

**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)	Case No. TO-2005-0035
Southwestern Bell Telephone, L.P., d/b/a)	
SBC Missouri.)	

SBC MISSOURI'S POSITION STATEMENT

SBC Missouri,¹ pursuant to the Missouri Public Service Commission's ("Commission's") September 21, 2004 Order Adopting Procedural Schedule, respectfully submits SBC Missouri's position on the issues being presented to the Commission for resolution in this case.

THE APPLICABLE STANDARD

Under Section 392.245.5 RSMo (2000), the Commission is to "investigate the state of competition in each exchange . . . and shall determine . . . whether effective competition exists in the exchange for the various services of the incumbent local exchange telecommunications company." If the Commission determines that effective competition for a service exists in an exchange, it is to award competitive classification for that service. Effective competition is defined in Section 386.020.13 and requires consideration of:

- (a) the extent to which services are available from alternative providers in the relevant market;
- (b) the extent to which the services of alternative providers are functionally equivalent or substitutable at comparable rates, terms and conditions;
- (c) the extent to which the purposes and policies of Chapter 392, RSMo, including the reasonableness of rates, as set out in Section 392.185, RSMo., are being advanced;
- (d) existing economic or regulatory barriers to entry; and
- (e) any other factors deemed relevant by the commission and necessary to implement the purposes and policies of Chapter 392, RSMo.

¹ Southwestern Bell Telephone, L.P., d/b/a SBC Missouri, will be referred to in this pleading as "SBC" or "SBC Missouri."

SBC MISSOURI'S POSITIONS ON THE ISSUES

Issue 1: The Commission, pursuant to Section 392.245.5 RSMo. 2000, previously classified SBC Missouri's core business switched and business line-related services in the Kansas City and St. Louis exchanges as competitive in Case No. TO-2001-467. In which additional SBC Missouri exchanges, if any, does effective competition for those services exist, such that SBC Missouri's core business switched and line-related services should be classified as competitive?

SBC Missouri Position: SBC Missouri's core business switched services² and its line-related services³ should be classified as competitive in all remaining SBC Missouri exchanges. SBC Missouri has demonstrated that there are many alternative providers in each of these exchanges offering substitutable or functionally equivalent services, at comparable rates, terms and conditions, to the core business switched services and line-related services offered by SBC Missouri. Alternative providers include certificated Competitive Local Exchange Carriers ("CLECs") (some of whom are also interexchange carriers or "IXCs") ,⁴ and numerous non-regulated competitors including wireless,⁵ internet-based telephony (i.e., Voice over Internet Protocol or "VoIP"),⁶ e-mail,⁷ and customer premise equipment ("CPE") providers.⁸

² SBC Missouri's core business services consist of "non complex" or basic business access services, including exchange access line services, and Basic Rate ISDN (DigiLinesm Service); and "complex" services such as Analog Trunks (PBX trunks), "High Capacity Exchange Access Line Services," including Digital Loop Service, SuperTrunk and Primary Rate ISDN (SmartTrunksm) Service (digital PBX trunks), SelectData®, Reserve Lines and Payphone lines. (Fernandez Direct, p. 2 and Schedule 2)

³ Line-related services, consisting primarily of vertical services, include such services as call waiting, call waiting ID, call forwarding, three-way calling, speed calling, call return, auto redial, priority call, caller ID services, and a number of other services offered by both SWBT and CLECs in all of SWBT's Missouri exchanges. (Fernandez Direct, pp. 5-6, and Schedule 2).

⁴ Fernandez Direct, pp. 16-19

⁵ Fernandez Direct, p. 21; Unruh Direct, pp. 35-37, and Schedules 14, 15; Shooshan Direct, pp. 3-6, Schedule 2.

⁶ Fernandez Direct, pp. 22-23; Fernandez Surrebuttal, pp. 3-5, Schedules 3-7; Unruh Direct, pp. 37-42, Schedules 16-17.

⁷ Fernandez Direct, p. 22.

⁸ Fernandez Direct, p. 17.

