EXHIBIT 1

Testimony of Hugh J. MacBeth, Docket No. 860455-TL

FL 851005
Stamped
Copies

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation Of Joint And Shared Use of Telephone Service In Florida	)	Docket No. 851005-TP
In Re: Investigation Into Appropriate Rates And Conditions Of Service For Shared Local Service	)	Docket No. 860455-TL

TESTIMONY OF HUGH J. MACBETH
ON BEHALF OF THE GREATER ORLANDO
AVIATION AUTHORITY

Q: Please state your name and current business address.

A: My name is Hugh J. Macbeth. My current business address is 6000 McCoy Road, P.O. Box 620004, Orlando, Florida 32862-0004.

Q: By whom and in what position are you currently employed?

A: I am employed by the Greater Orlando Aviation Authority ("GOAA") as Manager of Information Services and Telecommunications. I have been employed by GOAA since 1981.

Q: What are your job responsibilities?

A: I joined GOAA three months prior to the opening of Orlando International Airport in 1981. I am responsible for network planning and system expansion of the airport's shared

telecommunications system and GOAA's management information systems. I am also responsible for GOAA's telecommunications and data systems at Orlando Executive Airport.

In addition to my responsibilities at GOAA, I serve as Chairman of the Information System and Telecommunications Subcommittee of the Airport Operators Council International, a trade association consisting of 218 members representing over 800 airports worldwide. The Subcommittee is currently planning a major exhibition of airport, airline and passenger-related telecommunications and information services. Because of my experience at GOAA and with the Subcommittee, I am often called upon to consult with representatives of other airports, both in the United States and abroad, concerning the design and implementation of state-of-the-art airport communications systems.

Q: What is your educational background?

A: I received a B.S. degree in Accounting from Hiram College in 1968. Since graduation, I have attended numerous seminars and workshops relating to the telecommunications and airport industries.

Q: Have you ever testified before this Commission?

A: No.

Q: Is this the first time GOAA has submitted testimony concerning shared telecommunications service issues?

A: Yes. GOAA decided to intervene and present testimony in this proceeding when it became aware that the outcome of the proceeding could pose a substantial threat to the safe, reliable and cost-efficient operation of our airport telecommunications system.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to describe the (1) unique and critical shared telecommunications needs of an airport operator such as GOAA, (2) the shared PBX system designed and installed by Southern Bell in 1981, which is currently in use at Orlando International Airport, (3) the substantial operational and safety benefits offered by that system, and (4) the disruption and potential safety risks and economic harm which would be created by precluding our shared system or by imposing onerous and discriminatory conditions on such a sharing arrangement.

First, I will discuss GOAA's status as an agency of the City of Orlando, which is not supported by tax dollars but

instead is required to be self-supporting through its own operating revenues and bond issues; a requirement which means that our operation must be run as efficiently and economically as possible. I will also address the necessity for GOAA to maintain a centralized communications system to monitor and control communications in an airport environment where security and safety are of paramount concern, and where the facility must be able to adapt to new situations on an almost daily basis; for example, where gate assignments are often changed or "timeshared" among the airlines. In this regard, I will also describe how timely, coordinated response to assaults, thefts, medical emergencies, terrorist threats and other airport emergencies through a cost-efficient shared telecommunications system is a daily requirement at GOAA facilities. Our ability to respond quickly and effectively depends largely upon the capacity of the numerous airport functional agencies, airlines and other tenants to intercommunicate between and among each other in a dependable and immediate fashion.

Q: Please describe the Greater Orlando Aviation Authority.

A: The GOAA, an agency of the City of Orlando, operates two airports in the Orlando area which are owned by the City of

Orlando: Orlando Executive Airport and Orlando International Airport. Orlando Executive Airport is a general aviation facility serving primarily corporate and charter traffic. Its communications system is a key system configuration and is not linked to our shared PBX system at Orlando International Airport.

As I mentioned earlier, GOAA is an agency of the City of Orlando which was established pursuant to the Greater Orlando Aviation Authority Act, Chapter 57-1658, Special Laws of Florida, 1957, as amended. The Orlando International Airport and Orlando Executive Airport are owned by the City of Orlando and, in 1976, the City transferred the custody, control and management of the airports to GOAA for a period of fifty years. Each airport functions as a self-supporting enterprise whose operations are supported entirely through airport revenues and through bonds issued to finance airport expansion and construction. (Under the Act, GOAA is authorized to issue bonds of the City which are payable solely from the revenues derived by GOAA from the operation of the airport system; they are not general obligations of the City and neither the faith and credit nor the taxing power of the City is pledged to their payment.)

