

Exhibit No:

Issues:

Witness:

Type of Exhibit:

Sponsoring Party:

Sandy M. Moore

Direct Testimony

Southwestern Bell

Telephone, L.P. d/b/a SBC

Missouri

Case No:

TO-2005-0035

Date Prepared:

October 29, 2004

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

CASE NO. TO-2005-0035

DIRECT TESTIMONY

OF

SANDY M. MOORE

NP

Hoffman Estates, Illinois

October 29, 2004

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 SANDY MOORE

STATE OF ILLINOIS

SS


CITY OF HOFFMAN ESTATES)

I, Sandy Moore, of lawful age, being duly sworn, depose and state:

1. My name is Sandy Moore. I am presently Executive Director – Product Management for SBC Operations, Inc.
2. Attached hereto and made a part hereof for all purposes is my direct 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.


Sandy Moore

Subscribed and sworn to before this 27th day of October 2004


Notary Public

My Commission Expires: 3-25-06



1
2 **Case No. TO-2005-0035 SBC**

3 **SOUTHWESTERN BELL TELEPHONE, L.P., D/B/A SBC MISSOURI**
4 **DIRECT TESTIMONY OF SANDY MOORE**
5

6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Sandy M. Moore, and my business address is 2000 W. SBC Drive, Hoffman
8 Estates, Illinois.
9

10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY ARE YOU**
11 **EMPLOYED?**

12 A. I am employed by SBC Operations, Inc. I am Executive Director of Product
13 Management for retail Directory Assistance ("DA") Services, White Page Listings and
14 Local Operator Assistance Services and Portfolio Management for SBC.
15

16 **Q. HAVE YOU PREPARED AN EXHIBIT THAT PROVIDES INFORMATION**
17 **REGARDING YOUR EMPLOYMENT, EDUCATIONAL BACKGROUND AND**
18 **APPEARANCES BEFORE THE COMMISSION?**

19 A. Yes. That information is attached as Schedule A.
20

21 **INTRODUCTION**

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

1 A. The purpose of my testimony is to (1) describe SBC Missouri's DA Services; (2) lay out
2 the competitive landscape for Directory Services, which include local and national DA
3 and DA call completion; and (3) explain why it is appropriate for the Commission to apply
4 the same regulation to SBC Missouri as it does to other competitive telecommunications
5 providers by granting competitive classification to SBC Missouri's DA Services.

6
7 **Q. WHAT ARE THE MAIN POINTS YOU WOULD LIKE TO CONVEY TO THE**
8 **COMMISSION?**

9 A. SBC Missouri's DA Services face effective competition in every SBC exchange in
10 Missouri. Specifically, the Commission should note:

- 11 ▪ There are numerous alternative providers offering substitutable services to customers
12 in all SBC exchanges in Missouri, including to customers purchasing local service
13 from SBC Missouri.
- 14 ▪ Many of the alternative providers offering substitutable services existed before
15 competitive local exchange carriers (CLECs) entered the local exchange market.
- 16 ▪ Competition for DA Services is not simply a function of access line loss incurred by
17 CLEC entry.
- 18 ▪ Nearly all of SBC Missouri's DA competitors are free from the DA regulations that
19 apply to SBC Missouri.
- 20 ▪ Customers derive the greatest benefit from a fully competitive market where all
21 competitors are free to compete on equal terms.

DIRECTORY ASSISTANCE SERVICE DESCRIPTION

Q. PLEASE DESCRIBE SBC MISSOURI'S DA SERVICES.

A. SBC Missouri's DA Services provide callers with assistance in obtaining telephone listing information. These services include: Local Directory Assistance, Directory Assistance Call Completion, and National Directory Assistance.

Local Directory Assistance provides callers with listed telephone numbers of subscribers who are located in the same local calling area and in the calling customer's Home Numbering Plan Area (HNPA).

Directory Assistance Call Completion provides the customer the option of having the local or intraLATA long distance calls automatically completed by pressing "1" after the listed telephone number is received from Directory Assistance.

National Directory Assistance is a service whereby customers may obtain telephone listing information for areas outside their local calling area.

