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Issues: Directory Assistance

Witness: Walter Cecil

Sponsoring Party: MO PSC Staff

Type of Exhibit: Rebuttal Testimony

Case No.: TO-2005-0035

Date Testimony Prepared: December 17, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

WALTER CECIL

**SOUTHWESTERN BELL TELEPHONE, L.P.,
d/b/a SBC MISSOURI**

CASE NO. TO-2005-0035

**Jefferson City, Missouri
December 2004**

****Denotes Highly Confidential Information****

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Exhibit No. 18
Date Prepared Case No. TO-2005-0035
Reporter

In the Matter of the Second Investigation)
into the State of Competition in the)
Exchanges of Southwestern Bell) Case No. TO-2005-0035
Telephone, L.P., d/b/a SBC Missouri)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Walter Cecil
Walter Cecil

Dana B. Hale
Notary Public

My commission expires 11/09/2005

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A. My name is Walter Cecil. My business address is: Governor Office
ng, Suite 500, 200 Madison St., Jefferson City, Missouri 65101.

A. I am employed by the Missouri Public Service Commission (Commission). I assumed the position of Regulatory Economist I with the Commission's Communications Department Staff (Staff) in 1999. I was promoted to the position of Regulatory Economist II in March 2000.

A. I hold an M.A. in economics from the University of Kansas and a B.A. in business administration from Baylor University. I have held positions as an adjunct professor in economics at William Jewell College and Longview Community College. Prior to my graduate studies, I was employed in a managerial position by a small Kansas firm.

A. My duties include the review and analysis of various controversial and ed telecommunications firms' proposals, interconnection agreements and tariffs. I

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1 have participated in cases where the Commission was called upon to arbitrate unbundled
2 network element terms and rates within interconnection agreements between competitive
3 local exchange carriers and Southwestern Bell Telephone L.P., d/b/a SBC Missouri
4 (SBC). I have also performed research projects for the Commission, which have
5 included analysis of the economic impact of municipal ownership of cable television
6 networks and telecommunications networks. I am also involved with Relay Missouri
7 Advisory Committee functions.

8 Q. Have you previously testified before the Commission?

9 A. Yes. I have filed testimony in Case Nos. TO-2000-374 (Numbering
10 Relief), TO-2001-347 (AT&T Geographic Deaveraging), TT-2001-455 (AT&T/SBC
11 Arbitration), TT-2002-108/130 (Winbacks and Term Contracts), TT-2002-222
12 (MCI/SBC Arbitration), TT-2002-227 (Term Discounts) and TO-2004-0207 (TRO
13 Market Issues).

14 Q. What is the purpose of your testimony in this case?

15 A. I will provide Staff's response to SBC's directory assistance services (DA)
16 testimony and reclassification request. In brief, in my opinion, there is effective
17 competition for SBC's DA; therefore, I recommend the Commission find effective
18 competition exists for those services, and should reclassify those services as competitive
19 on a statewide basis.

20 Staff witness Adam McKinnie will address SBC's arguments that cable, wireless,
21 and Internet technologies provide effective competition. Mr. McKinnie will also address
22 whether competitive status should be granted to certain services other than basic local
23 telecommunications service. Staff witness Bill Peters responds to SBC's request that

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1 competitive status should be granted for basic local telecommunications service in all of
2 SBC's exchanges.

3 Q. What evidence and information have you reviewed in preparation for this
4 case?

5 A. I have read the direct testimonies of all witnesses in the case and
6 specifically, that of Sandy M. Moore, SBC's DA witness. I have also acquired a copy of
7 SBC's DA Market Share Survey and the report describing the results of that survey. I
8 have conducted searches on the Internet to verify SBC's evidence and to evaluate
9 competitive DA services. I examined the terms and conditions of competitive DA
10 services and compared them to SBC's terms and conditions and I compared the prices of
11 certain DA services to those of SBC.

12 Q. Please summarize SBC's DA testimony in this case.

13 A. SBC's DA testimony is nearly identical to that presented in Case No.
14 TO-2001-467¹ (First SBC Case). SBC witness, Sandy Moore, identifies alternative DA
15 providers (many of which were identified in the First SBC Case), discusses the low level
16 of barriers to entry in to the DA market, describes attributes of alternative DA services,
17 discusses the means by which those services are delivered, and discusses the degree to
18 which those services are universally available. Ms. Moore also discusses the level of
19 competition faced by SBC in the DA market and argues for relaxed regulation of its DA
20 services. The appended schedules at the end of Ms. Moore's testimony, while not
21 identical to those provided in the First SBC Case, are similar to and provide the same
22 kinds of evidence as that provided in the first case.

¹ *In the Matter of the Investigation of the State of Competition in the Exchanges of Southwestern Bell Telephone Company.*

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1 Q. SBC requests the Commission find SBC's DA services--local DA,
2 national DA and DA call completion--as facing effective competition on a statewide
3 basis. Has the Commission visited this question before, and if so, what has it decided and
4 why?

