

Exhibit No:  
Issues: Business Services  
Witness: Sylvia Acosta Fernandez  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Southwestern Bell Telephone, L.P. d/b/a SBC  
Missouri  
Case No: TO-2005-0035  
Date Prepared: January 21, 2005

SOUTHWESTERN BELL TELEPHONE, L.P. D/B/A SBC MISSOURI

CASE NO. TO-2005-0035

SURREBUTTAL TESTIMONY

OF

SYLVIA ACOSTA FERNANDEZ

St. Louis, Missouri  
January 21, 2005

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

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.

AFFIDAVIT OF SYLVIA ACOSTA FERNANDEZ

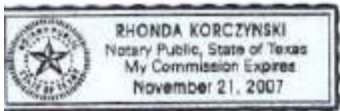
STATE OF TEXAS

SS

CITY OF SAN ANTONIO )

I, Sylvia A. Fernandez, of lawful age, being duly sworn, depose and state:

1. My name is Sylvia Acosta Fernandez. I am presently Director – Voice Packaging for SBC Operations, Inc.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. 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.



  
Sylvia A. Fernandez

Subscribed and sworn to before this 6th day of January, 2005

  
Notary Public

My Commission Expires: 11/21/07

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## **TABLE OF CONTENTS**

INTRODUCTION .....	1
PURPOSE .....	1
1.    Access To Wholesale Information .....	1
2.    The Import of Competitor Advertising Expenditure Data .....	2
SCHEDULES	
Schedule 1 – Time Warner Business Class Bundle Print Ad, Kansas City Star, March 2004	
Schedule 2 – Time Warner Business Class Bundle Print Ad, Kansas City Star, August 2004	
Schedule 3 – EarthLink/Covad Business Bundled Direct Mail Offering	
Schedule 4 - Covad Press Release Re: Business VoIP Service	
Schedule 5 – MCI Announcement Of Expanded Broadband Offering	
Schedule 6 – McLeodUSA’s Announcement Of Business VoIP Service	
Schedule 7 – AT&T Announcement Of Retail Marketing Agreement With Staples, Inc.	

1 **INTRODUCTION**

2 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

3 A. My name is Sylvia Acosta Fernandez and my business address is 530 McCullough, San  
4 Antonio, Texas 78215.

5  
6 **Q. ARE YOU THE SAME SYLVIA ACOSTA FERNANDEZ THAT PREVIOUSLY**  
7 **FILED DIRECT TESTIMONY IN THIS CASE?**

8 A. Yes.

9  
10 **PURPOSE**

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to:

- 13 1) Assure the parties that I have not seen any of the highly confidential or proprietary  
14 wholesale information presented in this case, and that in my position with SBC  
15 Missouri, I do not have access to information about SBC's wholesale customers; and to  
16  
17 2) Respond to the comments made by PSC Staff member Adam McKinnie concerning  
18 the significance of the advertising expenditure data I presented in my Direct Testimony.  
19

20 **1. Access To Wholesale Information.**

21 **Q. SOCKET TELECOM WITNESS MATT KOHLY STATES IN HIS REBUTTAL**  
22 **TESTIMONY ON PAGE 8 THAT SBC RETAIL MARKETING DIRECTORS**  
23 **"...CAN NOW FREELY REVIEW ALL OF THE HIGHLY CONFIDENTIAL**

1           **INFORMATION CONTAINED IN SBC’S TESTIMONY” AND THAT THEY**  
2           **MAY “FIND THIS INFORMATION USEFUL IN FULFILLING THEIR**  
3           **RETAIL RESPONSIBILITIES.”**  
4           **IS THIS STATEMENT CORRECT?**

5    A.     No.

6  
7    **Q.     HAVE YOU BEEN GIVEN ACCESS TO THE HIGHLY CONFIDENTIAL OR**  
8           **PROPRIETARY WHOLESALE INFORMATION FILED IN THIS CASE BY**  
9           **SBC MISSOURI WITNESS CRAIG UNRUH?**

10   A.     No.

11  
12   **Q.     IN YOUR PRESENT POSITION AS AN SBC RETAIL MARKETING**  
13           **DIRECTOR, DO YOU HAVE ACCESS TO INFORMATION ABOUT SBC’S**  
14           **WHOLESALE CUSTOMERS?**