Q. WHERE IS SBC MISSOURI SEEKING COMPETITIVE CLASSIFICATION FOR ITS DA SERVICES?

A. SBC Missouri's DA Services have already been deemed competitive in the St. Charles and Harvester exchanges for Consumer, and in the St. Louis and Kansas City exchanges

1 for Business. Therefore, we are seeking a competitive classification for the remaining
2 exchanges in the State.

3
4 **COMPETITIVE LANDSCAPE**

5 **Q. PLEASE DESCRIBE THE COMPETITIVE NATURE THAT EXISTS IN**
6 **MISSOURI FOR DA SERVICES.**

7 A. Local Directory Assistance, Directory Assistance Call Completion, and National
8 Directory Assistance are competitive throughout the state of Missouri.

9 For example, alternatives to SBC's Directory Assistance Services in Missouri are
10 provided statewide by various local and toll telecommunication providers, including
11 AT&T, wireless service providers, Internet content providers, directory publishers,
12 independent Directory Assistance Services providers, software companies and others.
13 Schedule 2 provides a table of competitors and the services that they provide.

14
15 **Q. SHOULD THE LEVEL OF COMPETITION FOR DA SERVICES BE**
16 **SURPRISING?**

17 A. No. Competition in the provision of DA Services is hardly surprising given the lack of
18 market entry barriers. For example, DA Service listings are available to local exchange
19 and toll carriers and their agents on reasonable and non-discriminatory terms under
20 section 251(b)(3) of the Federal Telecommunications Act of 1996.¹ In addition, SBC is

¹ Provision of Directory Listing Information under the Telecommunications Act of 1934, as Amended, First Report and Order, FCC01-27, ¶ 10, January 23, 2001.

1 required to provide its Directory listings to non-carrier third-party Directory publishers,
2 as required under section 222(e). Also, the terms under which SBC has agreed to
3 mutually exchange DA subscriber listings are set out in Attachment 18 of the M2A.

4
5 Directory Assistance Service providers can obtain listings from a variety of sources,
6 including SBC, in order to maintain accurate databases. These sources include the listings
7 of other local exchange companies and commercially available listing information.²
8 Providers of Directory Assistance Services and other functionally equivalent services are
9 able to freely copy published white page directories without copyright restrictions.³

10
11 **Q. CONSIDERING BOTH FUNCTION AND PRICE, PLEASE DISCUSS THE**
12 **COMPARABLE ALTERNATIVES TO SBC'S DIRECTORY ASSISTANCE**
13 **SERVICES THAT ARE AVAILABLE IN MISSOURI.**

14 A. SBC's residential and business customers throughout the state of Missouri have multiple
15 alternatives, substitutable in both function and price, to using SBC's Directory Services.
16 These alternatives include:

17
18 '00' Info Service

² A few suppliers of listing information include LSSi, Excell, Acxiom and eData.com. For example, LSSi listing information includes 250 million listings and the company acquires data from Regional Bell Operating Companies, GTE, Sprint Local and other independent telephone companies.

³ U.S. Supreme Court, Feist Publications, Inc. v Rural Service Co., 499 U.S. 340 (1991).

1 This service provides callers with Local and National Directory Assistance, Call
2 Completion, category searches, and search by telephone number. To access this service,
3 the caller simply dials '00' and the call is routed to the customer's presubscribed
4 interexchange carrier.

5
6 For example, AT&T's "00" service was first introduced in SBC's Missouri region in
7 February 1999. The service is available statewide to AT&T's retail residence and
8 business subscribers where AT&T is the presubscribed interexchange carrier. See
9 Schedule 3 for information on AT&T's 00 Information service. MCIWorldCom also
10 offers statewide Directory Services via 00.

11 12 10-10-ATT-00

13 This service is available to all callers within Missouri regardless of whether AT&T is the
14 subscriber's presubscribed interexchange carrier. Callers simply dial 10-10-ATT-00 to
15 reach AT&T's Directory Assistance Services, including Local and National Directory
16 Assistance, Call Completion, category searches, and search by telephone number. With
17 availability statewide, this service is another comparable alternative to SBC's Local and
18 National Directory Assistance and Call Completion.

