

In the Matter of the Application of Qwest Communications International, Inc. Denver, Colorado, and CenturyLink, Inc., seeking approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC, and Qwest LD Corp.

Application No. C-4280

QWEST CORPORATION'S PROPOSED ISSUES AND INITIAL COMMENTS

DIRECT TESTIMONY

OF

REX T. FISHER

QWEST COMMUNICATIONS INTERNATIONAL, INC.

AUGUST 27, 2010

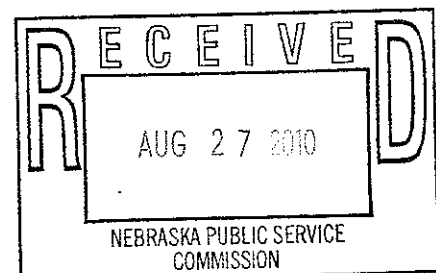


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1

I. IDENTIFICATION OF WITNESS

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH QWEST.**

3 A. My name is Rex T. Fisher, and my business address is 1314 Douglas, 13th floor,
4 Omaha, NE 68102. I am employed by Qwest as the Nebraska State President for
5 Qwest Corporation ("QC") and other Qwest regulated companies.

6

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT**
8 **EXPERIENCE.**

9 A. I received a BA degree in Business Administration from University of Nebraska in
10 1980. My professional experience in the telecommunications industry spans 30
11 years working for Qwest, U S WEST, Northwestern Bell, and Yipes
12 Communications. I have held various management positions in sales, public policy,
13 marketing, and strategic planning. I have been the Nebraska President since 2003
14 with responsibility for Qwest's Nebraska operations, including oversight and
15 integration of sales, marketing, network, regulatory, media and legislative matters
16 for Qwest in the state.

17

18

II. INTRODUCTION

19 **Q. ON WHAT PARTY'S BEHALF ARE YOU FILING TESTIMONY IN THIS PROCEEDING?**

20 A. My direct testimony is prepared on behalf of Qwest Communications
21 International, Inc. ("QCII") in support of the Joint Application for Expedited
22 Approval of Indirect Transfer of Control (the "Application") filed by QCII and
23 CenturyLink, Inc.¹

¹ The filing's full caption is: "Joint Application of Qwest Communications International Inc. and CenturyTel, Inc. for Approval of Indirect Transfer of Control of Qwest Corporation, Qwest Communications Company, LLC, and Qwest LD Corp."

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Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to demonstrate to the Commission that the proposed merger transaction between CenturyLink and Qwest (the "Transaction"), is in the public interest and should be approved.

As described below, the Transaction will be seamless to customers, and all of Qwest's current regulatory and customer obligations will be met on a going-forward basis. The Transaction will create a financially stronger and stable provider that has an enhanced ability to invest in local and national networks, deploy broadband and other advanced services, and provide outstanding service quality to its customers. The combined company will be positioned to compete effectively for customers in the increasingly competitive telecommunications market, in Nebraska and nationally. Competition—particularly intermodal competition—is widespread, with wireless and wireline carriers competing vigorously for customers with a wide array of voice, video and data offerings. As a result of this robustly competitive market environment, carriers such as Qwest and CenturyLink face challenging pressures and must have the strategic flexibility to bring new products and expanded services to the marketplace quickly to enhance the customer experience. The Transaction will result in a company with the financial strength and flexibility and increased scale and scope to better compete against cable companies and other intermodal competitors within its local regions, and nationally, allowing it to meet the unique needs of residential, business, wholesale and government customers.

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Q. PLEASE DESCRIBE THE QWEST ENTITIES OPERATING IN NEBRASKA THAT ARE IMPACTED BY THIS TRANSACTION.

A. The Qwest entities operating in Nebraska are Qwest Corporation ("QC"), Qwest LD Corp ("QLDC") and Qwest Communications Company, LLC ("QCC"). Each of those entities is a direct subsidiary of Qwest Services Corporation, which is a subsidiary of Qwest Communications International, Inc. ("QCII"). QCII is a publicly-traded holding company with subsidiaries providing incumbent local exchange carrier operations in 14 states, including Nebraska, and nationwide competitive local exchange and interexchange operations.

