

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Hearing

February 1, 2005
Jefferson City, Missouri
Volume 3

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

VICKY RUTH, presiding,
SENIOR REGULATORY LAW JUDGE

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STEVE GAW,
ROBERT M. CLAYTON, III,
LINWARD "LIN" APPLING,
COMMISSIONERS.

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1 PROCEEDINGS

2 JUDGE RUTH: We are back on the record in Case
3 No. TO-2005-0035. My name is Vicky Ruth, and it is Tuesday,
4 February 1st. When we broke yesterday, we had finished with
5 Staff's cross-examination, is that correct, Staff?

6 MR. HAAS: Yes, that's correct.

7 JUDGE RUTH: Okay. Then we are now ready for
8 Public Counsel's cross of the witness Sylvia Acosta
9 Fernandez.

10 MR. DANDINO: I have no questions for Ms.
11 Fernandez.

12 JUDGE RUTH: Okay. And I'll remind Ms.
13 Fernandez that you are still under oath from yesterday.
14 Thank you.

15 And we'll move on to the interveners.

16 CROSS-EXAMINATION

17 QUESTIONS BY MR. LUMLEY:

18 Q. Good morning.

19 A. Good morning.

20 Q. In your discussions regarding business
21 services, do you or does -- more specifically, does your
22 company consider a multiline business customer to be
23 obtaining basic service such that it's subject to the -- the
24 inflation area adjustments or do they consider a multiline
25 business customer to be a nonbasic where the rate could go up

1 eight percent a year under price caps?

2 A. I'm not sure -- my impression was they're
3 treated the same.

4 Q. Can you think back to price changes? Have
5 there been increases for multiline business customers that
6 would have exceeded the inflation area factors?

7 A. What I can tell you is since 2001, when we got
8 competitive classification in St. Louis and Kansas City, we
9 examined the single-line and multiline rates and took the
10 opportunity to adjust them, and as far as rate increases are
11 concerned, to your question about that, I'm not aware of a
12 recent rate increase on multiline rates.

13 Q. On page 7 of your direct, you indicate that
14 SBC has been able to develop attractive bundle pricing
15 arrangements, at the top of the page, correct?

16 A. Uh-huh. At the top of the page, it says -- on
17 page 7?

18 Q. Right.

19 A. Bundling provides greater savings to business
20 customers?

21 Q. And the next sentence you indicate that SBC
22 has been able to develop attractive bundling?

23 A. Right, have developed attractive bundling
24 pricing arrangements.

25 Q. And an example of that would be the big easy

1 package that you referred to yesterday?

2 A. No, it would be our business unlimited offer.
3 That offer in the marketplace is a combination of local
4 service, the most popular vertical features. It's combined
5 with unlimited long distance, and it's a combined price point
6 of 5899. That would be the local and LDPs. That was a
7 direct response to what MCI offered, and that's been very
8 attractive to our business customers.

9 Q. And on page 11, you speak to a promotion that
10 was introduced in 2003; is that correct?

11 A. Yes.

12 Q. And that promotion is still available today?

13 A. Yes, it is.

14 Q. On page 19 -- I spoke to your attorneys before
15 the hearing, I think they talked to you about this, that the
16 rankings of these CLECs and their expenditures on advertising
17 is not proprietary, correct?

18 A. Yeah, what I tried to do to make it easy for
19 the reader was I showed in order of expenditure from highest
20 to lowest.

21 Q. Okay. So AT&T is the highest, correct?

22 A. That is correct.

23 Q. On page 21, you speak to wireless service.
24 You're not saying in your testimony, are you, that you're
25 experiencing business customers totally cutting their wire

1 line service and going exclusively to wireless?

2 A. I don't have -- I don't have an ad hoc study
3 that shows the number of lines that -- we would call that a
4 total disconnect versus a partial disconnect. I don't have
5 that information. I just know from talking to customers that
6 there are customers out there in the small business arena
7 that are -- no longer feel like they can justify the cost of
8 wireless and wire line, and the utility that's the wireless
9 gives them -- is attractive to them.

10 Q. What about in the large and medium segments of
11 the market?

12 A. In the large business segment, and this is
13 really not a new phenomenon. I'd say a lot of information
14 started appearing in the news in about 2000 where large
15 business customers were migrating off of traditional circuit
16 switch services to wireless. It was really the advent of a
17 wireless land. It was the introduction of, for example,
18 Sysco's, IP, and able PBX that started driving business
19 customers to move their desktop that was traditional circuit
20 switch to an IP service.

21 It was a -- very recently in January, Ford
22 made an announcement that they were moving their wire line
23 services, 8,000 lines to Sprint's wireless service, so you
24 will see a lot more in the press about the very substantial
25 deals like that, but there's no question that small business

1 customers, medium business customers are looking for ways to
2 save money and simplify.

3 Q. If I can refer you back to page 1, at the
4 bottom, you indicate that one of the purposes of your
5 testimony is to describe SBC's current business go-to market
6 strategy. See that?

7 A. Uh-huh.

8 Q. And I didn't really see you use that term
9 again, so I wasn't clear on where that go-to market strategy,
10 what that connected to in your testimony.

11 A. My intention was to show the reader that
12 what's really different about this time that I'm on the stand
13 versus in 2001 when I was here before is the substantial
14 amount of bundling that's taking place, and so our go-to
15 market strategy in Missouri is to combine services. For
16 example, the offer I described earlier where we're clearly
17 developing something like that in direct response to a
18 competitor.