CLECs provide an array of telecommunication services using (1) their own facilities; (2) unbundled network elements (UNEs) purchased from SBC Missouri or other CLECs; and (3) resale of SBC Missouri's retail telecommunications services.⁹ There are a minimum of 30 CLECs in every SBC Missouri exchange that have filed tariffs offering core business switched services and line-related services.¹⁰ These CLECs offer a variety of basic business access services that may be combined with business long distance services as well as vertical features, data services, and internet services.¹¹ In addition to their certification by the Commission and Commission-approved tariffs, CLECs which provide core business switched services are listed in every white pages directory throughout SBC Missouri exchanges,¹² and advertise their services throughout Missouri.¹³ Additionally, alternatives such as CPE will perform many of the same functions as many of SBC Missouri's line-related services.¹⁴

Although the statute does not require SBC Missouri to experience any particular level of market share loss in order to have its services classified as competitive, SBC Missouri has as of June, 2004, on a statewide basis, lost 36% of its access lines to CLEC competitors alone. (SBC Missouri also presents highly confidential exchange-specific market share in Mr. Unruh's direct testimony.)¹⁵ There are no substantial barriers to competitors offering business services, as demonstrated by the substantial number of competitors actually operating in each exchange and the substantial market share obtained. Moreover, the purposes and policies of Chapter 392 are

⁹ Fernandez Direct, p. 9-11.

¹⁰ Fernandez Direct, pp. 18-19.

¹¹ Fernandez Direct, p. 6.

¹² Unruh Direct, p. 26, Schedule 8.

¹³ Fernandez Direct, pp. 18-20, and Schedules 6P, 7, 9-12; Fernandez Surrebuttal, pp. 2-3, Schedules 1 and 2..

¹⁴ Fernandez Direct, pp. 3, 14-16.

¹⁵ Unruh Direct, p. 21, Schedules 3, 4, and 12HC.

being advanced. These business access lines and related services clearly face effective competition in all of SBC Missouri's exchanges in Missouri, and should be classified as competitive pursuant to Section 392.245.5 RSMo. 2000.

Issue 2. In which SBC Missouri exchanges, if any, does effective competition exist for SBC Missouri's Plexar services such that those services should be classified as competitive pursuant to Section 392.245.5 RSMo. 2000?

SBC Missouri Position: SBC Missouri's Plexar® brand of Centrex services¹⁶ should be classified as competitive in each SBC Missouri exchange pursuant to Section 392.245.5 RSMo. 2000.

The Commission has already recognized that LEC-provide Centrex services is subject to effective competition, both from other competing telecommunications providers and from unregulated suppliers of switching equipment installed on the business customer's premises. Based on this finding, the Commission granted state-wide competitive classification to Sprint's Centrex services.¹⁷ On the same basis, Staff supports a competitive classification for SBC Missouri's Plexar services in this case.¹⁸

Here, SBC Missouri has demonstrated that its business customers have had competitive alternatives to its Plexar brand of Centrex services for decades. Key telephone systems and PBXs were developed and offered to business customers to replace central office based service

¹⁶ Plexar is the trademarked brand under which SBC Missouri sells its Centrex service. Centrex is a central office based communications system that allows business customers to use SBC Missouri's central office technology instead of purchasing their own switching equipment. The Plexar family of services includes Plexar-1, Plexar Express, Plexar II and Plexar-Custom. Like other Centrex systems, Plexar services provide basic call processing capabilities, such as call hold, call transfer, and three-way calling. Additionally, some Plexar services also offer advanced voice and data call handling, such as basic rate interface (BRI) and integrated service digital network (ISDN) capabilities. Fernandez Direct, p. 12.

¹⁷ In the Matter of the Investigation of the State of Competition in the Exchanges of Sprint Missouri, Inc., Case No. IO-2003-0281, Report and Order, issued December 4, 2003 at pp. 39-41.