QC provides regulated retail and wholesale service under the jurisdiction of this Commission. QC also provides interconnection service to CLECs through numerous interconnection agreements under the auspices of the federal Telecommunications Act of 1996 (the "Act"),² all of which are approved by this Commission. QCII is the indirect sole shareowner of QLDC, which is certified by this Commission to provide resold intrastate, interexchange services. QLDC is the entity formed by Qwest as part of the approval processes under Section 271 and 272 of the Telecom Act to provide interLATA interexchange services originating in Nebraska. The Commission has authorized QCC to provide long distance and competitive local exchange services, and QCC also provides facilities-based and resold interexchange and competitive local exchange services nationwide.

² 47 USC § 251 et.seq.

1 **III. THE TRANSACTION**

2 **Q. PLEASE BRIEFLY DESCRIBE THE CENTURYLINK-QWEST MERGER TRANSACTION.**

3 A. On April 21 2010, Qwest and CenturyLink entered into an Agreement and Plan of
4 Merger Agreement ("Merger Agreement"). It is a tax free, stock-for-stock
5 transaction with no new debt or refinancing required. Shareholders of QCII will
6 receive 0.1664 shares of CenturyLink for each share of QCII common stock owned
7 at closing. Upon completion of the Transaction, the shareholders of pre-merger
8 CenturyLink will own approximately 50.5% of post-merger CenturyLink, and the
9 shareholders of pre-merger QCII will own approximately 49.5% of post-merger
10 CenturyLink. CenturyLink will issue new stock to acquire QCII, and the Transaction
11 does not involve the payment of cash. The Transaction is not financed through
12 debt or any sort of complex financing tools used in some other recent
13 telecommunications merger transactions. Finally, the Transaction does not result
14 in the transfer of assets, exchanges or operations to a wholly different provider.
15 QCII will become a wholly owned subsidiary of CenturyLink. QCII's operating
16 subsidiaries, QC, QCC and QLDC, will remain subsidiaries of QCII. As such, the
17 structure and financing of the Transaction is very straightforward. Exhibit A
18 attached to the Application shows the pre- and post-transaction corporate
19 structure.

20
21
22 **IV. IMPACT ON CURRENT REGULATORY AND CUSTOMER OBLIGATIONS**

23 **Q. HOW WILL THE MERGER IMPACT QWEST'S OPERATIONS IN NEBRASKA?**

24 A. The Transaction involves a parent-level transfer of control of QCII only. QC, QCC
25 and QLDC will continue to operate as separate carriers, and each will continue to

1 have the requisite managerial, technical and financial capability to provide
2 outstanding services to its customers. After the Transaction is completed, there
3 may be a change in the names under which the companies are doing business (i.e.,
4 the "d/b/a" name), and certain billing and back-office operations may be
5 combined, but otherwise the Transaction will be seamless for customers.³ Retail
6 end user and wholesale customers will continue to receive service from the same
7 carrier that serves them today.

8
9 **Q. WILL THE POST-MERGER REGULATED ENTITIES CONTINUE TO COMPLY WITH**
10 **EXISTING REGULATORY OBLIGATIONS?**

11 A. Yes. The regulated operating subsidiaries such as QC and QCC will continue to
12 abide by all applicable local, state and federal regulatory obligations after the close
13 of the Transaction in the same manner as before.⁴

14
15 **Q. WILL THE POST-MERGER REGULATED COMPANIES PROVIDE SERVICES TO RETAIL**
16 **CUSTOMERS IN NEBRASKA UNDER THE SAME TARIFFS, CATALOGS AND RATE**
17 **SCHEDULES AS THOSE COMPANIES PROVIDED SERVICES PRIOR TO THE MERGER?**

18 A. Yes. Services will be provided in accordance with the same tariffs, catalogs and
19 rate schedules that were in effect prior to the completion of the merger
20 transaction.⁵

³ Appropriate customer notice will be provided if a company name change occurs in the future.