19 MCI was the first to the market to bundle
20 local and unlimited long distance together. That's a clear
21 indication of what customers are looking for, a commoditized
22 product is out there and we need to be very competitive and
23 we need to have the flexibility to do that, just like our
24 competitors do. And our go-to market strategy is very
25 similar to what our competitors are doing out there today,

1 and they have a great deal of latitude on what they can
2 bundle and how they can move rates up and down.

3 Q. Is there a specific section of your testimony
4 that ties to that go-to market strategy category?

5 A. It's funny how you don't think it's very long
6 until you have to flip through it. The section that really
7 talks about it starts around page 23. As you can see in the
8 order, we talk a lot about business services and the type of
9 competition that's out there, and if I didn't refer to --
10 specifically a go-to market strategy in here, then that was
11 an oversight on my part. It makes it, I guess, harder for
12 the reader to follow.

13 MR. LUMLEY: Okay. That's all my questions.
14 Thank you.

15 JUDGE RUTH: We're going to not go off -- I
16 mean, we'll go off the record, but I'd ask that nobody leave
17 the room. We're going to see if any of the Commissioners are
18 on their way.

19 (A BREAK WAS HELD.)

20 JUDGE RUTH: We're back on the record. Ms.
21 Fernandez, at this time, I'm going to let you step down and
22 we will come back to you later with some questions from the
23 bench. So if you could remain available today, I would
24 appreciate it. And it's my understanding this is where
25 Southwestern Bell wants to switch a witness around; is that

1 correct?

2 MR. BUB: That's right, your Honor, we'd like
3 to present our witness Harry Shooshan.

4 JUDGE RUTH: Okay. Bring him on up. Okay.
5 You'll have to help me Shooshan?

6 THE WITNESS: Shooshan.

7 JUDGE RUTH: Okay.

8 (The witness was sworn.)

9 JUDGE RUTH: Thank you. You may be seated,
10 and you may proceed, Mr. Bub.

11 MR. BUB: Thank you, your Honor.

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. BUB:

14 Q. Good morning, Mr. Shooshan.

15 A. Good morning.

16 Q. Would you please state your full name for the
17 record?

18 A. Yes, my name is Harry M. Shooshan,
19 S-H-O-O-S-H-A-N.

20 Q. Mr. Shooshan, it's correct that you're a
21 principle in strategic policy research, which is a public
22 policy in an economics consulting firm?

23 A. Yes, that's correct.

24 Q. And you've been engaged by SBC Missouri to
25 conduct a survey of wireless and land line subscribers in

1 Missouri and to testify on the issue of wireless
2 substitutability?

3 A. Yes, I have.

4 Q. Okay. Are you the same Harry Shooshan that's
5 prepared prefiled direct testimony that's been marked as
6 Exhibit 13?

7 A. Yes.

8 Q. And surrebuttal that's been marked as Exhibit
9 14?

10 A. Yes, I am.

11 Q. Are there any corrections that you'd like to
12 make to either piece of testimony?

13 A. No, Mr. Bub, there are not.

14 Q. Okay. If I asked you the same questions that
15 are contained in Exhibits 13 and 14 now, would your answers
16 be the same?

17 A. Yes, they would.

18 Q. And are those answers true and correct?

19 A. Yes, they are.

20 MR. BUB: With that, your Honor, we'd like to
21 offer Exhibits 13 and 14 into the record.

22 JUDGE RUTH: Okay. Exhibits 13, the direct,
23 and 14, the surrebuttal, have been offered. Are there any
24 objections to them being received into the record? Staff?

25 MR. HAAS: No objection.

1 JUDGE RUTH: Public Counsel?

2 MR. DANDINO: No, your Honor.

3 JUDGE RUTH: Interveners.

4 MR. LUMLEY: No, your Honor.

5 JUDGE RUTH: Okay. Exhibits 13 and 14 are
6 received into the record.

7 MR. BUB: Thank you, your Honor. At this
8 time, we'd like to offer Mr. Shooshan for cross-examination
9 by the other parties.

10 JUDGE RUTH: Okay. Thank you. And we'll
11 start our cross with Staff.

12 CROSS-EXAMINATION

13 QUESTIONS BY MR. HAAS:

14 Q. Mr. Shooshan, please turn to page 4 of your
15 direct testimony where you're giving a summary of the results
16 of the survey.

17 A. Yes, sir.

18 Q. At line 8, you report that 18 percent of
19 wireless customers do not have traditional telephone service
20 in their homes. Do you have an age breakdown for those
21 customers who do not have traditional telephone service in
22 their homes?

23 A. We -- we exclude, as you may know, from the
24 respondents when we did the surveys, anyone who was 18 or
25 younger, so all of the respondents in the survey would have

1 been older than 18. The purpose of that in the -- in both
2 cases was to make sure that we had -- we were surveying adult
3 members of households.

4 Q. At page 12, you report that the Yankee Group
5 reported a year ago that 12 percent of 18 to 24 year olds
6 have gone totally wireless. Is your survey telling us
7 anything more than that, these 18 to 24 year old have gone
8 totally wireless?

9 A. I'm not clear what you're -- the Yankee Group
10 was an estimate that was made based on nationwide examination
11 they made of a market. Our surveys were of Missouri
12 consumers, so what our -- what our survey showed was that
13 Missouri consumers of wireless services were substituting
14 wireless and that -- that spanned all age groups.