5 A. In the First SBC Case, SBC requested the Commission find numerous
6 services, and specifically DA, as facing effective competition and reclassify those
7 services as competitive on a statewide basis. The Commission did not find those services
8 as facing effective competition and declined to reclassify DA as competitive except in
9 certain exchanges where it found basic local telecommunications faces effective
10 competition.² The Commission reasoned DA was too closely tied to basic local
11 telecommunications in most of SBC's exchanges to warrant a statewide competitive
12 reclassification.

13 In Case No IO-2003-0281³ (Sprint Case), Sprint Missouri, Inc. (Sprint) requested
14 the Commission make a similar finding and reclassify its DA services. The Commission
15 found Sprint did not face effective competition for DA in most⁴ of its exchanges and
16 declined to reclassify those services as competitive. The Commission again reasoned DA
17 was too closely tied to basic local telecommunications in most of Sprint's exchanges to
18 warrant a statewide competitive reclassification⁵.

² DA is classified as competitive in the business market in the exchanges of Kansas City and St. Louis, and in the residential market in the exchanges of Harvester and St. Charles. *In the Matter of the Investigation of the State of Competition in the Exchanges of Southwestern Bell Telephone Company*, Report and Order, Issue 16, pp 42,43.

³ *In the Matter of the Investigation of the State of Competition in the Exchanges of Sprint Missouri, Inc.*

⁴ The Commission found Sprint faced effective DA competition in those exchanges in which Sprint was found to face such competition for its basic local telecommunications services: Kearney, Norborne and Rolla. *In the Matter of the Investigation of the State of Competition in the Exchanges of Sprint Missouri, Inc.*, Report and Order, Issue 15, pp. 45-47.

⁵ *Ibid.*

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1 Q. Is there anything new in Ms. Moore's testimony that would indicate the
2 concerns expressed by the Commission in the First SBC Case, that is, the close link
3 between DA and basic local telecommunications, have diminished?

4 A. Yes. On pages 18-19 of Ms. Moore's Direct Testimony, she indicates
5 SBC researched customer DA usage patterns and provides SBC's findings, both on a
6 national and a Missouri basis.

7 Q. How was this research performed?

8 A. SBC indicates it hired a professional research firm to survey SBC local
9 customers in its 12 state region service area. Three thousand, two hundred and sixty two
10 (3,262) telephone surveys were conducted in the SBC states with 251 in Missouri.⁶

11 Q. What do the Missouri survey results indicate?

12 A. The Missouri survey results indicate that ** HC-- of those needing DA
13 information will use their white/yellow pages phone book, ** HC-- will use 411/555-
14 1212, ** HC- will use the Internet, ** HC- will use a wireless DA provider,
15 ** HC- will use Area Code-555-1212 and ** HC- will seek other means to obtain
16 DA⁷.

17 Q. Is there anything about the survey that gives you cause for concern?

18 A. Yes, I have three areas of immediate concern. First, underlying statistical
19 information is not available to support any analysis. Second, the survey employed a
20 screening question eliminating any possible respondent who did not use either the

⁶ 501 surveys were conducted in California and approximately 250 were conducted in each of the eleven remaining states.

⁷ To clarify, those users who dial 0-411 or 1-411 will reach SBC DA. Those who dial NPA-555-1212 will reach their presubscribed interexchange carrier and if that carrier is SBC Long Distance, they will reach an SBC or SBC affiliated operator. Furthermore, SBC's parent has interests in Cingular Wireless and Yahoo so any market share analysis of the aforementioned services will likely be unclear.

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1 telephone or go on-line in the past 90 days to obtain DA information. This concern arises
2 from the limited population from which the data is drawn. Because of that limitation,
3 inferences about the general population should not be made. On the other hand, SBC's
4 intent was to reveal the behavior of the DA-using population and for that purpose, such a
5 screening question is legitimate but any conclusions based upon this information should
6 be limited to this population and not used to infer behavior to the general population.

7 Third, by eliminating those persons who have not used telephone DA or Internet
8 services within the previous 90 days, those persons who use the white or yellow pages
9 directories exclusively are eliminated. One of the items studied by the survey is
10 white/yellow pages usage and this screening question will likely force that analysis to
11 understate conclusions about such usage.

12 Q. Do you draw any conclusions from this information?

13 A. Yes. As an indicator of the general population, the survey is silent. As an
14 indicator of that subset of the population with a demonstrated willingness to use DA, the
15 survey and supporting documentation provided reveal a willingness on the part of the
16 majority to use something other than SBC DA services. The survey indicates at least a
17 majority of the DA-using population in Missouri will use printed directories.

18 Q. Can you comment about the other services mentioned in the survey?

19 A. The data for all other services listed becomes somewhat weak on a
20 Missouri-specific basis due to the small sample size. On a national basis, with the large
21 sample, the figures indicated for 411/555-1212, Internet directory sites, wireless
22 directories, Area Code-555-1212 and "other" appear more reliable.

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1 Q. You mentioned the results drawn from the larger national sample appear
2 more reliable. Is there an alternate, independent source that corroborates increasing
3 Internet usage and may support that the Internet figures propounded by SBC may be
4 accurate?