⁴ I note that one of Staff's issues addressed in-region CLEC competition, referencing Application No. C-1839. The obligations of the order in that docket, the related docket C-3335, and the rules adopted under Rule and Reg.164 will continue to apply to the Qwest entities with the same force after the merger as they do today.

⁵ For QC in Nebraska, these include: Access Service Catalog, Advanced Communications Services Catalog, Exchange and Network Services Catalog, and the Private Line Transport Services Catalog, For QCC, these include Catalog Number 1, Local Exchange Services Catalog No. 2. For QLDC, these include Catalog Number 1.

1

2 **Q. WILL THE MERGER TRANSACTION IMPACT QWEST'S WHOLESALE RELATIONSHIP**
3 **WITH OTHER CARRIERS?**

4 A. No. Currently, QC has Commission-approved Interconnection Agreements with
5 many CLECs, and these agreements will not be impacted by the Transaction. All
6 prices, terms and conditions of these agreements will remain in effect until such
7 time as they are renegotiated or expire by their own terms. In addition, QC's
8 Nebraska access services tariff will remain in effect after the merger is
9 consummated. In sum, CLECs and Interexchange Carriers will continue to receive
10 wholesale services from the post-merger company at the rates, terms and
11 conditions that are contained in current interconnection agreements and
12 applicable tariffs for that operating company.

13

14 **V. THE MERGER IS IN THE PUBLIC INTEREST**

15 **A. Economies of Scale and Scope**

16 **Q. PLEASE BRIEFLY DESCRIBE THE ATTRIBUTES OF THE COMBINED COMPANY.**

17 A. The combined company will have an enterprise value (market capitalization and
18 debt) of approximately \$37 billion (\$19 billion from Qwest and \$18 billion from
19 CenturyLink). For 2009, the two companies reported combined revenues of
20 approximately \$20 billion. The combined company will operate a fiber network of
21 approximately 180,000 miles and will serve more than 5 million broadband
22 customers and 17 million access lines. In the state of Nebraska, Qwest served
23 approximately 235,000 access lines as of December 31, 2009, with more than \$1.6
24 billion in investment and over 1,000 employees throughout the state. CenturyLink
25 served over 17,000 access lines in Nebraska as of December 31, 2009, with over

1 \$86 million in investment and approximately 20 employees in the state. In
2 Nebraska and nationally, the Qwest and CenturyLink networks are largely
3 complementary, with Qwest serving 63 exchanges from the largest urban market
4 in the state to many of the most rural areas. CenturyLink serves Scottsbluff/Gering
5 and rural areas in the western portion of the state.

6
7 **Q. WHAT TYPES OF SERVICES DOES QWEST OFFER TO ENTERPRISE BUSINESS**
8 **CUSTOMERS?**

9 A. Qwest offers a full portfolio of services to enterprise business and governmental
10 customers, with an increasing focus on offering new state-of-the art "strategic"
11 services. Qwest's business markets customers use its strategic services to access
12 the Internet and Internet-based products, connect with private networks, and
13 conduct internal and external data transmissions such as transferring files from
14 one location to another. Qwest also provides value-added services and integrated
15 solutions that make communications more secure, reliable and efficient for its
16 business markets customers. These services include primarily private line, Qwest
17 iQ Networking, hosting, broadband and VoIP services. Qwest hosting services
18 include providing space, power, bandwidth and managed service in 16 hosting
19 centers in 12 metropolitan areas. Nebraska has leading edge broadband coverage,
20 Distance Learning network, and Telehealth network that Qwest has been a
21 primary carrier in building.

22
23 **Q. DO YOU BELIEVE THAT THE PROPOSED MERGER OF CENTURYLINK AND QWEST IS**
24 **IN THE PUBLIC INTEREST?**

25 A. Yes. The Merger is in the public interest and will provide a number of benefits to
26 customers of CenturyLink and Qwest in Nebraska. First, as described by Ms.