15 Q. You surveyed all age groups --

16 A. Yes.

17 Q. -- but is 18 percent who reported that they
18 had gone wireless, what age group were they in?

19 A. Again, the -- the number of respondents that
20 we're talking about here, if you look at the wireless survey,
21 which is my exhibit -- or Schedule C, page 14, we have the
22 distribution there of the respondents to the wireless survey;
23 36 percent of the respondents were ages 18 to 30, 44 percent
24 were 31 to 50, and 20 percent were 51 and over.

25 Q. Looking at your report, can I conclude

1 anything other than -- or could I conclude that all that
2 you've told me is that half of your youngest age group have
3 gone totally wireless?

4 A. Oh, I don't think that would be correct, but
5 if you'd like to see the -- the numbers broken down by the
6 distribution by age group, we can certainly do it. I haven't
7 presented it that way. You didn't raise that issue in your
8 rebuttal testimony, but if you'd like to see those numbers
9 broken down, we'd be happy to do it and supply it for the
10 record. And I think you would see, as I've seen in the eight
11 other states that I've conducted these surveys that the
12 distribution is -- is significant through all age groups
13 including the 51 and over. But I'd be happy to supply that
14 information. It's easy to do from the raw data that we have.

15 Q. Do you have that number with you today?

16 A. I don't have it with me today, but I can
17 supply it for the record.

18 Q. In that same bullet point that I referred you
19 to earlier, then, you go on to say furthermore of the
20 remainder that still use traditional telephone service, drop
21 down two bullets, 72 percent believe that cellular service
22 would be a satisfactory replacement for all the calls that
23 they make or receive in their homes.

24 And if I've done the math correctly, if we
25 take 100 percent minus 18 gives 82 percent --

1 A. Right.

2 Q. -- times 72 percent, then we're now talking
3 about 59 percent?

4 A. Subject to check, yes. 72 percent is of those
5 who continue to have a wire line connection, which would be
6 the 82 percent, you're correct. What that shows very
7 clearly, and the purpose of that question, when you ask
8 people could they substitute wireless usage for all of the
9 calls they make or receive in their home, 59 percent of the
10 total wireless caller surveyed is a very significant number
11 and that, in addition to all of the other evidence from the
12 survey, strong evidence, I think, of substitutability of
13 these two services.

14 Q. Did you ask that group of respondents why they
15 have kept a wire line phone if cellular service would be a
16 satisfactory replacement for all the calls they make or
17 receive in their homes?

18 A. No, we didn't ask that question. One of the
19 things that you know when you do surveys, that open-ended
20 questions, when you ask people, are -- add complexity to the
21 survey. We were -- we were asking some 20 questions anyway.
22 You have to understand when you're administering surveys that
23 they're, as I'm sure all of us have seen when we've been
24 recipients of those calls, you have to achieve some
25 economies. There are a lot of questions I would have liked

1 to ask, but the survey research firm said we have to keep
2 this within tolerable means or limits, so.

3 Q. Shouldn't the question of whether a cell phone
4 user receives calls on their cell phone in their home be a
5 separate question from whether they make calls on their cell
6 phone in their home?

7 A. I don't see why not. We asked them do they
8 make and receive calls, and they said, you know, substantial
9 number said yes. In fact, a very high number, significant
10 number said that it was the primary phone that they used in
11 their home to make or receive calls. So I mean, again, we
12 could have had a 400 question questionnaire and nobody would
13 have taken the time to answer it, so we tried to ask the most
14 pertinent questions that we felt reflected or would reflect,
15 depending on the answers we got, on the issue of
16 substitutability, which is one of the criteria in the statute
17 that the Commission has to apply here.

18 Q. If the phone rings in your home, are you going
19 to answer it?

20 A. If the phone rings in my home, am I going to
21 answer it?

22 Q. Or someone going to answer it?

23 A. Not necessarily, that's what we have caller ID
24 for.

25 Q. And is it possible that you would use one

1 phone, perhaps your one phone to receive calls or one type of
2 phone, like either wire line or wireless, and a different
3 type to make calls?

4 A. Well, it's conceivable, but that's one of the
5 reasons that we ask people when they gave out their phone
6 numbers what phone numbers they gave out, and we found a vast
7 majority of both wireless and wire line customers gave out
8 either their wire line phone only or both numbers.

9 I think with the advent of these so-called big
10 bucket plans with lots of minutes, people are far less
11 adverse now to receiving calls on their wireless phones and
12 do all the time. So I think there are a variety of patterns
13 that you would observe in particular households, but the
14 survey results, it seems to me, show pretty conclusively that
15 people are substituting wireless usage and connections in
16 their homes today. Here in Missouri. This is a
17 Missouri-specific survey.

18 Q. Still on page 4, you report there is a
19 wireless user in 70 percent of households, and in those
20 households, I turn to page 5, the third bullet point, 26
21 percent have considered discontinuing traditional telephone
22 service and relying entirely on their cell phones. Did you
23 ask that group of respondents why they have not discontinued
24 traditional telephone service and relied entirely on their
25 cell phones?

1 A. No, we did not. Let me clarify something so
2 that you're not making a mistake here.

3 The 70 percent number, this has been used
4 before in this hearing, which appears on page 4, is 70
5 percent of the wire line households, and more importantly,
6 it's 70 percent of the SBC wire line households. Again, as
7 you might note, we purposely discontinued the survey if we
8 had a wire line customer that was other than SBC's, because
9 the thrust of the survey was to obtain information on how
10 SBC's wire line customers viewed wireless service. So the 70
11 percent is of SBC's wire line households, just to be clear.