A substantial portion of GOAA's revenues are derived from Lease and Use Agreements with Signatory Airlines. The rates and charges for these airlines are reviewed at least annually and adjusted as necessary so that for each fiscal year they are sufficient for the airport to pay all of its operating expenses together with the principal and interest on its bond obligations. Thus, the rates and charges paid by the airlines bear a direct relationship to the airport's operating expenses, and, to the extent the airport is able to reduce or contain its expenses, the costs of the airlines are directly affected.

Q: What are the telecommunications needs of an airport such as Orlando International Airport?

A: In 1985, Orlando International had a passenger volume of over 10 million people; a level which reflects a growth of 15-20 percent per year since the airport opened in 1981. Our telecommunications system is critical to the safe and efficient operation of a facility handling that amount of traffic (not to mention the considerable freight traffic also transported through the facility), and the rapid growth of the airport also mandates that we utilize a system which can easily and economically keep pace with our expansion. The overriding

concern in choosing our telecommunications system was to ensure that communications throughout our airport campus are available at all times and that all telephone locations have the same state-of-the-art capabilities. Our need to provide the most cost-effective service possible to our airline and other tenants and airport functional agencies was also an important consideration in choosing a system. Finally, we also have a unique need for operational flexibility, and, in addition, require that the system include not only a voice communications system but also other systems such as video surveillance cameras, building controls (i.e., heating, ventilation and air conditioning), and specialized operator services, particularly for security purposes or for response to airfield alert or other medical emergency conditions.

Q: Is there a community of interest and affiliation among tenants in an airport that distinguishes them from tenants in other types of commercial developments?

A: Yes. GOAA, the airlines and other tenants, such as rental car agencies, airline food service companies, air cargo freight forwarders, tour operators and others, all share a community of interest in conducting the business of an airport and serving the needs of the general public and

businesses that use that facility. Because of this affiliated interest, GOAA and its tenants have a unique need to communicate between and among themselves, particularly with regard to the common airport-wide security system. In fact, even before construction of our new terminal and initiation of our shared PBX system, all tenants were required to participate in an airport-wide intercom system. Given these common characteristics and strong community of interest, airports such as those operated by GOAA should be treated as a single user of communications facilities.

At a minimum, the Commission should confirm that an airport and its tenants are affiliated entities (as described in the Holywell decision) and that they may intercommunicate behind a PBX switch. In the "illustrative" tariff attached to a document prepared by Southern Bell when it was marketing a shared PBX system to GOAA, Southern Bell stated that such affiliated tenants would be permitted to share a PBX and to intercommunicate between and among themselves behind that shared switch because of the recognized substantial need for such intercommunication. (Attachment A hereto, Macbeth Exhibit 1 at Illustrative Tariff Section A14.39.1.A(2).) Specifically, the illustrative tariff represented that GOAA would be permitted to share common PBX equipment where

"[e]ach customer is a member of a group of customers engaged in the conduct of interacting business industry of [sic] government which, by nature of their common interest have a need for large amount of communications service between stations and/or systems of the interacting group and a service arrangement could be beneficial to the general business or industrial community." (Id.)

Q: Please describe the system which is currently in use at Orlando International Airport.

A: Currently, the main voice communications system (and the heart of our telecommunication system) at Orlando International Airport is a Dimension 2000 Private Branch Exchange ("PBX") leased from AT&T Information Systems. This PBX serves the majority of the communications needs of the 26 airlines, several dozen other tenants, and the multiple administrative and operational staffs of the airport. Because of specialized data communications needs or other factors, however, approximately 30 percent of the tenants' communications needs are served directly by Southern Bell. (In this regard, I should note that all end users located on the airport campus have the ability to obtain service

directly from Southern Bell -- our local exchange carrier -- at all times, and I believe that tenants should continue to have the option of obtaining service directly from the LEC.)

Q: How was this communications system developed?