1 Ortega, the combined Qwest-CenturyLink entity will be stronger and more stable
2 from a financial perspective than either entity would be on its own. As a result,
3 the combined entity will have access to the necessary capital to invest in a
4 network capable of providing enhanced products and services. For example, the
5 post merger company will be able to more aggressively pursue deployment of its
6 Fiber to the Cell Tower ("FTTCT") for wireless demand and Fiber to the Node
7 ("FTTN") facilities for continued broadband speeds. This fiber rich network will
8 increase broadband speeds to consumers and allow the company to further
9 develop new broadband services, such as video. The post-merger company will be
10 well positioned to make the investments necessary to compete more effectively in
11 the rapidly changing and increasingly competitive telecommunications market.

12
13 Second, the combined company will have a strategic focus to offer products and
14 services at rates, terms and service quality levels that provide differentiation in the
15 market. Even if a carrier knows its customers' preferences, it is more difficult to
16 compete effectively in the nationwide marketplace without sufficient size and
17 scope to match those preferences with suitable products or services offered at
18 affordable rates. The post-Transaction enterprise will be able to focus more
19 strategically and rapidly respond to customer preferences to provide a full
20 portfolio of quality, advanced communications services that will differentiate the
21 company in the markets it serves.

22
23 Third, Qwest and CenturyLink have complementary local and long distance
24 markets, and both have a strong tradition of offering services in a customer-
25 focused manner. The combination of these rich traditions will position the post-
26 Transaction companies to further improve the customer experience. The merging

1 of CenturyLink's regional operating model and targeted marketing focus with
2 Qwest's industry-leading network and strong position in the business, government
3 and wholesale markets will result in the continued provision of high-quality
4 services to retail and wholesale customers in Nebraska. Finally, all of these
5 benefits will undoubtedly serve to make the market in Nebraska even more
6 competitive, thereby improving choice, prices and service quality for consumers in
7 the state.

8
9 **Q. WILL THE POST-MERGER COMPANY BE ABLE TO TAKE ADVANTAGE OF**
10 **INCREASED ECONOMIES OF SCOPE AND SCALE?**

11 A. Yes. The Transaction will result in a combined enterprise that can achieve greater
12 economies of scale and scope⁶ than the two companies operating independently.
13 It is readily apparent that the areas served by Qwest and CenturyLink in Nebraska
14 are generally complementary, and that the combination of the serving areas will
15 provide for increased economies of scope and/or scale. In some cases the
16 networks are adjacent or within close proximity to one another, and this will make
17 it easier to implement operating efficiencies and infrastructure improvements.
18 The combination of these networks will allow the combined company to optimize
19 network capacity, benefiting both companies' customers through the deployment
20 of additional bandwidth-intensive services such as broadband service and
21 advanced business products. The increased size of the combined entity is also
22 likely to enhance the purchasing power of the company, which should lead to a

⁶ Economies of scale are the cost advantages that a business obtains due to increased size. Increased efficiency may lower costs because fixed costs are distributed over a greater quantity. Economies of scope are conceptually similar to economies of scale. Whereas economies of scale primarily refer to efficiencies associated with supply-side changes, such as increasing or decreasing the scale of production of a *single product type*, economies of scope refer to efficiencies primarily associated with demand-side changes, such as increasing the scope of marketing and distribution of *different types of products*.

1 reduction in input costs. In addition, the combined company will be able to gain
2 the ability to partner more effectively with other providers, such as video and
3 wireless providers.⁷

4
5 **Q. WILL THE COMBINED ENTITY BENEFIT FROM THE COMBINATION OF URBAN AND**
6 **RURAL ASSETS?**

7 A. Yes. As noted above, the merger will result in a combination of urban and rural
8 assets nationally and in each of the states where Qwest and CenturyLink currently
9 operate, resulting in a balanced mix of urban and rural footprint. This combination
10 increases the diversity of revenue sources, providing increased company stability,
11 which benefits all customers, including those in Nebraska. CenturyLink has
12 distinctive expertise in serving smaller, rural areas and delivering new
13 technologies, such as IPTV, which will be combined with Qwest's rural and urban
14 market expertise, industry-leading experience serving enterprise business
15 customers, and its national fiber-optic network and data centers. These attributes
16 will position the post-merger entity to capitalize on its collective knowledge of its
17 local customers' preferences and to deliver innovative technology and product
18 offerings to both urban and rural markets.