12 But then to your point, again, as I said, no,
13 we did not ask why people have not discontinued their wire
14 line phones. I have in focus groups asked that question, if
15 you would like me to elaborate, but we did not ask it in a
16 survey.

17 Q. Please turn to page 20.

18 A. Yes, sir.

19 Q. On line 8 begins a clause that reads SBC
20 Missouri knows that it will risk losing those customers, and
21 I believe it's reference to those who see wireless as a
22 substitute, if it raises its basic telephone service prices.
23 And how does that risk protect those consumers who do not see
24 wireless as a substitute?

25 A. Well, very simply. In the first place,

1 remember the evidence that's been presented by SBC in this
2 case, and I'm only talking to the wireless part of that, is
3 of a variety of services in the marketplace that are
4 substitutes for basic exchange service. So the fact that one
5 particular customer might not see wireless as a substitute
6 doesn't mean that they're not a potential or actual users of
7 the V over IP, Voice over Internet Protocol. It also doesn't
8 mean that they may not be a CLEC offering as a substitute.

9 So remember the question of substitutes is not
10 whether one service in and of itself is a substitute for
11 everybody, but whether collectively in the marketplace
12 they're substitutes.

13 Now as to your point just on wireless, what
14 we have seen here is substantial number of consumers in the
15 state who've cut the cord already. Others who have told us
16 that wireless service is a satisfactory substitute for all of
17 the calls they make or receive in their home. It's not
18 necessary that everybody in the state see wireless as a
19 substitute. A substantial number would, and if SBC raises
20 its basic exchange rates and loses those customers, it
21 becomes an unprofitable move for SBC. And that provides a
22 check and protection for the people who for whatever reason
23 wouldn't see one of these substitutes as an alternative for
24 them.

25 Because again, as Dr. Aron explained

1 yesterday, market power is the ability to raise rates and
2 sustain them for a substantial period of time and make money
3 from doing that. And if you lose 29 percent of your existing
4 customer base to wireless, for example, if you were to do
5 this, it would be a -- an unprofitable move, and I would
6 predict that SBC wouldn't take such a step, but again that's
7 what the evidence shows.

8 Q. Also on page 20, you state your belief that,
9 at line 17, of the existence of no fewer than seven wireless
10 providers in the St. Louis, Kansas City, and Springfield
11 metropolitan areas. Did you include Cingular in that list?

12 A. In the list of seven, I did, but I indicated
13 earlier in my testimony that if you take Cingular out, then
14 the number is six.

15 Q. Do you have estimated line counts or wireless
16 customer counts for each of those six companies versus
17 Cingular?

18 A. No, we don't. We did not try to make that
19 estimate. Again, the statute talks about the availability of
20 substitutes in the market, and as Mr. Unruh's testimony
21 demonstrated pretty clearly, 96 percent of SBC's customers
22 have at least two wireless providers, and that's excluding
23 Cingular. What we found in the metropolitan areas, which are
24 the areas that we surveyed, that there were at least six
25 unaffiliated providers. And most, I think five -- at least

1 five in all of the -- of the three metropolitan areas, that's
2 ample choice, it seems to me, among wireless providers.

3 Q. At Schedule 2, you have included a list of
4 wireless calling plans or summary of wireless calling plans.
5 By comparison of these plans, what features does an SBC basic
6 local customer receive, a customer who takes no additional
7 vertical services?

8 A. I'm sorry, I don't understand your question.

9 Q. Well, for instance, does an SBC basic local
10 customer get a certain amount of minutes of long distance
11 service?

12 A. Not as part of the basic local package, that's
13 right.

14 Q. Do you know if these packages include things
15 like -- if the wireless packages include any vertical
16 services?

17 A. Yes, they do. I mean, a really good example
18 that would be probably easier for the Commission to follow
19 would be on page 10 of my direct testimony where I talk about
20 the T-Mobile basic plan, which is \$19.95 a month starting on
21 line 16 there. This is drawn from Schedule 2.

22 It's aimed at, quote, budget cuts and
23 consumers who need a phone for light daily use and
24 emergencies. It's 60 whenever minutes, 500 weekend minutes,
25 that can be used for any distance calling. That includes

1 voicemail with paging, caller ID, conference calling, call
2 waiting, and call hold, customer care, directory assistance,
3 emergency calls, and detailed billing. That's \$19.95 a
4 month.

5 So, I mean, that is one of the significant
6 attractions of wireless plans is that they encompass within
7 them not only any distance calling, but a lot of the -- many,
8 if not all of the vertical features, that SBC would offer.
9 Admittedly not as part of basic local exchange service, but
10 again, as was testified to by both Dr. Aron and Ms. Fernandez
11 earlier today, increasingly what people are buying and what's
12 being sold to them is packages, and the value that people
13 derive in the marketplace today is from these packages, and
14 that's what we've learned from wireless, that's what we were
15 learning from Voice over Internet Protocol, it's what we've
16 learned from the long distance carriers, AT&T and MCI, with
17 their big bundled minutes plans.

18 Q. Please turn to Schedule 3.

19 A. Yes, sir.

20 Q. And at page 7, question three asks do you or
21 does anyone in your household have a cell phone. And if the
22 respondent answers no, the directions are skip to question
23 13.

24 A. Yes.

25 Q. At page 11 of the schedule, question 11 asks

1 how satisfactory do you think cellular service would be if
2 you used it for all the calls that you make and receive in
3 your home. And that's one of the questions that's skipped,
4 right?