19 20 Infone's 1-888-411-1111

21 This service provides callers throughout Missouri with Local and National Directory
22 Services, Call Completion, category searches, and other enhanced services such as: event

1 times and locations, restaurant reservations, hotel reservations, flight information, driving
2 directions, and roadside assistance. *See* Schedule 4 for information on Infone's 1-888-
3 411-1111 service.

4 5 LSSI's Easy 411

6 This service, targeted at mobile phone users, provides Local and National Directory
7 Services and search by telephone number (reverse directory assistance). *See* Schedule 5
8 for information on LSSI's Easy411 service.

9 10 Area Code-555-1212

11 When an end user dials an area code+555-1212 and the area code is outside the caller's
12 local calling area, the Directory Assistance call is routed to the end-user's presubscribed
13 interexchange carrier's Directory Service. For example, if a customer residing in the 314
14 area code dials 816-555-1212 for Directory Assistance information, the call is routed to
15 his or her presubscribed interLATA interexchange carrier. Toll providers throughout
16 Missouri, including AT&T, MCIWorldCom and Sprint provide this service. Currently,
17 there are over 500 interexchange service providers certificated to provide service in the
18 state of Missouri.

19 20 Wireless Directory Assistance Services

21 Directory Assistance Services, including Local and National Directory Assistance, Call
22 Completion, category searches, search by telephone number, and various information

1 services are also available from wireless carriers serving in Missouri. Typically, wireless
2 callers access their wireless carrier's DA service by dialing 411 or 555-1212. Wireless
3 providers have the option of providing DA service by using their own facilities or by
4 using a third-party wholesale provider.

5 6 Internet Directory Providers

7 Internet sites are also comparable alternatives to traditional DA Services and continue to
8 experience rapid growth as a result of increased Internet usage. The number of online
9 searches for phone numbers has increased by 3.9 billion since 2001 representing growth
10 of 240% in just three years.⁴ These services include Local and National Directory
11 Assistance, category search, and search by telephone number and are available to users
12 throughout the state of Missouri. Some Internet sites also offer call completion and
13 various information services. *See* Schedule 6 for the services offered by various Internet
14 sites. These services are typical offered for no charge to the user. There are hundreds of
15 companies providing directory listing information via the Internet. Major Internet search
16 engines and portals, telecommunication providers, directory publishers, and a host of new
17 Internet companies offer Internet Directory Services.

18 Companies offering Internet Directory Services include the following:

19 AT&T (www.anywho.com)

20 Switchboard (www.switchboard.com)

21 AOL (www.aol.com)

1 Verizon/GTE (www.superpages.com)

2 BellSouth (www.realwhitepages.com)

3 Qwest (www.dexonline.com)

4 Yahoo! (www.yahoo.com)

5 Infospace (www.infospace.com)

6 Whitepages.com (www.whitepages.com)

7 Bigfoot (www.bigfoot.com)

8 555-1212.com (www.555-1212.com)

9 911, Inc. (www.411.com)

10 Additionally, the website www.infobel.com/teldir/default.asp provides over 400 links to
11 Internet Directories. Also, attached as Schedule 6 are examples of the types of telephone
12 listing information available through Internet providers. Additionally, as the FCC has
13 recognized, the Internet has blurred the historical distinctions between printed directories
14 and Directory Assistance. For example, Nielsen Net Rating December, 2002 report of
15 the 500 most popular sites on the internet includes: Anywho.com, Infospace.com,
16 Switchboard.com, Whitepages.com and Superpages.com. In fact, sites using InfoSpace's
17 popular directory listings search engine were the thirty-sixth most popular family of sites,
18 attracting more than 9 million unique visitors. "For instance, Internet users can now
19 obtain access to databases that share many of the characteristics of both paper directories
20 and directory assistance [a]s with paper directories, users of these databases can "look

⁴ The Pierz Group: Consumers and Internet-Based Telephone Number Lookups, October 6, 2004, p. 8.