A: Our shared PBX system was designed and installed by Southern Bell in 1981. At that time, it was marketed by Southern Bell as the most efficient and effective type of facility to meet the airport's complex and unique communications needs. Southern Bell's proposal offered Joint Airport Service ("JAS") to GOAA and its tenants at Orlando International Airport. According to a marketing document prepared for the airport by Southern Bell, "JAS is the marriage of two distinct offerings, namely Common Location Communications Service ["CLCS"] and Joint User Service"; CLCS covered the joint use of the Dimension PBX system leased by the airport, and Joint User Service covered the provision of shared PBX trunks used in conjunction with that premises equipment. (Attachment A, Macbeth Exhibit 1 at "Executive Summary.") As stated by Southern Bell's marketing document, "[t]he economies of JAS are significant. The quality of service to each user is a marked improvement over Centrex or individual PBX systems . . . . JAS is an important breakthrough in the

services offered to the Airline Industry." (Id.) On the basis of this marketing, GOAA and the airlines, after reviewing the Southern Bell proposal, chose to use a shared PBX instead of the less desirable Centrex or other Central Office facilities used by other airports in Florida.

Following the break up of the Bell System, AT&T Information Systems has assumed ownership of the Dimension PBX and other customer premises equipment ("CPE") used at Orlando International Airport. Our telecommunications system, however, essentially remains functionally and technically the same as when Southern Bell controlled both the CPE and the shared telephone transmission facilities used by the airport. Experience with the system designed and installed by Southern Bell has proven that its initial marketing representations were correct and that, while the system has needed (and will continue) to evolve and develop with technological changes and improvements, expanded needs and increased demand, it remains clear that the JAS system is the best telecommunications arrangement currently available to meet all of the unique needs which arise in the airport context. Any determination to eliminate or impair the efficiency of this shared PBX system would have a substantially deleterious effect in terms of safety, economy

and operational efficiency. Given our unique characteristics, these services could not be provided by the LEC without the installation of a Centrex-type switch on our airport campus. (A Centrex-type switch in the Central Office would not provide the security and safety benefits of a switch located on our premises, and, in addition, lines to the Central Office would entail very large capital costs which are not required with a customer premises switch.)

While installation of a shared Centrex-type switch on the airport campus might be functionally equivalent to our shared PBX in many respects, a changeover of that type of sharing arrangesment simply does not make economic sense. In the service arrangement currently in operation at Orlando International Airport, the users of the telecommunications system were directly responsible for the capital costs of the system. To replace these facilities with equivalent or nearly equivalent services through a shared Centrex-type switch, the cost would have to be borne either by the general body of ratepayers or the current users would have to pay twice in less than five years for essentially the same system.

Q: How does GOAA bill tenants for use of the system?

A: As originally proposed, Southern Bell directly billed end users (i.e. GOAA and its various airport tenants) for their pro rata share of common premises equipment services plus a five (5) percent administrative charge (non-common items were billed to the individual user incurring the charge). Jointly used trunks, on the other hand, initially were delivered to the "Primary User" (i.e., GOAA), who was responsible for distribution of the individual bills for the common trunk charges and joint user charges among all the various end users. In July, 1982, Southern Bell began to bill GOAA and its tenants directly for their pro-rata share of common trunk costs and their individual intraLATA long distance and directory assistance charges.

After divestiture, this arrangement changed only insofar as Southern Bell no longer bills GOAA and its tenants for customer premises equipment; that function now rests with AT&T Information Systems. With respect to common trunk charges, however, the arrangement remains the same, and Southern Bell continues to bill GOAA and its tenants individually for their pro-rata share of common trunk costs and other individual charges. Tenants pay their bills directly to Southern Bell, and the LEC is the direct customer contact for questions relating to the network transmissions

quality and billing. GOAA, on the other hand, serves as the contracting agent for network services and common hardwire expansion requirements. It also serves as the subscriber-of-record for facilities at jointly used gates.

Q: In the absence of the JAS type of service offerings or practices currently provided by Southern Bell, would it be possible for GOAA to provide equivalent service to its users?

A: Absolutely not. It is essential that GOAA be permitted to continue the shared PBX service that Southern Bell designed and installed for us. We unequivocably agree with Southern Bell's network design engineers and marketing representatives that a shared campus-wide PBX provides us with the requisite capability to meet our unique and critical needs.