5 A. It's skipped if somebody says they don't have
6 a cell phone in their home, yes, that's right. We wouldn't
7 ask someone who doesn't have a cell phone in their home if
8 they would find a cell phone satisfactory for all the calls
9 they make or receive in their home, since they have no basis
10 to tell us that.

11 Q. Are you concluding that a person who doesn't
12 have a cell phone in his or her home has never used a cell
13 phone?

14 A. Oh, no, no indeed. That's why the skip
15 pattern if somebody says no, we do ask them question 13.
16 Have you, yourself, ever made or received calls using a cell
17 phone, and then if we have, we ask them about satisfaction in
18 question 14, so it's very important for us to know that, but
19 again, we -- we don't probe any deeper if somebody tells us
20 in the answer to question three that they don't have or no
21 one in their household has a cell phone.

22 Q. Why would you not ask someone who has made
23 cell phone calls but doesn't have a cell phone in their home
24 question 11, how satisfactory do you think cellular service
25 would be if you used it for all the calls that you make or

1 receive in your home?

2 A. I think you're confused. We didn't ask them
3 that question.

4 Q. You're right.

5 A. We asked them question 14.

6 Q. Why not ask them 11? Doesn't the failure to
7 ask question 11 of those who don't have cell phones in their
8 home artificially increase the survey results as to the
9 substitutability of all phones for land lines -- pardon me,
10 of cell phones for land lines?

11 A. No, it doesn't. What we're attempting to do
12 here is, I mean -- in fact, if I were to have -- if I were of
13 to have presented a number to this Commission of all people
14 who have used a cell phone, right, I think you'd be standing
15 there suggesting I was being misleading. In fact, what we've
16 done is we're only probing as to the issues of
17 substitutability, frankly, with people who say that today
18 that a person that they or a person in their household has a
19 cell phone.

20 That's the relevant -- that's the relevant
21 population for us to probe on this issue of substitutability.
22 Again, I think that what's important to understand here is
23 that we're not trying here to present any kind of market
24 share number. We're trying to understand from consumers
25 themselves how they view this alternative product in the

1 marketplace. And so for the people who are using it actively
2 today to make and receive calls in their home, we want to
3 understand what patterns they're following, that is, are they
4 using it just for long distance as has been suggested or for
5 local calls.

6 We found out substantial number, something
7 like 26 percent, use it primarily for local calls. We want
8 to ask them what number they're giving out when they give out
9 a personal number. We found out a substantial number, a
10 majority, give out either the cell phone number or both
11 numbers. So by asking these questions of the people who are
12 the most familiar with and the heaviest users today of cell
13 phone service, we're probing as to the very essence of
14 substitutability. I'm not suggesting, as I said in answer to
15 your earlier question, that this has to be or is a substitute
16 for everybody.

17 Q. Why isn't it relative to probe the
18 substitutability of cell phones for those who do not have
19 cell phones in their homes?

20 A. Because more than likely they have no basis
21 for an opinion. If they haven't used a phone in their home,
22 they can't tell us about is it satisfactory for making or
23 receiving all the calls you make or receive in your home.

24 MR. HAAS: No further questions.

25 JUDGE RUTH: Public Counsel.

1 MR. DANDINO: Thank you, your Honor.

2 CROSS-EXAMINATION

3 QUESTIONS BY MR. DANDINO:

4 Q. Good morning, Mr. Shooshan.

5 A. Good morning.

6 Q. You mentioned in the -- that you had performed
7 a similar surveys in other states; is that correct?

8 A. Yes, I had caused them to be performed. We
9 don't actually do the survey. KS&R -- Knowledge, System and
10 Resources Systems does the surveys.

11 Q. In what states did you perform those in?

12 A. Several times in New Jersey, once in Illinois,
13 I'd have to check and see. I mean, I'm thinking all-in-all,
14 probably about, subject to check, about eight times we've
15 done these surveys.

16 Q. Okay. When you say these type of surveys,
17 would you say they're consumer attitude surveys? Would that
18 be a fair?

19 A. They are consumer attitude surveys and they
20 are -- specifically relate to the issue of wireless.

21 Q. Excuse me, go ahead.

22 A. We're currently doing some surveys in other
23 states. The results have not been completed yet, which will
24 also look at Voice over Internet Protocol as well.

25 Q. Now, the surveys you did in the other states,

1 you said approximately eight?

2 A. Yes.

3 Q. Were they all the same type basic wireless,
4 the substitutability of wireless for wire line?

5 A. Yes.

6 Q. And for who did you conduct these studies or
7 direct these studies?

8 A. They have been parts of cases similar to this,
9 competitive classification cases, so in each case, they would
10 have been performed for the incumbent local exchange carrier,
11 Verizon, AmeriTech, before the merger or maybe it's just
12 after the merger in Illinois, I forget the timing, and then
13 obviously here we've done a couple for Qwest.

14 Q. Those were all regional Bell operated?

15 A. Yes.

16 Q. And the -- if I understand what the universe
17 that you were selected from was the -- were MCA customers in
18 the St. Louis, Kansas City, and Springfield metropolitan
19 calling area plan exchanges; is that correct?

20 A. Yes.

21 Q. You said you did both a wire line and a
22 wireless. What was the source of the wireless numbers?

23 A. Source of the wireless numbers was a list of
24 NPA and NXXs that we had gotten from SBC. They know the NXXs
25 that are assigned to wireless carriers, and so they pulled

1 those numbers, and KS&R went through those -- that pool of
2 numbers and drew their random sample from those.