1 up" the telephone numbers of individual telephone exchange service subscribers [and] ...
2 obtain subscriber list information without consulting a paper directory."⁵

3 With increasing use of services providing high speed access to the Internet including
4 DSL, cable modems and satellite providers, as well as these services' "always on"
5 functionality, we will see an increasing use of these Internet directories because of their
6 power and convenience. Access to high speed connections significantly increases the
7 likelihood that consumers will use the Internet to look up telephone numbers.⁶

8 Other companies, like PacificEast offer internet based search engines that allow
9 individuals and organizations to look-up phone numbers. PacificEast's service is called
10 DesktopSELECT.

11
12 With the deployment of wireless data networks, callers can now access Internet-based
13 DA providers from web-enabled phones and Personal Digital Assistants (PDAs).

14
15 Directory Assistance Providers Offering Service to Business Customers

16 Directory Assistance providers, such as InfoNXX, 1-800-Tele-Deal, US Directory
17 Assistance, Discount DA, and www.411saver.com offer Directory Assistance services
18 targeted to Business customers. Here, SBC is the local exchange service provider,

⁵ Implementation of the Telecommunications Act of 1996, Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information, Third Report and Order, CC Docket No. 96-115, Second Order on Reconsideration of Second Report and Order, CC Docket No. 96-98, and Notice of Proposed Rulemaking, CC Docket No. 99-273, at page 91, September 9, 1999.

1 however, the business customer elects to choose an alternate provider for DA services.
2 *See* Schedule 7 for additional information on the services provided.

3
4 Directory Software, On-line Databases, Personal Digital Assistants

5 Residential and business customers also can purchase Directory software with a
6 comprehensive list of local and national listed telephone numbers. USA 2004 – USA
7 PhoneBook USA 2004 software is available for \$180.19 and Powerfinder software is
8 available for \$301.12. Additionally, with the storage of telephone numbers in Palm Pilots
9 and similar devices, these devices have become another substitute product for traditional
10 DA Services , including Local Directory Assistance, and National Directory Assistance.
11 Also, SBC has a CD-Rom version of its white and yellow page directories for the
12 St.Louis, Springfield and Kansas City areas that are available to select medium to large
13 business customers in their respective market areas at no charge.

14
15 White Pages and Yellow Pages Directory Publishers

16 The White and Yellow Page Directories distributed throughout Missouri by various
17 publishers also are comparable alternatives to SBC's Local Directory Assistance for
18 Missouri consumers and are made available to consumers for no charge. For example,
19 directory publishers include Alltel, Verizon, McCleod and Yellow Book.

20
⁶ The Pierz Group: Consumers and Internet-Based Telephone Number Lookups, October 6, 2004, p.6

1 **Q. ARE DIRECTORY ASSISTANCE SERVICES ALSO AVAILABLE FROM**
 2 **FACILITIES-BASED AND RESALE CLECS IN MISSOURI?**

3 A. Yes. As discussed above, DA Service alternatives are available to a subscriber of SBC's
 4 telecommunication services. Furthermore, if a subscriber chooses a facilities-based or
 5 resale telecommunication provider for telecommunication services, the subscriber has
 6 DA Service options available through these providers. DA Service alternatives are
 7 available from both facilities-based and resale telecommunication providers. *See*
 8 Schedule 8 for a summary of some CLECs offering DA service in the state of Missouri
 9 and samples of the tariffs filed by other local exchange DA Service providers.

10
 11 CLECs provide DA Services to their customers through custom routing their subscribers
 12 to their own DA facilities, a third party DA provider of their choice, or by purchasing
 13 SBC's wholesale DA services as a Resale, UNE-P, or switch-based provider.⁷ Similarly,
 14 wireless carriers provide DA Services through their own facilities or by routing Directory
 15 Assistance calls to their DA provider of choice.

16
 17 **THE PRIOR DENIAL OF STATEWIDE COMPETITIVE CLASSIFICATION**

18 **Q. WHY DID THE COMMISSION PREVIOUSLY DENY STATE-WIDE**
 19 **COMPETITIVE CLASSIFICATION FOR SBC MISSOURI'S DA SERVICES IN**
 20 **CASE NO. TO-2001-467?**

⁷ Implementation of the Local Competition Provisions of the Telecommunications Act, CC Docket No. 96-98, ¶ 448, Third Report and Order and Fourth Further Notice of Proposed Rulemaking, 15 FCC Rcd 3696, 3891-92 (1999) (UNE Remand Order).