15   A.     No.

16  
17    **2.     The Import Of Competitor Advertising Expenditure Data.**

18   **Q.     STAFF WITNESS ADAM MCKINNIE IN HIS REBUTTAL TESTIMONY, AT P.**  
19           **7, STATES THAT “VERY LITTLE IF ANY FACTUAL INFORMATION**  
20           **ABOUT THE CURRENT AMOUNT OF EFFECTIVE COMPETITION SBC IS**  
21           **FACING CAN BE GLEANED FROM THE AMOUNT OF ADVERTISING ITS**

1           **COMPETITORS ARE DOING” AND SHOULD NOT BE RELIED UPON. DO**  
2           **YOU AGREE WITH HIS CONCLUSION?**

3    A.     No. While I agree that one cannot draw conclusions about specific line losses from  
4           such data, that was not my intent. In my Direct Testimony, I offered my perspective as  
5           a marketer of SBC business telecommunications services and showed that SBC  
6           Missouri faces intense competition, which has increased year over year. I provided the  
7           estimate of Missouri-specific advertising expenditures by SBC Missouri’s competitors  
8           to show the intensity of the competitive marketplace, not just in the major metropolitan  
9           areas but statewide.

10  
11          These advertising expenditures were made by a variety of CLECs of all sizes and across  
12          a wide group of exchanges. It shows that competition exists across all exchanges within  
13          the coverage area of the advertising. This type of advertising is very effective in  
14          pointing out to SBC Missouri customers across the state that they can purchase similar  
15          services from alternative providers that are functionally equivalent to or substitutable  
16          for SBC Missouri’s services at comparable rates, terms and conditions.

17  
18    **Q.     DO YOU AGREE WITH MR. MCKINNIE THAT EFFECTIVE COMPETITION**  
19          **FOR BASIC EXCHANGE SERVICES AND HIGH CAPACITY EXCHANGE**  
20          **SERVICES DOES NOT EXIST?**

21    A.     No. SBC faces a very competitive market statewide for all of its business access line  
22          services. As I indicated in my direct testimony, our CLEC competitors utilize

1 aggressive marketing strategies (bundling and very attractive monthly rates) and direct,  
2 focused selling tactics such as direct mail, door to door sales and advertising.

3 For example, Time Warner has been aggressively promoting its Road Runner Business  
4 Class Service in the Kansas City metro area where it is the dominant cable TV provider.  
5 (Copies of some of Time Warner's print ads are attached as Schedules 1 and 2).

6  
7 Similarly, EarthLink and Covad have been jointly marketing various business offerings  
8 with High Speed Business DSL Service. (Copies of Direct Mailing from EarthLink and  
9 Covad are attached as Schedule 3.) Covad also announced on October 7, 2004, that its  
10 business VoIP service is now available in the St. Louis and Kansas City markets. (A  
11 copy of Covad's news release describing this announcement is attached as Schedule 4.)

12  
13 And I see these competitive pressures increasing. For example, early this month, MCI  
14 announced that it has added high-speed cable access to its Internet Broadband portfolio  
15 of business services, which allows it to provide high-speed broadband service to  
16 customers in areas where DSL is not available or who have a preference for cable  
17 access. To make this offering, MCI has made arrangements to use the cable facilities of  
18 Charter, Cox and Time Warner (a copy of MCI's press release announcing this  
19 additional offering is attached as Schedule 5).

20  
21 In late December last year, McLeodUSA announced that it launched a business VoIP  
22 service, which it calls Preferred Advantage Dynamic Integrated Access Service. While

1 the offering was initially made available to business customers in Denver, Dallas,  
2 Detroit and Chicago, McLeodUSA stated that it would make the service available in 35  
3 of its other markets by the end of the second quarter this year (a copy of McLeodUSA's  
4 press release on this announcement is attached as Schedule 6).

5  
6 And AT&T has recently expanded the distribution base for its CallVantage VoIP  
7 service through retail marketing agreement with Staples, Inc. Under this agreement,  
8 Staples is now offering AT&T CallVantage Service in its 1,200 retail stores nationwide  
9 and targeting small business and home office workers (a copy of AT&T's press release  
10 of this announcement is attached as Schedule 7).

11  
12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A.** Yes.