19
20 **B. Enhanced Ability to Compete**

21 **Q. WILL THE COMBINED ENTITY BE BETTER ABLE TO COMPETE IN THE NATIONAL**
22 **TELECOMMUNICATIONS MARKET?**

23 A. Yes. First, from a national perspective, the combined company will be significantly
24 larger than each company alone and, as described above and in the testimony of

⁷ The post-merger company will meet all contractual obligations with partners, and will review these in the future as part of its strategic plan...

1 Ms. Ortega, will have significantly more financial resources and an enhanced
2 ability to attract capital. These resources, along with increased scale and scope,
3 will allow the combined entity to adapt to changes in the marketplace, and to
4 better compete nationally with the larger well-capitalized players in the market,
5 such as AT&T, Verizon, Cox and other internet and facilities based companies. In
6 particular, the post-merger entity will have more resources to compete with AT&T
7 and Verizon in the enterprise business market. For total year 2009, Qwest's total
8 Business Markets Group revenues were \$4.09 billion, compared to business
9 revenues of \$14.74 billion for AT&T and \$14.99 billion for Verizon.⁸ In terms of
10 business revenues for 10 of its top competitors,⁹ Qwest's share of the business
11 market is less than 10%, compared to 33% each for AT&T and Verizon. The
12 Transaction will provide the post-merger entity with the additional financial
13 strength, scale and scope economies and geographic coverage to better compete
14 with these providers, offering state-of-the-art and innovative services to large
15 business and government customers in urban and rural markets throughout the
16 country.

17
18 **Q. WILL THE LEVEL OF COMPETITION IN THE STATE OF NEBRASKA BE LESSENE**
19 **D BY**
20 **THE MERGER OF QWEST AND CENTURYLINK?**

21 A. No. Qwest and CenturyLink serve predominantly complementary service areas in
22 Nebraska, and residential and business customers will continue to have a variety
23 of telephone service provider options in their local areas after the merger. While
in some cases Qwest's and CenturyLink's ILEC subsidiaries serve adjacent areas,

⁸ See 2009 10K reports for Qwest at <http://qwest.investorroom.com/qcii-sec-filings>, Verizon at <http://investor.verizon.com/sec/index.aspx> and AT&T at http://phx.corporate-ir.net/phoenix.zhtml?c=113088&p=irol-sec&control_selectgroup=Show%20All..

⁹ Includes AT&T, Verizon, Sprint, Cbeyond, Cogent, Global Crossing, Level 3, PAETEC, tw telecom and XO Communications.

1 the local exchange boundaries of these ILEC subsidiaries do not overlap in
2 Nebraska, and I am not aware of any situations in which the companies' ILEC
3 operations in Nebraska are serving business or residence customers located in
4 another ILEC territory. In the consumer market, CenturyLink does not market
5 services to residential customers in Qwest's local exchanges areas, and Qwest
6 does not market services to residential customers in the CenturyLink local
7 exchanges. Thus, there will not be a reduction in the competitive options available
8 to Qwest consumers in these exchanges. In addition, all of the customers in the
9 Qwest and CenturyLink exchanges will continue to have multiple intramodal and
10 intermodal competitive options to meet their telecommunications needs—from
11 CLECs, cable providers, wireless providers and Voice over Internet Protocol
12 ("VoIP") providers—as described below.