1 A. The Commission found that “directory assistance is so closely related to basic service
2 that it cannot be subject to effective competition where basic local is not subject to
3 effective competition.”⁸

4
5 **Q. WHAT WAS THE COMMISSION’S BASIS FOR THIS RULING?**

6 A. The Commission pointed to customers’ historical access to DA by dialing “411.” The
7 Commission stated that when customers dial in this manner, the calls are routed to the
8 local exchange carrier.

9
10 **Q. DO YOU BELIEVE THAT THIS HISTORICAL LINK SHOULD CONTINUE TO**
11 **PRECLUDE THE COMMISSION FROM FINDING THAT SBC MISSOURI’S DA**
12 **SERVICES ARE SUBJECT TO EFFECTIVE COMPETITION ON A STATE-**
13 **WIDE BASIS?**

14 A. No. Regardless of the level of competition for local service, SBC Missouri’s local
15 customers have numerous choices besides SBC Missouri for DA Service. If an SBC
16 Missouri local customer were dissatisfied with SBC Missouri’s DA service or its price,
17 that customer could access one of SBC Missouri’s DA competitors simply by dialing
18 “00,” using a service like “1010ATT00” or querying one of the many Internet DA
19 provider websites. These choices for DA Services exist independent of a customer’s
20 choice of local service provider.

1
2 **Q. DOES SBC FACE COMPETITION IN DIRECTORY ASSISTANCE SERVICES**
3 **EVEN WHEN IT PROVIDES LOCAL SERVICE TO THE SUBSCRIBER?**

4 A. Yes. Competitive alternatives exist for local subscribers for Local Exchange Service and
5 DA Service. If SBC provides Local Exchange Service to the subscribers, those
6 customers can also choose to use other alternative providers for DA Services, as noted
7 previously.

8
9 **Q. DO THESE COMPARABLE ALTERNATIVES PROVIDE THE SAME**
10 **FUNCTIONALITY AS SBC'S DIRECTORY ASSISTANCE SERVICES?**

11 A. Yes. The comparable alternatives discussed above offer the same, comparable and even
12 expanded functionality as addressed previously.⁹ In fact, several of the comparable
13 alternatives described previously offer more functionality than SBC's DA Services. For
14 example, many wireless providers offer extensive information services, such as driving
15 directions, stock quotes, and weather and traffic reports, all via their DA Service.

⁸ In the Matter of the Investigation of the State of Competition in the Exchanges of Southwestern Bell Telephone Company, Case No. TO-2001-467, Report and Order, issued December 27, 2001, at p. 43.

⁹ Federal Rules control the extent to which former Regional Bell Operating Companies can deploy information services via 411. Those rules do not apply to wireless and interexchange carriers. The FCC's abbreviated dialing code order and the FCC's Computer Inquiry III rules require that if the SBC Telephone Companies use the 411 dial code, "0" or the 555 dial code to provide information services they must provide access to "411" (or any other N11 dial code), "0", or the 555 dial code on a reasonable, nondiscriminatory basis to competing information service providers. In addition to obligations under Computer Inquiry III, there are general obligations under both federal and state statutes to provide telecommunications services on a non-discriminatory basis.

1 Likewise, AT&T's '00' Information service and Internet sites provide business category
2 searches.

3
4 **Q. HOW DO THE RATES FOR THE COMPARABLE ALTERNATIVES**
5 **PREVIOUSLY DISCUSSED COMPARE TO SBC'S RATES FOR DIRECTORY**
6 **ASSISTANCE SERVICES IN MISSOURI?**

7 A. The rates available from the comparable alternatives are competitive with SBC's rates for
8 DA Services. *See* Schedule 9 for DA Services rates for SBC and a few of the other
9 competitive providers. In addition, many of the Directory Assistance Internet Services are
10 free to the end users. In fact, the Telephone Research and Action Center's website
11 (www.trac.org) provides a link to several free, on-line DA Internet Services.