3 And then as you probably saw, once -- for the
4 wireless survey, once a respondent was contacted, we asked
5 them their zip code to try to confirm, if we could, the fact
6 that they did, in fact, reside in one of those metropolitan
7 areas.

8 Q. How did these people who suddenly get a survey
9 over their wireless phone, how did they react to that?

10 A. Well, obviously KS&R was able to get the
11 number of completes we paid them to get, so you know, it's
12 one of the things that was pointed out. I think I mentioned
13 this in my surrebuttal testimony, somebody raised the point
14 about some kind of self-selection bias here that we -- we ask
15 that the calls be made at times when wireless customers would
16 tend to have their phones turned on.

17 Many of us have their phones on all the time,
18 except, of course, when we're in a hearing room like this,
19 but for example, we had -- it was the evenings, we had Sunday
20 -- Sundays, in particular Sunday evenings, so we get people
21 at, you know, have these free weekends, that type of thing.
22 I mean, we wanted to try to get the completes. Typically I'm
23 told by KS&R, it's a little bit more difficult to get the
24 number of completes with wireless customers, but it's doable.
25 We've done it and continue to do it.

1 Q. Do you know how many --

2 JUDGE RUTH: May I interrupt you just a
3 minute? I'm sorry. We're having technical problems. We're
4 going to go off the record for five minutes, but I ask that
5 you not leave the room.

6 (A BREAK WAS HELD.)

7 JUDGE RUTH: We're going to go back on the
8 record. And I apologize for that interruption, but I think
9 we're ready to go again, Mr. Dandino.

10 MR. DANDINO: Thank you, your Honor.

11 QUESTIONS BY MR. DANDINO:

12 Q. How many calls did they have to make on the
13 wireless in order to get the sample size?

14 A. I don't know that number off the top of my
15 head.

16 Q. In -- in your survey, which is in Schedule 3
17 of your direct, it indicates a range of sampling errors for
18 each one of them.

19 A. Yes, sir.

20 Q. Is this -- how is this sampling error
21 calculated?

22 A. Well, what's the formula that's used?

23 Q. Or is it a, you know, measure of the standard
24 deviation from a median?

25 A. It's a standard deviation. Basically it is

1 the -- it is the margin of error plus or minus that KS&R
2 would attach to a sample size of a particular number. In
3 other words, if you notice there's a number N that appears
4 there. That's the actual raw number of people that are -- or
5 respondents that constitute those that answered a particular
6 question, and so the confidence interval around a particular
7 result increases as the -- as N is higher, let's put it that
8 way, as you get a larger number of respondents.

9 And I should point out that, again, in a
10 perfect world where one had an unlimited budget and unlimited
11 amount of time, you could get that confidence interval down
12 to, you know, plus or minus one, if you wanted to, but that
13 would be a very expensive survey.

14 Q. But that plus or minus means the correct one
15 could fall anywhere within the range of the plus or to the
16 minus, so if it's plus or minus ten, it would fall anywhere
17 to the high of ten down to the low, right?

18 A. That's correct. I mean, it's the same thing
19 we see, for example, in political polling, for example, where
20 confidence intervals are provided.

21 Q. What do you think the impact of the, oh, I
22 guess the introduction and widespread use of camera phones
23 has on -- on the effect of more people getting a wireless
24 service? I mean, that seems to be a major selling point now,
25 so is it -- is it also considered a reflection of a

1 substitute for a camera?

2 A. That's an interesting question. I think that
3 my view is that -- as a user of a cell phone that happens to
4 have a camera on it, although I just assume not have it, but
5 that's what -- they told me it was cheaper to get the phone
6 with the camera than the one without the camera. I don't
7 think that's a major driver of usage now. What I -- or even
8 penetration.

9 What I do think it is is another reflection of
10 the value added that you get by having a wireless phone. The
11 fact that you can take a picture, if its camera enabled. The
12 fact that you can check e-mail from it. The fact that you
13 can -- mine has a web browser on it. I can browse the web,
14 get a sports score or news headline if I want. I can have
15 alerts sent to that phone.

16 Those are all important features in addition
17 to what I call the traditional vertical services that we
18 enumerated earlier in my discussion with Staff counsel, so
19 they're part of the value added package. I don't think
20 they're the driver, for example, that they've become in
21 Europe where camera phones are very popular, and account for
22 a lot of the usage. I haven't seen that wave crest here in
23 the US yet.

24 Q. What about in the, I guess, the younger from
25 18 to 25, 26, do those customers seem to be more driven by

1 the camera and the web browser features rather than the
2 telephone?

3 A. Again, this would be based on what I've seen.
4 We haven't surveyed on this. Based on what I've seen in the
5 trade press generally and what I've observed as a heavy user
6 myself, I think those applications are probably -- tend to be
7 more used by the younger users. On the other hand, I must
8 say we were at dinner last night and we got out our cell
9 phones and were showing pictures, and there was a wide range
10 of ages, including yours truly, who have pictures of my
11 daughter on my cell phone, so I don't know right now. That,
12 to me, again, is a part of the value added package. I don't
13 think it's a major driver of the penetration.

14 Q. Also a substitute for a picture album.

15 A. Exactly.

16 MR. DANDINO: That's all I have your Honor,
17 thank you.

18 JUDGE RUTH: Thank you, Mr. Dandino. And
19 Mr. Lumley.

20 CROSS-EXAMINATION

21 QUESTIONS BY MR. LUMLEY:

22 Q. If you could refer to page 19 of your direct
23 testimony. Lines 4 through 6, you make the statement nearly
24 1 in 5 wireless users in Missouri does not have traditional
25 wire line telephone service in his or her home. Do you see

1 that?