Q: Could you give some examples of the types of capabilities which would be jeopardized by such a change?

A: Certainly. If the airport's shared PBX service is withdrawn or materially restricted, the ability of one JAS user to call another user would require routing through to Southern Bell's central office several miles away. If Central Office lines are damaged during a hurricane or thunderstorm, or as a result of construction site activities, emergency security

and other telephone communications at the airport would cease. Given the level of development in the Orlando area, such interruptions in telephone service unfortunately occur quite regularly. (See, e.g. Attachment B hereto, Macbeth Exhibit 2, Orlando Sentinel articles, April 26, 1986 (p. D-10) and May 9, 1986 (p. D-1).)

Moreover, it is an unfortunate circumstance of airport operations today that we must also plan against man-made, as well as natural, disasters. Consequently, telephone connections from the airport to the central office must be viewed as an additional area of vulnerability to terrorist threats. Terrorist-proof redundancy of local loop facilities may be one alternative to the present system in addressing this problem, but it hardly seems to be in the interest of local ratepayers to bear such expense, given the fact that a shared PBX system avoids such expense entirely.

Another example of the detrimental effect of eliminating or severely restricting our campus-wide ability to share a PBX and common trunks would be the elimination of the emergency calling system now in effect and its replacement with a system which would threaten our ability to meet the emergency response time of 180 seconds mandated by Section 139.49 of the Federal Aviation Administration ("FAA")

Regulations, 14 C.F.R. § 139.49 (1986). (In fact, I understand that the FAA is considering a reduction in that response time.) Today, a caller at any telephone throughout our campus connected to our shared PBX can reach a specially trained operator familiar with campus geography and our field conditions simply by dialing "0" or "2911". (Indeed, our airport operations have, at great expense, been established with this calling capability in mind.) Under this abbreviated dialing arrangement performed behind the switch, the calling number is displayed to the airport operator, who can then accurately identify the telephone's location, enabling accurate dispatch of medical, police or fire assistance.

Without the shared PBX system and the related intercommunication behind the switch, only dialing "911" would connect a caller to the airport operators, and these calls, routed through the Central Office, would be vulnerable to interruption as a result of power outages, construction site mishaps, or other factors. In fact, this vulnerability would be heightened by the fact that automatic "911" data is retrieved from Ft. Lauderdale and therefore must travel much further than even the local Central Office.

As good as "911" service currently is, it is materially less valuable than our shared service in two respects: first, in our experience most people dial "0" in an emergency, not "911"; and second, the possibility exists that "911" service would cease if the Central Office or lines to it are interrupted. Given the potential emergency situations existing at a major airport such as Orlando International, these alternatives to our JAS system would seriously increase our emergency and security response time -- a result we believe to be untenable.

The airport also needs to have a highly flexible shared telephone system to accommodate the special demands placed upon it. For example, gate assignments are often changed among the airlines, and, in some cases, may even be "timeshared" by airlines which do not have a full time need for a gate. Under such conditions, it would be virtually impossible (not to mention prohibitively expensive) for Southern Bell to be constantly moving and rearranging the lines among the airlines. Under our JAS system, moves and changes do not typically require the presence of the local telephone company, which reduces both the time and expense which would otherwise be incurred.

All of these abilities enable GOAA to have access to, and to provide its tenants with access to, significant quality and cost of service advantages over the service which could be provided by Southern Bell.

Q: Does the provision JAS type service or practices on the part of Southern Bell lead to stranded network investment?

A: No. In the case of Orlando International Airport, the shared telecommunications system was installed in primarily new structures where embedded plant did not previously exist. Southern Bell and GOAA were able to work closely together prior to construction to develop extensive planning models to formulate initial service configuration alternatives, costs and benefits, and to project future growth. At that time, it was predicted that the service would grow to 1,000 stations. Currently, the system is 20 percent ahead of that forecast, and has approximately 1,220 stations. It is therefore plain that there has been no stranding of Southern Bell's forecasted investment. And, as the airport continues to expand, GOAA continues to work with Southern Bell to develop the most complete and accurate information available to develop planning forecasts. By having GOAA as a central point of contact for the many diverse end users located in

airport facilities, Southern Bell clearly has more complete information available regarding the type and mix of users expected to participate in the system than it would in forecasting use and conducting planning with the individuals users.