12
13 **Q. IS IT CORRECT THAT THE COMMISSION DOES NOT REGULATE**
14 **SEVERAL OF THESE COMPETITIVE ALTERNATIVES?**

15 A. Yes. Many of the alternatives I have described (e.g. Internet Directory Assistance
16 Services, Wireless Carriers' Directory Assistance and Directory Software) are not
17 regulated by the Commission. The alternatives that are under the jurisdiction of the
18 Commission (e.g., AT&T, MCIWorldCom and other interexchange carriers) are not
19 subject to the same DA regulation as local exchange carriers.

20
21 **Q. ARE THESE COMPARABLE ALTERNATIVES AVAILABLE TO END-USERS**
22 **THROUGHOUT MISSOURI?**

1 A. Yes. The alternatives outlined earlier are available in every SBC exchange throughout
2 the state of Missouri.

3
4 **Q. HAS THE FCC EVER ISSUED A RULING RELEVANT TO THE**
5 **COMPETITIVE NATURE OF DIRECTORY ASSISTANCE SERVICES?**

6 A. Yes. The FCC has repeatedly found the DA Services marketplace to be competitive. In
7 its UNE Remand Order,¹⁰ the FCC removed Directory Assistance services from the list of
8 unbundled network elements. As the FCC recognized, “competition in the provision of
9 ... directory assistance has existed since divestiture [s]uch competition has
10 accelerated in the directory assistance market as a result of the Supreme Court’s decision
11 to allow copying of carriers’ white page listings in their entirety.”¹¹ Similarly, in its
12 declaratory ruling on Qwest’s provision of National Directory Assistance service, the
13 FCC found that there were a large and increasing number of players in the Directory
14 Assistance Services market. In particular, when the FCC evaluated Qwest’s request for
15 forbearance from federal 272 separation requirements for nonlocal Directory Assistance,
16 the FCC found that the company faced competition from numerous sources, including
17 CLECs, AT&T, MCIWorldCom.¹² In its Notice of Proposed Rulemaking regarding the

¹⁰ In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Third Report and Order, FCC 99-238, ¶¶ 438-464, November 5, 1999.

¹¹ Feist Publications, Inc. v Rural Service Co., 499 U.S. 340 (1991).

¹² In the Matter of Petition of US West Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance, Petition of US West Communications, Inc. for Forbearance, CC Docket No. 97-172; The Use of N11 Codes and Other Abbreviated Dialing Arrangements, CC Docket No. 92-105, September 27, 1999.

1 Provision of Directory Listing Information under the Act, the FCC again stated that, “the
2 provision of directory assistance has become increasingly competitive.”¹³

3
4 **Q. YOU MENTION THAT THE SUPREME COURT HAS RULED THAT**
5 **CARRIERS’ WHITE PAGES LISTINGS CAN BE COPIED IN THEIR**
6 **ENTIRETY. DOES THIS MEAN THAT ALTERNATE DA PROVIDERS CAN**
7 **COPY SBC WHITE PAGE LISTINGS AS A SOURCE OF LISTINGS FOR**
8 **THEIR DIRECTORY ASSISTANCE SERVICES?**

9 A. Yes. Alternate providers of DA Services are able to copy SBC’s White Page listings and
10 can then provide DA service with that information. Directory publishers may obtain,
11 upon request, nondiscriminatory access to SBC’s white page listings as required by
12 section 222 (e) of the Act. In addition, section 251(b)(3) of the Act requires that all LECs
13 provide nondiscriminatory access to DA listings, provided in bulk downloads with daily
14 updates, to competing providers of telephone exchange service. Thus, alternate DA
15 providers, have access to the same DA listing information that SBC uses to provide DA
16 services in Missouri.

17
¹³ Implementation of the Telecommunications Act of 1996: CC Docket No. 96-115; Telecommunications Carriers’ Use of Customer Proprietary Network Information and Other Customer Information, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98; Provision of Directory Listing Information under the Telecommunications Act of 1934, CC Docket 99-273; Third Report and Order, CC Docket No. 96-115, Second Order on Reconsideration of the Second Report and Order, CC Docket No. 99-98, and Notice of Proposed Rulemaking, CC Docket No. 99-273, September 9, 1999.

