

1 Q. And you base that upon a Schedule 6 that you  
2 have filed with your testimony.

3 A. Correct.

4 Q. Okay. And where did that information come  
5 from?

6 A. What we did was, and it's not public  
7 information, that's why it's proprietary. I commissioned our  
8 advertising agency, Rogers Townsend, to go back into records  
9 to find what they call media spend or buys. And I asked them  
10 specifically to look at the state of Missouri only, and to  
11 take a look at any competitor that was advertising local  
12 voice service. And they can get advertising in this industry  
13 for all competitors, including those that may just be  
14 advertising, as an example, long distance only or -- and  
15 there are competitors that actually don't provide service in  
16 our territory.

17 As an example, Qwest came up in the data  
18 request. Qwest does not operate in this region, but they do  
19 national advertising. You may be watching, for example, on  
20 television a significant supporting event and they're  
21 advertising. So that wasn't included in this request.  
22 What they did was they went to Competitrack, which is one  
23 source of data. They looked at the history on the buy. They  
24 looked at, separately, rate sheets for advertising, and they  
25 did basically a P times Q calculation to get to what the

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1 spend was for Missouri.

2 Q. Uh-huh.

3 A. So it's a combination of where the ad was, if  
4 it was a television ad, then it has a certain rate by market,  
5 and then there was an online banner ad buy, and they had to  
6 look at the online banner rates to come up with a number, and  
7 they did that for all the competitors.

8 Q. What does that mean, online banner rate, by  
9 the way?

10 A. It means, for example, if you're on, let's say  
11 you go to CNN.com, there could be an ad that MCI will have  
12 that will come up on that website while you're in CNN.com,  
13 and they'll advertise their voice data bundle. It could be  
14 Vonnage advertising their IP solution. It's any type of  
15 banner ad. It could be a banner ad that's just a bar that  
16 doesn't rotate. It could be a rotating ad as well.

17 Q. You're using advertising lingo I'm not  
18 familiar with very much. What does that mean when it's a  
19 banner ad that rotates? Give me some visual of that.

20 A. Sure, I'd be happy to. When you're on the  
21 web, there's some choices you can make on advertising. It's  
22 not only where you place your ad visually on the screen but  
23 also what that ad can do. So if you have a static ad, that's  
24 an ad that doesn't move or have any movement to it. It's  
25 less expensive, and if you want to choose an ad that has copy

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1 do they not?

2 A. My perspective is there is clearly an increase  
3 in advertising spent and direct mail for SBC. You agree with  
4 that? And there's no question that we're responding to  
5 competitive pressure in the marketplace. We've done a lot of  
6 research with our customers, and this is particularly true in  
7 the small business space because I would imagine you would  
8 understand that a larger business, direct mail and mass media  
9 is not the way you go about getting their business, because  
10 of the complexity of decision-making. So we've done a lot of  
11 research with our small business customers, those that have  
12 basic lines as well as in the neighborhood of one to ten  
13 lines, and what we found when we did our research with the  
14 same agency that did the analysis here in front of us was  
15 these customers were not aware that there were alternatives  
16 to SBC in terms of what they were buying from us at the time.

17 We had not, as effectively communicated to  
18 them as we could have, what our \$38.99 bundle prices were,  
19 for example, or our new long distance rates. So we found  
20 that we needed to reach out to them in a manner that was a  
21 combination of TV, print, radio, as well as direct mail,  
22 because our competitors were very effective at reaching out  
23 to them and saying I can save you 30 to 40 percent a month.

24 So there's no question that the impact of  
25 competition has driven increasing reaching out to customers

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1 to communicate, to educate them about the competitive offers  
2 that are out there. This is true of the long distance market  
3 when we had long distance competition years ago. This is  
4 true today of broadband. You can hardly turn the TV on or  
5 listen to the radio or look in the newspaper, as we saw  
6 earlier in Cape Girardeau and see Big River or other  
7 competitors advertising at the local level.

8 Q. Okay. And Ms. Fernandez, did you agree with  
9 me that -- that the advertising spending that you noted for  
10 the competitors that are CLECs that you noted in your -- in  
11 your testimony is trending downward while SBC's is trending  
12 upward in the time frame that you have in your testimony?  
13 Would you agree with me on that?

14 A. Well, I'm not sure. What I see is year after  
15 year, more --

16 Q. Just in regard to the specific information  
17 that you have regarding advertising that you documented in  
18 Exhibit 6 and 8.

19 A. In Exhibit 6, if we do the math, we see an  
20 increasing amount of advertising year over year.

21 Q. By the particular CLECs that you have noted in  
22 --

23 A. In total, there's -- if you look at each  
24 competitor line by line, there's --

25 Q. Well, let me -- let me just go back to those

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1 Q. Okay. And I understand there may be others --  
2 there are other issues to look another here. I'm not trying  
3 to insinuate otherwise.

4 A. No, I know you're not.  
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