I would also like to note that, even where a shared system is installed in existing airport facilities, I do not believe that stranded investment will be significant. First of all, in such a situation the load on the local exchange carrier's Central Office would remain the same and, assuming the same traffic would be generated, there will be no stranded Central Office equipment; the only thing which might be stranded is plant. Even with respect to plant, it is more correct to say that such plant would be "idled," not "stranded," since such plant might be able to be used immediately (or soon thereafter) for other purposes or would be in place for airport growth, which Orlando International and all other major Florida airports are currently experiencing and expect to continue in the future.

Q: Does the sharing of PBX equipment and local telephone lines, as in JAS, offer benefits to non-participating local ratepayers as well as to participating airport users and their tenants?

A: Yes. The general public (i.e., the local exchange company's ("LEC's") ratepayers) stands to benefit from the existence of shared telecommunications services in several significant ways:

First, shared telecommunications services at an airport engender more efficient use of existing LEC facilities, leading over time to reduced total facilities requirements and capital investment. Efficiencies resulting from the aggregating of trunk lines will enable LECs to reduce future investment in outside plant, including reductions in the number and size of trunks and cable pairs. These types of reductions in investment requirements will lead to a reduction in the overall revenue requirements of the LEC, and therefore in the rates it must charge its customers to earn a reasonable rate of return;

Second, because of efficiencies engendered by shared services, the LECs will require fewer Central Office terminating facilities;

Third, LECs will have reduced administrative and maintenance expenses in situations where they deal with and bill only the Customer-of-Record (the shared system manager) instead of many customers, and, in addition, the LEC's service and maintenance obligations will stop at the PBX;

Fourth, LECs will receive increased revenues in several ways as a result of shared services. Among the areas in which revenues can be expected to increase are the following:

- LECs will receive increased DID charges, including charges for assigning DID numbers, and also will receive additional revenues for listing individual users in the telephone directory;
- LECs will receive increased monthly charges when customers who might have otherwise used key systems with accompanying business line rates instead pay PBX trunk rates in a shared environment. In particular, LECs receive higher rates because PBX trunk rates will apply to a shared PBX as opposed to the individual business line rates which would apply in a non-shared environment; and
- LECs will receive additional charges for touch tone service;

Fifth, shared telecommunications services will result in increased call completion probability where the system, such as that of GOAA, offers message center services, thereby increasing revenue potential to local carriers; and

Sixth, the information provided LECs by shared system managers will enhance carrier planning capabilities.

Q: What effect would precluding or severely restricting the shared use of JAS trunks have on the beneficial use of shared JAS services by GOAA?

A: A prohibition on the use of common local telephone trunks by GOAA and its airport tenants would be seriously detrimental to the safe and efficient operation of the airport. As discussed earlier, given the current configuration of GOAA's system, the ability to share a PBX (i.e. to intercommunicate behind the PBX and share common trunks) is essential to airport safety. In addition, the sharing of these facilities greatly enhances the efficient and economical operation of the airport, which I believe to be very much in the interest of participating airport users and the general public in the Orlando area -- an area heavily dependent upon tourism. For example, as persuasively argued by Southern Bell in marketing the JAS system, the economies associated with the sharing of common trunks are a major reason why our shared PBX system is cost effective.

A prohibition or severe restriction on the sharing of local trunks would, among other things, require GOAA and our other tenants to prematurely jettison the JAS system in favor of a partitioned switch. Partitioning would require tenants

to individually utilize their own local access trunks, dramatically increasing the required size of the switch and the overall system, and would require additional software (and perhaps related hardware).

As an initial matter, since our Dimension PBX is inherently incapable of being station partitioned, a prohibition or restriction of intercomming would require the purchase of a new switch. Moreover, the cost of trunk partitioning a switch, would be prohibitively expensive for our use. Even assuming that we were able to justify the cost of a partitioned switch, we would also lose many of the substantial cost savings and efficiencies attributable to common trunking and intercomming. The absence of such cost savings and efficiencies will necessarily make the price of other telecommunications-related and information management services which can be provided in a sharing situation substantially more expensive because GOAA users will be denied the efficiencies from utilizing fewer trunks to the telephone company's Central Office.