5 A. According to a September 2004 U.S. Department of Commerce Study
6 entitled *A Nation Online: Entering the Broadband Age*, approximately 20% of
7 Americans currently have a broadband connection and 40% have a dial-up connection at
8 home. Broadband connections appear to be trending upward while dial-up access
9 appears to be declining.⁸

10 It appears to me, SBC's national Internet usage **** HC-- **** figure is approaching
11 the Commerce Department's national broadband access figure of 20% and should be
12 indicative of activity occurring in Missouri.

13 Q. Based upon all SBC DA information submitted, what is your conclusion?

14 A. The survey information presented in this case is new. While not
15 persuasive in and of itself, combined with the balance of other evidence submitted in the
16 case, analysis provided by SBC, my independent research and using Sections
17 386.020(13) (a)-(e) and 392.185 (1)-(9) as guidance, I have found:

- 18 • DA services are widely available from numerous providers using
19 alternative technologies as well as traditional wire line
20 telecommunications service;
- 21 • DA services provided by competitors are functionally equivalent and
22 are provided at comparable rates, terms, and conditions;

⁸ <http://www.ntia.doc.gov/reports/ano1>

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- 1 • Barriers to entry, economic and regulatory, are not inappropriately
2 discriminatory.

3 Q. You mentioned that you evaluated competitors' services, terms and
4 conditions, and prices. What did you find?

5 A. It is possible to get DA (national or local) information (name, phone
6 number, and address) and driving directions at no charge through search engines such as
7 Google and Anywho, and web sites such as Yahoo among others.⁹

8 I also examined several competitive and incumbent local exchange carrier's DA
9 services tariffs at random. I found the average rate for local DA to be around \$.74 and
10 the average national DA rate to be around \$1.11¹⁰. SBC's local DA and national DA
11 rates are \$.68 and \$1.27, respectively.

12 The bundles of services provided by DA services varied widely when Internet
13 services are considered but when strictly traditional telecommunications services
14 providers are examined those bundles are similar to that of SBC. In Staff's opinion, the
15 various DA services examined are highly substitutable to one another, especially when
16 many of them are free.

17 Q. What is your recommendation?

18 A. I recommend the Commission find SBC's DA services face effective
19 competition, in terms of the number of competitors and the various DA services and
20 prices. Therefore, I recommend the Commission find that SBC's DA services satisfy the

⁹ I searched web addresses provided in Sandy Moore's testimony such as www.switchboard.com, www.whitepages.com, www.bigfoot.com and found services ranging from typical DA to reverse directory lookups. Search engines such as www.google.com and www.anywho.com and sites such as www.people.Yahoo.com provided name, telephone number and address information at no charge. Clicking on a link provided a map and driving directions. To use a search engine such as Google, one needs to enter the name, city and state of the person whose number is desired. It may be necessary to enter that information in quotes to further define the search.

¹⁰ The list of companies examined is appended in Schedule WC1.

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1 statutory factors found in Sections 386.020 (13) RSMo, making them effectively
2 competitive.

3 Q. Does this conclude your testimony?

4 A. Yes.

Selected CLECs and ILECs DA Rates*

Company	<u>Local</u> <u>DA</u>	<u>National</u> <u>DA</u>	<u>DA Call</u> <u>Completion</u>	<u>Requests per</u> <u>Call</u>
AT&T Local	\$.59	\$ 1.99	\$.25	2
Allegiance	\$ 1.25	\$ 1.25	\$ 0.30	
Big River	\$ 0.43	\$ 1.00	\$ 0.33	2
Birch	\$ 0.63	\$ 1.18	\$ 0.30	1
CenturyTel	\$ 0.52	\$ 1.18	\$ 0.66	2
Everest	\$ 0.50	\$ 0.75	\$ 0.30	2
Excel	\$ 0.75	\$ 0.85	\$ 0.55	2
Global Crossing	\$ 0.45	\$ 0.95	\$ 0.30	2
MCImetro	\$.95	\$ 1.99	\$ 0	0
McLeod	\$ 0.75	\$ 1.10	N/A	2
NuVox	\$ 0.65	\$ 1.10	\$ 0.35	2
Sage	\$ 0.75	\$ 1.00	\$ 0	2
Sprint Mo.	\$ 0.59	\$ 0.95	\$ 0.32	2
Verizon	\$ 0.95	\$ 0.95	\$ 0.50	2
XO	\$ 1.25	\$ 1.25	\$ 0.50	3
Average Rate	\$ 0.744	\$ 1.107	\$ 0.332	

Directory Assistance refers to the service providing callers with telephone numbers within their local calling area, home area code or local access transport area (LATA).

National Directory Assistance refers to service providing callers with telephone numbers outside of their home area code LATA.

Directory Assistance Call Completion refers to the service performed by the directory assistance operator when the operator dials the call for the customer.

Requests per Call refers to the number of listings the company will look-up per call at no additional charge.

*Some CLEC national directory assistant rates were found in the company's associated interexchange tariff and are not in the company's local tariff.

Schedule WC1