¹⁸ McKinney Rebuttal, pp. 13-14.

offerings for larger business customers, and continue to be an attractive competitive alternative for business customers that choose to own their own voice system.¹⁹ And new Internet Protocol ("IP") technology has energized the PBX market.²⁰ In addition, several CLECs in Missouri offer tariffed central office based Centrex services in Missouri that are similar to Plexar, using their own switching equipment, UNEs from SBC Missouri or another CLEC, or by reselling SBC Missouri's Plexar services to their end-user customers.²¹

Both CLEC and non-CLEC competitors provide alternatives to SBC Missouri Plexar services which are functionally the same or substitutable for SBC Missouri's Plexar services. These competitors provide services at comparable rates, terms and conditions to the Plexar services provided by SBC Missouri. Although there is no statutory requirement to experience any level of market share loss to obtain competitive classification, SBC Missouri's Centrex market share has declined substantially and is projected to decline even further in line with national trends.²² The Commission should classify SBC Missouri's Plexar services as competitive in each SBC Missouri exchange in Missouri pursuant to Section 392.245.5 RSMo. 2000.

Issue 3. The Commission, pursuant to Section 392.245.5 RSMo. 2000, previously classified SBC Missouri's residential access line and residential line-related services in the Harvester and St. Charles exchanges as competitive in Case No. TO-2001-467. In which additional SBC Missouri exchanges, if any, does effective competition exist, such that SBC Missouri's residential access line and residential line-related services should be classified as competitive?

¹⁹ Fernandez Direct, pp. 14-16.

²⁰ Fernandez Direct, pp. 15-16.

²¹ Fernandez Direct, pp. 12-13.

²² Fernandez Direct, p. 15HC.

SBC Missouri Position: SBC Missouri's residential access line services²³ and its line-related services²⁴ should be classified as competitive in all remaining SBC Missouri exchanges.

Numerous CLECs provide tariffed residential telecommunications services throughout SBC Missouri's service territory that are functionally equivalent to or directly substitutable for SBC Missouri's residential access line and line-related services. CLECs provide such services either on a resale basis, by purchasing UNEs from SBC Missouri or another CLEC, or by utilizing their own facilities.²⁵ CLECs offer such services at rates that are comparable to SBC Missouri's rates,²⁶ and offer the same local calling scopes.²⁷ CLECs are also actively marketing their residential line services in Missouri.²⁸

SBC Missouri also faces effective competition for its residential access line and line-related services from "non-traditional" sources, such as wireless service, cable telephony, and VoIP service. Wireless service is now a viable substitute for landline service and a survey of Missouri metropolitan area wireless users indicates 18% of wireless users do not have a landline phone.²⁹ Cable telephony, which uses cable TV wiring, is a direct substitute for SBC Missouri's landline telephone services as are VoIP providers.³⁰ Both cable telephony and VoIP provide the

²³ Residential access line services includes those services that provide basic voice access to the telecommunications network. For residential service, the most typical service is flat rate telephone service. In addition, there are other forms of access including measured service and message rate service. (Stoia Direct, p. 10.)

²⁴ SBC Missouri's residential access line related services include vertical services and custom calling features such as calling waiting, auto redial, three-way calling, call blocker, caller ID with name delivery, caller ID with number delivery, speed dial 8 and call waiting ID. (Stoia Direct, p.21).

²⁵ Stoia Direct, pp. 3, 10-13; Unruh Direct, p. 19.

²⁶ Stoia Direct, pp. 11-12

²⁷ Stoia Direct, pp. 12-13.

²⁸ Stoia Direct, p. 13, and Schedule 7.

²⁹ Shooshan Direct, pp. 4, 17-18; Stoia Direct, pp. 13-15, Schedule 8.

³⁰ Stoia Direct, pp. 4, 16-18.

same service and basic features as SBC Missouri's residential access line and line-related services.³¹

While the statute does not require SBC Missouri to experience any level of market share loss in order to receive competitive classification, SBC Missouri has experienced a substantial loss of residential access lines and line-related services. On statewide basis, and looking only at CLEC competitors, SBC Missouri has lost approximately 11% of residential access lines. (SBC Missouri also presents highly confidential exchange-specific market share information in Mr. Unruh's direct testimony.)³² In the three years since the last competitive classification case, CLEC residential lines have more than tripled.³³ There are no substantial barriers to entry in the residential access line market, as evidenced by the number of competitors and market share impact. Moreover, the purposes and policies of Chapter 392 are being advanced. SBC Missouri's residential access line and line-related services should be classified as competitive in each Missouri exchange pursuant to Section 392.245.5 RSMo. 2000.