13
14 **Q. WILL THE COMBINED ENTITY BE BETTER ABLE TO COMPETE WITH INTRAMODAL**
15 **AND INTERMODAL COMPETITORS IN THE NEBRASKA TELECOMMUNICATIONS**
16 **MARKET?**

17 **A.** Yes. Qwest faces intense competitive pressures in Nebraska, and the level of this
18 competition is increasing rapidly. Between December 2001 and December 2009,
19 Qwest residential and business retail access lines in Nebraska declined over 60%.¹⁰
20 Over this same time period, the population of Nebraska grew over 4%,¹¹ and it
21 may be conservatively assumed that demand for telecommunications services has
22 increased at the same pace. Declining access lines in the context of a growing
23 marketplace demonstrates that Qwest's Nebraska operations are facing increasing
24 competition from cable telephony providers, wireless providers, VoIP providers

¹⁰ Qwest internal data.

¹¹ See: <http://www.census.gov/popest/states/states.html>. Percentage change from June 2001 to June 2009.

1 and CLECs. Line losses result in the reduction of economies of scale—a process
2 that can be mitigated or reversed by the combination of the two companies.
3 Completing the Transaction would result in increased economies of scale as well as
4 scope, as described above.

5
6 **Q. WHAT TYPES OF COMPANIES COMPETE WITH QWEST TODAY IN NEBRASKA?**

7 A. A diverse group of companies compete with Qwest throughout Nebraska markets,
8 offering competing voice and broadband services. Voice competitors include: (1)
9 CLECs and cable TV companies such as Cox, Time Warner Cable and Charter, (2)
10 wireless providers such as AT&T and Verizon Wireless, and (3) Voice over Internet
11 Protocol (“VoIP”) providers such as Vonage and Google. In the broadband market,
12 Qwest is competing with cable TV companies such as Cox and wireless broadband
13 companies such as AT&T and Verizon.

14
15 **Q. PLEASE DESCRIBE COMPETITION FROM CABLE COMPANIES IN NEBRASKA.**

16 A. Cox is the third largest cable company in the U.S., with 6 million cable subscribers,
17 3.9 million high speed internet customers and 2.3 million digital voice customers.
18 Cox is a major competitor for voice, broadband and video in the Omaha market.
19 As the Commission is aware, the FCC has eliminated many regulations that
20 formerly applied to Qwest’s wholesale operations in Omaha. The Commission’s
21 latest report on telecommunications competition (prepared for the Nebraska
22 legislature) shows that Cox, as of the end of 2008, had almost 170,000 access lines
23 in Nebraska,¹² and since these access lines are limited¹² to the Omaha area, it is clear
24 that Cox has more access lines in the Omaha area than Qwest. Qwest also faces
25 significant voice and data competition in Nebraska from Charter, Time Warner

¹² See: http://www.psc.state.ne.us/home/NPSC/communication/comm_annualreports.html.

1 Cable and a number of smaller cable operators. The post-merger company will
2 have the financial, operational and managerial strength to better compete with
3 cable providers throughout Nebraska,.

4
5 **Q. IS COMPETITION FROM WIRELESS PROVIDERS FLOURISHING IN NEBRASKA?**

6 A. Yes. According to the FCC's Local Competition Report, as of June 2008 there were
7 1.5 million wireless subscribers in Nebraska, while there were only 882,000
8 wirelines (both ILEC and CLEC).¹³ In fact, wireless lines have more than doubled
9 from less than 720,000 in June 2001.¹⁴ The FCC data show that the wireless share
10 of the total access line market has grown significantly over this timeframe, and
11 wireline access lines now account for less than 40% of all wireline/wireless
12 connections in Nebraska.¹⁵ The decline in Qwest landlines, coupled with the
13 dramatic increase in wireless connections, demonstrates that Nebraska customers
14 increasingly view wireless phones as a substitute for wireline service.¹⁶ Wireline
15 providers must have the resources to compete effectively with increasingly diverse
16 and advanced wireless options in the marketplace so that customers can continue
17 to benefit from robust competition between the platforms. The post-merger
18 company will have those resources.

¹³ *Local Telephone Competition: Status as of December 31, 2008*; Industry Analysis and Technology Division, Wireline Competition Bureau, June, 2010, tables 12, 13 & 17.

¹⁴ *Id.*, Table 17.