1 **Q. ARE DIRECTORY ASSISTANCE SERVICES PRICE DEREGULATED IN ANY**
2 **STATES TODAY?**

3 A. Yes. Directory Assistance Services have been officially recognized as being competitive,
4 deregulated, non basic, or having pricing flexibility in at least 34 states, including: Alabama,
5 Arizona, Arkansas, Colorado, Delaware, Connecticut, Delaware, Florida, Georgia, Idaho
6 (Southern), Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota,
7 Mississippi, Montana, Nebraska, Nevada, New Jersey, North Dakota, Ohio, Rhode Island, South
8 Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

9
10 **Q. DO ALL OF THE SERVICES PROVIDED BY SBC MISSOURI WITHIN THE**
11 **DIRECTORY ASSISTANCE SERVICES CATEGORY HAVE ALTERNATIVE**
12 **PROVIDERS PROVIDING SUBSTITUTABLE SERVICES AT COMPARABLE**
13 **RATES, TERMS AND CONDITIONS?**

14 A. Yes. Every service provided by SBC Missouri in the DA Services family of services
15 covered in this testimony faces effective competition.

16
17 **Q. HAS SBC CONDUCTED ANY RESEARCH THAT INDICATES CUSTOMERS'**
18 **USAGE OF THESE VARIOUS COMPETITIVE ALTERNATIVES?**

19 A. Yes, SBC conducted a market research study in the March-April 2003 timeframe. This
20 study surveyed customers via telephone interviews throughout 12 SBC states to
21 determine how customers obtained directory assistance listing information. 3,262
22 interviews were conducted (250 in each state, exception being California, where 501
23 interviews were conducted – 250 in Northern California and 251 in Southern California.)

1 The survey screened for customers who had utilized a phone source or an on-line source
 2 of directory assistance within the last 3 months. The total market share results were as
 3 follows: White/Yellow Pages directories: ** ____ **, 411/555-1212: ** ____ **, Internet
 4 Directory sites: ** ____ **, Wireless: ** ____ **, NPA-555-1212: ** ____ **, Other:
 5 ** ____ **. The market share results for the state of Missouri were: White/Yellow Page
 6 directories: ** ____ **, 411/555-1212: ** ____ **, Internet: ** ____ **, Wireless:
 7 ** ____ **, Area code 555-1212: ** ____ **, Other: ** ____ **. ¹⁴ The results of this study
 8 clearly indicate that competition does exist for directory assistance listings and
 9 competitive alternatives do in fact include non-phone sources for obtaining this
 10 information.

11
 12 **Q. DO YOU BELIEVE THAT SBC MISSOURI'S DIRECTORY SERVICES**
 13 **SHOULD BE CLASSIFIED AS COMPETITIVE AS ENVISIONED BY**
 14 **MISSOURI STATUTE?**

15 A. Yes. There are numerous telecommunications carriers and alternative providers in
 16 Missouri providing substitutable products and services, considering both function and
 17 price, to SBC's DA Services. Not only can consumers obtain listings by calling several
 18 competing alternatives from their wireline phone, they can also obtain Directory Services
 19 from print directories, by dialing 411 on their wireless phones, or they can access, for
 20 free, various Directory Service websites over the Internet. The growth in the number of
 21 competitors, the breadth of comparable alternatives, and the marketing efforts of

¹⁴ Taylor Research: SBC Directory Assistance Market Share, pgs. 62 and 64.

competitors support SBC's position that comparable DA alternatives exist throughout all of SBC's exchanges in Missouri.

Q. HOW WILL CUSTOMERS BENEFIT FROM SBC MISSOURI RECEIVING A COMPETITIVE CLASSIFICATION FOR DIRECTORY ASSISTANCE SERVICES?

A. Customers will be the benefactors of the change. SBC Missouri will be able to respond more quickly to the competitive marketplace, offering new products when appropriate at prices in line with those offered by the competition. This will allow for unfettered competition to drive product innovation.

