concurs in his recommendation.

9 **Q. What do the other parties propose regarding this issue?**

10 A. Staff Witness Thomas offers a general summary of the parties' positions on this issue in
11 his Rebuttal Testimony, and I won't duplicate his response. Suffice it to say that the
12 range of other positions extends from no recommendation at this time, to a cutoff of 10
13 DSOs or 13 DSOs, to any number of DSO loops always being considered as mass
14 market.

15 **Q. Has any justification been presented for not adopting the FCC's default position?**

16 A. Not in my opinion. While acknowledging the FCC's encouragement to use it for
17 purposes of defining the mass market in this context, opponents of its adoption
18 recommend the Commission give it little weight. However, as discussed above, evidence
19 has been presented to show that such a cutover point is reasonable, and the analyses
20 performed by opponents do not appear to factor in the increased revenue opportunities
21 associated with provisioning service via a DS1 loop, as envisioned by the FCC's rule and
22 the TRO.²

² 51.319(d)(2)(iii)(B)(4); TRO, ¶ 519.

1 **Q.** **Does this conclude your rebuttal testimony?**

2 **A.** Yes it does.

3