¹⁵ *Id.*

¹⁶ In fact, a significant number of customers have "cut the cord" and no longer subscribe to wireline service, and this trend is accelerating. According to a survey conducted by the National Center for Health Statistics ("NCHS"), in the last 6 months of 2009, 24.59% of U.S. households did not have a traditional landline telephone, but did have at least one wireless telephone. In addition, another 14.9 % of households are "wireless mostly" and use their wireless phone for nearly all calling. In total, these wireless only and "wireless mostly" households make up almost 40% of households. *Centers for Disease Control and Prevention, National Center for Health Statistics, Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2009*, released May 12, 2010, page 1.

1 **C. Specific Customer Benefits**

2 **Q. WILL NEBRASKA CUSTOMERS BENEFIT FROM THE APPROVAL OF THE**
3 **TRANSACTION?**

4 A. Yes, customers will benefit from the efficiencies and synergies realized by the
5 combined company. The Transaction will result in a combined enterprise that can
6 achieve greater economies of scale and scope than the two companies operating
7 independently. The Transaction will also result in a financially strong and stable
8 company that is able to attract the capital necessary to invest in its network,
9 systems, and employees, and to reach more customers with a broad range of high
10 quality state-of-the-art products—including voice, data and entertainment
11 services—over an advanced network. The post-merger company will be better
12 positioned to effectively compete with cable, wireless and other voice and
13 broadband options, to the direct benefit of customers who will have more choices
14 to meet their needs.

15
16 **Q. PLEASE DETAIL HOW CONSUMERS WILL BENEFIT FROM THE MERGER**
17 **TRANSACTION?**

18 A. Consumers will benefit from CenturyLink's localized "go to market" approach, and
19 the combined company's enhanced ability to develop new and innovative services.
20 For example, current Qwest customers will benefit from knowledge and skills
21 gained in CenturyLink's IPTV markets. Current CenturyLink customers will benefit
22 from Qwest's experience in building out its FTTN network. The combined
23 company's financial resources will allow the company to better meet the challenge
24 of providing broadband to more customers at higher speeds. CenturyLink's rural
25 customers also will benefit from the combined companies' fiber backbone, which

1 will be able to achieve greater transport economies and thus provide more
2 advanced services to rural customers.

3
4 **Q. PLEASE DISCUSS HOW BUSINESS CUSTOMERS WILL BENEFIT FROM THE MERGER**
5 **TRANSACTION.**

6 A. CenturyLink's regional operating model and targeted marketing focus coupled
7 with Qwest's industry-leading network and strong business, government and
8 wholesale focus will position the combined company to improve and expand
9 deployment of innovative advanced products and services to business customers
10 nationally and in Nebraska. The combination creates a robust, national fiber
11 network backbone network of approximately 180,000 miles with a distribution
12 network serving more than 17 million access lines across 37 states. The combined
13 entity will be able to deliver strategic and customized product solutions to
14 business, wholesale, and government customers throughout the nation by
15 combining Qwest's significant national fiber-optic network and data centers and
16 CenturyLink's core fiber network. The company will have increased ability to serve
17 the needs of local, regional and national businesses.

18
19 **Q PLEASE SUMMARIZE HOW WHOLESALE CUSTOMERS WILL BENEFIT FROM THE**
20 **MERGER TRANSACTION.**

21 A. The additional financial resources, combined network capacity and geographic
22 reach afforded by the merger will allow the combined company to continue to
23 serve the wholesale market as valued customers. For example, as the demand for
24 broadband wireless services has mushroomed, the need for additional fiber
25 capacity to serve cellular tower sites (often referred to as wireless backhaul) has
26 increased dramatically. As noted above, Qwest is already committing significant

1 resources to serve the increased demand from wireless carriers in its region, and
2 the combined entity will provide the resources to continue this investment.

3

4 **Q PLEASE SUMMARIZE HOW SERVICE QUALITY WILL BE IMPACTED BY THE MERGER**
5 **TRANSACTION.**

6 A. As discussed above, the combined entities will continue to comply with
7 Commission rules and other legal obligations. This includes service quality rules
8 and standards. The Transaction will create a stronger company with more
9 resources to ensure continued compliance with Nebraska service quality
10 requirements, and meet market demand .