2 A. Yes.

3 Q. And would it be more accurate if that said --
4 first of all, the nearly 1 in 5 you're referring to your 18
5 percent figure, correct?

6 A. Yes.

7 Q. And rounding that to 20 -- 20 percent?

8 A. I said nearly 1 in 5. Yes, that's what I'm
9 referring to, yes.

10 Q. Right. But it's actually your survey did not
11 measure users in Missouri, correct, it measured wireless
12 users in SBC's MCA area?

13 A. That's correct.

14 Q. All right. So you were -- this number does
15 refer directly back to your survey results?

16 A. Yes, it does. I think there was some
17 confusion in -- your client's rebuttal testimony indicated
18 that, I mean, the -- I said very clearly, I think, up front,
19 what the survey -- what the universe of the survey was, so a
20 reference to wireless -- to wireless users in this case
21 refers to the wireless users in the area surveyed.

22 Q. All right. Now, in your wire line survey, you
23 specifically stopped asking questions if they were not SBC
24 wire line customers, correct?

25 A. Yes, that's correct.

1 Q. But in the wireless survey, you were -- it was
2 not a criteria to be a customer of an SBC affiliate, was it?

3 A. Oh, no, no.

4 Q. All right.

5 A. No, the purpose of excluding SBC's wire line
6 -- non -- nonwire line customers or customers, for example,
7 of CLECs from the wire line survey was we really wanted to
8 target and understand the preferences, the views of SBC's
9 current wire line customers, and that's why we had that
10 screener in there.

11 Q. Going back --

12 A. There's no comparable screener in the wireless
13 survey, you're correct.

14 Q. Going back to page 4, and carrying over to 5,
15 you have the -- the category of results that starts with
16 there being a wireless user in 70 percent of households.

17 A. Again, this is the wire line -- this is the
18 wire line survey, so it's 70 percent of wire line -- of SBC
19 wire line households in the three metropolitan areas.

20 Q. And then under that heading, you have some
21 additional percentage results, correct?

22 A. Yes.

23 Q. Now am I understanding that correctly, for
24 example, where you say 7 percent use their cell phones as the
25 primary home phone, that's 7 percent of the 70 percent?

1 A. Yes.

2 Q. So if we were to try to translate that back to
3 households, it would be 4.9 percent?

4 A. Subject to check, I mean, that's -- I haven't
5 worked it out that way.

6 Q. And with the margin of error in the survey
7 results, it could be a higher figure, or it could be a lower
8 figure than that, correct?

9 A. Yes, and of course, that's why one looks at
10 the cumulative weight of the survey and not any one
11 particular result.

12 Q. In looking at this 7 percent of the 70
13 percent, so 4.9 percent of households, at the low end, that
14 would go down as low as 3.2 percent, the margin of error?

15 A. Right, and that's the -- these are households
16 that already -- that have not already disconnected their wire
17 line phone and are relying on wireless exclusively.

18 Q. On page 12, and you discussed this a little
19 bit with Mr. Haas, the Yankee Group results, the 12 percent
20 of 18 to 24 year olds going totally wireless.

21 A. Yes.

22 Q. With regard to that, would you agree with me
23 that that's not -- one cannot draw the conclusion that that's
24 a lifetime decision on the part of those people?

25 A. That's not a lifetime decision?

1 Q. Right.

2 A. Um --

3 Q. For example --

4 A. I found at my age, there are few lifetime
5 decisions, but no, I wouldn't think that's a lifetime
6 decision.

7 Q. For example, as they grow older, and marry and
8 have children, and buy their homes, they may go back to a
9 wire line service?

10 A. I think it's entirely likely the way trends
11 are developing that by the time they grow old and have
12 children, there will be -- they will be going all the
13 wireless in the household, including wireless Internet with
14 things like Y fie (ph. sp.), Y max. I mean, the
15 spectrum-based technologies, to me, are the clear winner in
16 the long run, and you know, wires to the home are going to be
17 -- whether they're provided by the cable company or by
18 companies like SBC or the CLECs, are going to become less and
19 less important in the long run.

20 Q. Well if your company wants to give up, we can
21 conclude the proceedings, I think.

22 A. Well, it's not my company. Our company is all
23 wireless today at SBR, so.

24 Q. But you would agree with me that the Yankee
25 Group results cannot be legitimately interpreted that these

1 folks have made a lifetime decision?

2 A. This came up with Dr. Aron. I mean, I think
3 we're going to see, you know, in the -- in the competitive
4 albeit complex marketplace that we have today, customers
5 moving back and forth between CLECs and ILECs, between ILECs
6 and wireless providers, between cable companies and -- and
7 CLECs and ILECs. I mean, people will have those choices, and
8 over time, I think we'll see some shifting patterns.

9 What's significant now is the -- is the
10 tremendous growth in the substitution of both wireless
11 connections and wireless usage for wire line. That's what
12 I'm here primarily to reflect on in my testimony.

13 Q. If you could then turn to page 20. And again,
14 this is a section of your testimony that you've already
15 discussed with Mr. Haas.