Q. WHY SHOULD SBC MISSOURI BE GRANTED A COMPETITIVE CLASSIFICATION FOR DIRECTORY ASSISTANCE SERVICES?

A. The fact that SBC Missouri's prices are constrained by regulation limits its ability to respond to changing customer demands and to changing competitive markets. All competitors in today's competitive market should be treated on the same level field, thus allowing for open competition to drive product innovation.

Q. HAS THE USAGE OF SBC'S DIRECTORY SERVICE BEEN IMPACTED BY COMPETITIVE DIRECTORY SERVICES?

A. Yes. Clearly, as shown on my Highly Confidential Schedule 1HC, SBC Local DA Service volumes have significantly declined since 1998. SBC is experiencing similar trends with

1 National DA Service since 2002. SBC's National DA Service was first introduced in 1998.
 2 SBC is experiencing DA service volume declines even though, according to published
 3 independent research cited below, the overall directory assistance marketplace is growing.
 4 The declines in SBC's DA service call volume is indicative of increasing DA service
 5 competition, particularly when the telecommunications marketplace continues to change
 6 and subscribers migrate among local service providers. While SBC does not have access to
 7 specific usage information from its competitors, the available evidence strongly suggests
 8 that competition is the cause. For example:

- 9 • Independent studies by Pelorus Group shows that the telephone directory assistance
 10 marketplace as a whole continues to grow at a moderate pace.¹⁵
- 11 • Customers use Internet directories to conduct millions of searches that would otherwise
 12 be conducted through directory assistance or printed telephone directories. According to
 13 the National Telecommunications and Information Administration (NTIA), as of
 14 September 2001, 53.9 percent of the population used the Internet. In addition, about 54.3
 15 percent to 60.3 percent of Missourians are internet users.¹⁶
- 16 • Of those who use Internet for telephone number lookups (50 percent), nineteen percent
 17 say they use no other sources for that activity.¹⁷
- 18 • Independent studies by Frost & Sullivan show that the use of Internet directory assistance
 19 increased by 22.6% from 1999 – 2000. Internet directory assistance is expected to grow

¹⁵ The Pelorus Group, North American Directory Assistance Markets, “ A Special Study Of The Emerging Trends, Issues And Competitive Forces Redefining The Different DA Markets.” Pelorus Group (October 2002).

¹⁶ Department of National Telecommunications and Information Administration. “A Nation Online: How Americans Are Expanding Their Use of the Internet.” P. 8, 10.

¹⁷ Pew Internet & American Life Project Tracking Survey, Nov-Dec, 2003

1 at a rate of 34% over the next 7 years. By 2007, it is expected that the Internet will be
 2 used over 5 billion times for directory assistance information.¹⁸

- 3 • Cellular telephone usage continues to grow, as detailed in SBC Missouri witness Harry
 4 Shooshan's Direct testimony.

5
 6 **Q. PLEASE SUMMARIZE YOUR DIRECTORY SERVICES TESTIMONY.**

7 A. Customers have numerous alternatives to DA Services that are substitutable and
 8 functionally equivalent in both function and price. Consumers can obtain listings by
 9 calling several competing alternatives from their wireline phone, their wireless phones,
 10 and they can also obtain Directory Services from print directories or they can access
 11 various Directory Services websites over the Internet for free. In addition, facilities-
 12 based and resale telecommunication providers also are providers of DA Services.
 13 Therefore, SBC faces local exchange competition in DA Services from CLECs and it
 14 faces competition in DA Services even when it provides local service to its own local
 15 exchange subscribers.

16 Furthermore, the FCC has repeatedly found the DA Services marketplace to be
 17 competitive due to the large and increasing number of players in the Directory Services
 18 market.

19 Furthermore, the FCC in its UNE Remand Order found the DA Services marketplace to
 20 be competitive due to the large and increasing number of players in the Directory
 21 Services market.

¹⁸ *Invasion of Internet Directory Assistance Creates New Challenges for Telephone*

1 With the breadth of DA Service alternatives available in Missouri, it is appropriate for the
2 Commission to apply the same regulation to SBC Missouri as it does to other competitive
3 telecommunications providers and therefore grant a competitive classification for DA
4 Services.