11

12 **Q WILL THE MERGER IMPAIR QWEST'S COMMITMENT TO IMPROVE SERVICE**
13 **QUALITY IN THE VALENTINE EXCHANGE?**

14 A. No. As the Commission knows, Qwest's service quality performance in the
15 Valentine exchange has always exceeded Commission standards at the wire center
16 level, but issues with remote and extraordinarily long loop facilities led to the
17 opening of Docket DC-71. Qwest has invested millions of dollars to remedy the
18 problems in these remote areas, and service quality in the Valentine exchange has
19 significantly improved in these areas. These issues have been addressed by the
20 Commission in a separate docket independent of the merger, Docket No. DC-71. As
21 noted above, the post-merger companies will continue to comply with
22 Commission service quality rules and orders, and that includes the obligations
23 imposed on Qwest Corporation in Docket DC-71.

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VI. OTHER ISSUES

2 Q. IN PREVIOUS PROCEEDINGS, THE COMMISSION HAS DETERMINED THAT
3 NEBRASKA LAW DOES NOT GRANT THE COMMISSION JURISDICTION TO
4 APPROVE MERGER TRANSACTIONS AT THE PARENT LEVEL. WHY, THEN, DID
5 QWEST AND CENTURYLINK FILE AN APPLICATION FOR APPROVAL OF THE
6 MERGER?

7 A. I'm not an attorney, so I won't go into much depth on this issue, but in Application
8 No. C-1746/PI-19, the commission concluded that it has jurisdiction to review
9 mergers of certificated companies operating within the state, but not mergers at
10 the parent company level, because the latter transactions affect only indirectly the
11 Nebraska certificated carriers. Also, in Application No. C-2137, concerning the
12 merger of Qwest and U S WEST, the Commission reiterated its conclusion
13 regarding jurisdiction but noted that in such significant mergers the Commission
14 could investigate the potential effects of the merger. I understand that Qwest and
15 CenturyLink submitted their application consistent with the Commission's stated
16 desire to investigate such mergers, but I will leave the legal arguments concerning
17 the limits of the Commission's jurisdiction to the lawyers and the Commission.
18 The purpose of my testimony is to confirm for the Commission that the
19 Transaction is consistent with the public interest.

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VII. CONCLUSION

22 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

23 A. My testimony on behalf of applicant Qwest, a party to the Transaction, presented
24 a number of the customer benefits associated with the Transaction and
25 demonstrated that it is in the public interest.

1

2 The merger will not result in customer disruption or confusion; the individual
3 entities' services will continue to be offered under the same regulatory structure
4 that exists today in Nebraska. The post-Transaction companies will continue to
5 abide by all regulatory obligations that existed in Nebraska before the merger.
6 Additionally, CLECs and interexchange carriers will continue to receive high-quality
7 wholesale services from the operating entities at the rates, terms and conditions
8 that are contained in current interconnection agreements and access tariffs.

9

10 The Transaction will result in a combined enterprise that can achieve greater
11 economies of scale and scope than the two companies operating independently.
12 The areas served by Qwest and CenturyLink in Nebraska are generally
13 complementary, and the combination of the serving areas will make it easier to
14 implement operating efficiencies and infrastructure improvements. The
15 combination of the company's networks will allow the new company to optimize
16 network capacity that facilitates the deployment of additional bandwidth-
17 intensive services such as broadband service and advanced business products.

18

19 Finally, the increased scale and scope afforded by the merger will allow the
20 combined entity to better compete both nationally with the larger well-capitalized
21 players in the market, such as AT&T, Verizon and Comcast, and locally in the
22 Nebraska market with Cox and others. This improved positioning benefits
23 customers by giving them more choices for their communications needs.

1 There is no harm associated with the Transaction and it is consistent with the
2 public interest; therefore, the Commission should close its investigation, and if
3 deemed legally permitted or required, approve the proposed merger.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A. Yes.**