Because users in a partitioned system do not share local access lines, the total number of lines required in a partitioned system would be substantially greater than if such lines were shared, thus contributing significantly to

user costs by requiring them to purchase unneeded facilities. As the history of the industry over the past several years clearly indicates, it is critically important that airport authorities and airlines contain costs in order to survive in an extremely competitive industry. If users are not permitted to share trunks at reasonable and non-discriminatory rates, shared services may simply not be economically feasible, and the benefits which are provided by such a system would be unavailable to the airport and its tenants.

Finally, the inefficiencies inherent in a partitioned switch create operational and maintenance problems in a shared telecommunications situation which would be seriously detrimental to the functioning of a shared airport system. For example, in a partitioned switch, the line and trunk port assignments must be reconfigured when any participating tenant expands or reduces usage. Accordingly, often when a user changes the location of any of its assigned numbers (such as a gate reassignment or a new tenant initiates service), certain parts of the shared PBX system must be taken out of service, causing possible service interruptions to that tenant as well as other tenants -- a situation which, as described above, would be untenable for emergency response

and security reasons. This continuous software reprogramming also increases the possibility that the switch will need more maintenance than would otherwise be required, which again would generate increased service outages and interruptions and increased costs. Moreover, the need to reprogram continuously the switch and the additional software requirements generated by a partitioning requirement (e.g., to aggregate user's interstate calls) will add to the cost of the sharing arrangement, thereby further pricing the services out of reach of the typical small or medium-sized tenant.

Q: Do you believe GOAA's ability to provide safe and efficient service through the existing JAS system and to contain costs influences the well-being of your community and the State of Florida generally?

A: Most definitely. I believe that GOAA's ability to provide the best and most cost effective telecommunications service possible to its own airport functional agencies (such as the control tower, fire and security forces, etc.), tenants, and the travelling public clearly benefits the Orlando area community and has played a perceptible role in creating the dynamic and forward-looking image that the area projects to both tourist and business visitors. It is critical that the

services available at the airport be state-of-the-art, that they be reasonably priced, and that they be able to continue to grow and evolve with the expanded needs of the airport community. These were precisely the factors Southern Bell relied upon in attaining the consent of the GOAA to make the large capital investment required for the JAS system -- and these same factors remain true today. Accordingly, I believe that GOAA, and other airports throughout Florida, should be permitted to share telecommunications equipment and facilities among their own agencies and their tenants throughout their airport campuses.

Q: Do you believe airport sharing arrangements should be subject to geographic limitations?

A. I believe that airports, as a unique type of governmental entity, must be permitted to share telecommunications equipment and facilities throughout their airport campuses. This was essentially the geographic limitation originally imposed by Southern Bell in its system proposal to GOAA and it is the only reasonable geographic limitation for an airport. As originally set forth in Southern Bell's proposal, its service would be subject to the following geographic limitations:

(1) "Each customer is a member of a group of customers situated on the connecting premises and/or nearby properties of a common geographical location such as an airport complex, joint medical college/hospital institutions, complex of government agencies, etc."; and

(2) "Each customer is a member of a group of customers engaged in the conduct of interacting business industry of government which, by the nature of their common interest have a need for large amounts of communications service between stations and/or systems of the interacting group and a service arrangement would be beneficial to the general business or industrial community."

(Attachment A, Macbeth Exhibit 1 at Illustrative Tariff Section A14.39.1.A(1)-(2), emphasis added.) In this regard, the Florida legislature specifically exempted government entities from the "single building" limitation contained in Section 364.339, F.S. I believe that the government exemption would apply to government agencies such as GOAA.

Q: What type of rate structure do you believe is appropriate for shared PBX service?

A: I believe that the local exchange carriers should implement reasonable rate levels and rate structures which satisfy the revenue needs of the local utility, the service needs of the users of shared CPE and which treat shared and individual PBX users in the same way. Any appropriate rate structure should encourage customers to make more efficient use of existing common carrier facilities, thus fostering the overall best

interests of the public. One of the factors contributing to the economies and administrative attractions of the system was the ability to share flat rate service.

Q: What specific objections do you have to a rate structure which distinguishes between shared and individually-used PBXs?