Issue 4. In which SBC Missouri exchanges, if any, does effective competition exist for SBC Missouri's directory assistance (DA) services such that those services should be classified as competitive pursuant to Section 392.245.5 RSMo. 2000?

SBC Missouri Position: SBC Missouri directory assistance (DA) services³⁴ should be classified as competitive in each SBC Missouri exchange in Missouri pursuant to Section 392.245.5 RSMo. 2000.

³¹ Stoia Direct, pp. 16-18.

³² Unruh Direct, pp. 21, 43, Schedules 3, 4, 13HC and 18.

³³ Unruh Direct, p. 21.

³⁴ SBC Missouri's DA services include local directory assistance, directory assistance call completion, and National Directory Assistance. (Moore Direct, p. 3)

Numerous competitive DA providers offer services that are functionally equivalent to, or substitutable for, SBC Missouri's DA service at comparable rates and terms throughout Missouri, including all SBC Missouri exchanges. These competitors include regulated telecommunications companies, like long distance carriers and CLECs (who provide directory services to their customers through their own facilities, through a combination of their own facilities and UNEs purchased from SBC Missouri, or by reselling SBC Missouri's services);³⁵ as well as non-regulated wireless service providers, internet content providers, directory publishers, independent directory services providers, software companies and others.³⁶

SBC Missouri has demonstrated the availability of multiple competitive directory assistance alternatives throughout SBC Missouri's exchanges in Missouri, including 00 info service, (offered by AT&T and MCI WorldCom);³⁷ 10-10-ATT-00;³⁸ area code-555-1212 (provided by toll providers throughout Missouri, including AT&T, MCI WorldCom and Sprint);³⁹ wireless directory services;⁴⁰ internet directory services (provided by AT&T, Switchboard and AOL, among others);⁴¹ directory software, online databases, and personal digital assistants;⁴² and white pages and yellow pages directories.⁴³

Competition for DA services is not tied to the level of competition for the underlying access line. Regardless of the level of competition for local service, SBC Missouri's local

³⁵ Moore Direct, p. 12 and Schedule 8.

³⁶ Moore Direct, p. 4.

³⁷ Moore Direct, pp. 5-6, and Schedule 3.

³⁸ Moore Direct, p. 6.

³⁹ Moore Direct, p. 7.

⁴⁰ Moore Direct, pp. 7-8, Schedule 5.

⁴¹ Moore Direct, pp. 8-10.

⁴² Moore Direct, p. 11.

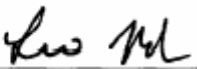
⁴³ Moore Direct, pp. 11-12.

customers have numerous choices besides SBC Missouri's 411 service for DA service. If an SBC Missouri local customer is dissatisfied with SBC Missouri's DA service or its price, the customer can easily access numerous competitive alternatives that exist independent of the customer's choice of local service provider.⁴⁴ Staff supports competitive classification for SBC Missouri's DA services, having found that the various DA services being offered in the state "are highly substitutable to one another."⁴⁵

The Commission should classify SBC Missouri's directory assistance services as competitive throughout Missouri pursuant to Section 392.245.5 RSMo. 2000. The FCC has repeatedly found the directory services marketplace to be competitive.⁴⁶ There are a wide range of services which are functionally equivalent or substitutable to SBC Missouri's DA services, which are offered at comparable rates, terms and conditions throughout every SBC Missouri exchange in Missouri.

Respectfully submitted,

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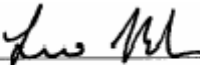
⁴⁴ Moore Direct, pp. 12-16.

⁴⁵ Cecil Rebuttal, pp. 8-9.

⁴⁶ Moore Direct, pp. 16-17.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document were served to all parties by electronic mail on January 24, 2005.



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