A: A distinction in rates between trunks interconnected with a shared PBX and an individual PBX is arbitrary and unreasonable. I do not believe that the sharing of telecommunications facilities, as opposed to the use of such facilities by a single user, constitutes a reasonable classification which would justify a discriminatory rate structure for shared users. The LEC's cost of service and the value of service to sharing customers and similarly-sized individual customers is the same. As stated by the Texas Public Utility Commission in rejecting an LEC proposal to impose discriminatory mandatory measured rates on shared, but not individual, PBX customers:

> Whether this argument is analyzed on a cost to service basis or on a value of service basis, the ALJ is of the opinion that it is discriminatory. . . . From a cost of service basis it cannot be shown that the cost to provide a PBX trunk and handle the traffic placed on it (whether highly concentrated or not) can be distinguished by the identity of

> those using the PBX switch to which PBX trunks are connected. To make a distinction merely on the basis of the identity of those using the PBX switch would be discriminatory. Shared tenant service cannot be distinguished on a value of service basis either. It is not logical to argue that the benefits of advanced telecommunications technology and information management services is more valuable to small and medium sized businesses than to large businesses. It also cannot be maintained that access to the local exchange network is more valuable to small and medium sized businesses than the large businesses.

Attachment C hereto, Macbeth Exhibit 3, Public Utility Commission of Texas, Docket No. 6076, Examiner's Report at 5 (January 8, 1986), affirmed in pertinent part, Order, Docket No. 6076 (January 24, 1986).)

It seems patently unfair and discriminatory to me to allow very large users, such as banks and insurance companies, who have enough traffic to justify a PBX of their own, to take advantage of the trunking efficiencies I described earlier and LEC flat rate structures and not to allow airports and their tenants to band together and take advantage of the same efficiencies.

To the extent that a carrier's PBX trunk flat rates, if applied to sharing situations, will not adequately recover its costs or will result in reduced revenues -- facts which I have never seen successfully demonstrated -- the problem exists equally for both individual and shared PBX use. Both

types of PBX use allow the customer to obtain greater trunking efficiency than would be possible for multiple individual customers. Accordingly, the problem which a carrier may seek to remedy by imposing additional usage and client charges on trunks used for shared purposes is not unique to shared use situations. Accordingly, LECs should not be permitted to single out shared PBX users for mandatory measured service. Such a rate structure is highly arbitrary and discriminatory, and may cause certain airport tenants to migrate off the system thus raising emergency response and security concerns.

Q: Do you have any objection to the use of nondiscriminatory usage sensitive rates for PBX trunks?

A: I have no objection to the imposition of nondiscriminatory cost-based usage sensitive rates where such rates are uniformly applied to all PBX and Centrex/ESSX customers, are structured in a way which is simple to administer, and provide the LEC with a reasonable rate of return. The Commission may well determine at some point that such rates are in the public interest.

Nevertheless, it is unfair and discriminatory to allow certain large PBX users to concentrate their traffic on flat-

rate lines and to deny the opportunity for small and medium-sized users such as the tenants of Orlando International Airport to do the same thing through sharing arrangements. Similarly, it is unfair to permit Centrex/ESSX customers to have access to flat rate lines but to deny that opportunity to shared PBX users.

Q: Should shared telecommunications arrangements such as that undertaken by GOAA be regulated?

A: No. I believe that neither sharing itself, nor the customer of record in a sharing arrangement, should be regulated by the Commission. The provision of shared services is not a common carrier activity but rather simply serves a management function for customer premises equipment and underlying telecommunications service to a limited and discrete group of users; it does not offer service to the public at large. Moreover, the rates for the underlying service are approved by the Commission in LEC tariffs. Since individual tenants in a sharing location such as an airport have the alternative to obtain service directly from the LEC, the LEC's rates will effectively place a competitive limit on the rates which may be charged by the shared service manager. Finally, the service standards for users of customer premises equipment

are set forth in Part 68 of the Federal Communications Commission's Rules, and, in the case of GOAA, a further government-mandated performance standard is the FAA response time I mentioned earlier. Accordingly, I do not believe that any public purpose would be served for the Commission to subject shared service arrangements to any entry/exit, rate, or service regulation.

Q: Does this conclude your testimony?

A: Yes it does.