16 A. Yes.

17 Q. But I wanted to explore further this concept
18 of protection that you were referring to here on lines 11 and
19 12, and is the underlying premise of this statement that --
20 that the price change that would drive customer A to wireless
21 service would be a price change that has to affect customer B
22 who wouldn't make the change, that there's a -- I mean, the
23 underlying premise is that there's not going to be
24 discrimination in rates between the group that's going to
25 jump ship and the group that you say is therefore protected.

1 Am I understanding what you're saying there correctly?

2 A. What I'm saying here is -- is what I've said
3 here, which is in order to exercise market power, which is at
4 the heart of the effective competition finding that this
5 Commission has to make, it's the ability, and Dr. Aron
6 discussed this at some length yesterday, not just to raise
7 prices, but to raise them profitably, which means over an
8 extended period of time and to maintain those increases.

9 What I observe here is if one does that, and a
10 substantial number albeit not all of their customers shift to
11 a competitive technology, that's not a profitable decision
12 for them to make. That's all I'm observing here. This goes
13 to the point of does it have to be a substitute for
14 everybody, and I've said, as I said earlier in questioning
15 with Staff, it does not have to be a substitute for
16 everybody, just for a substantial enough number to exercise
17 price discipline on SBC.

18 Q. But aren't you assuming that this price
19 increase that you say risks driving certain customers away
20 from the network would be a price increase that also applies
21 to others? I mean, you're assuming a uniform price increase
22 -- let me back up. The company who looks at the possibility
23 of planning a price increase, right?

24 A. Right.

25 Q. And as they evaluate that, they try and figure

1 out how many customers might leave for wireless because we've
2 increased the price, right, that's what you're talking about?
3 They're trying to assess that?

4 A. Certainly as part of the competitive thinking
5 if they change prices will be what's the competitive effect
6 going to be.

7 Q. And what you're saying is that other customers
8 who probably wouldn't leave anyway are protected because this
9 would be a uniform price change, and if the company doesn't
10 make it, because it's concerned about this one group that
11 would leave, the group that probably wouldn't leave has been
12 protected. Isn't that what you're saying?

13 A. Well, if you're asking me is there a -- is
14 there a way for them to discriminate somehow, is that what
15 you're asking me?

16 Q. Well, first I'm trying to get to an
17 understanding of whether you're relying on uniformity of
18 price changes to make your statement.

19 A. My observation here is as much based on the
20 way in which the competitors offer their services as SBC.
21 Basically that T-Mobile \$19.95 rate is available throughout
22 the state of Missouri to everybody ratepayer.

23 Q. I don't think you're responding to my
24 question. Your Honor, if I could --

25 JUDGE RUTH: Court Reporter, could you please

1 read back the question?

2 COURT REPORTER: "Question: Well, first I'm
3 trying to get to an understanding of whether you're relying
4 on uniformity of price changes to make your statement."

5 THE WITNESS: I wasn't necessarily relying on
6 uniform price changes.

7 BY MR. LUMLEY:

8 Q. All right. Do you agree that it's a
9 possibility that the risk of losing customers to wireless as
10 a result of a basic telephone price increase could be reduced
11 through win back discounts?

12 A. I haven't thought about that.

13 Q. All right. Could it be reduced by offering a
14 discount on wireless service if they go to Cingular?

15 A. Could be, I don't see anything necessarily
16 wrong with those things. I mean, I think the fundamental
17 point, that's why I asked about discrimination. What you're
18 suggesting, I guess, is -- or what you seem to be implying,
19 which is why I had trouble with it, and asked you what I did
20 in response, was if somehow SBC could target just those
21 customers who didn't see wireless as a substitute and jack up
22 their rates, and I'm telling you they couldn't identify that
23 universe, No. 1, and what's going to happen over time is that
24 as we've seen in the way the numbers have changed, that
25 universe is going to shrink over time.

1 As to whether they could employ in a
2 competitive marketplace a variety of techniques to win back
3 customers, to stick customers -- increase the stickiness of
4 customers to their service, that's what this case is all
5 about. They want same flexibility that the competitors have
6 to put a package and bundle out there, to provide, for
7 example, uniform pricing, like the wireless carriers can.

8 My understanding is that given the current
9 state of regulation in Missouri, even with price caps, SBC
10 could not role out that kind of uniform offering because
11 they'd have to -- it would be so complex to how to fit that
12 under the price cap rules, they couldn't do it. Yet that's
13 the trend I see companies like SBC and others going to, a
14 flat rate, uniform simple offering. We're talking for
15 residence customers, not just for business.

16 It's very much like the offering that Vonnage
17 makes today, \$24.95 for everybody, for everything, \$19.95 for
18 everybody for everything. And that's -- that's where the
19 world's going. It's not being driven by, you know, tariff
20 books and, you know, 30-day notice versus 10-day notice.
21 It's the ability to price the market and compete with the
22 products that are already out there and that's what I see the
23 importance of this case being about.

24 Q. I mean, you indicated that you didn't believe
25 that SBC could identify consumers that wouldn't be willing to

1 change service even after a price increase, but in fact, they
2 are able to identify such customers as a result of those that
3 do call them to cancel service, identify themselves as the
4 group that is willing to change, and they are able to offer
5 them a win back discount at that time, aren't they?

6 A. I don't know what the rules are here in this
7 state on win backs. I do know generally what the industry
8 practice is.

9 Q. Which is?

10 A. Which is that where they have not been
11 prohibited, carriers are available to offer a win back --
12 make win back offers. I mean, again --

13 MR. LUMLEY: That's all my questions, your
14 Honor.

15 THE WITNESS: I'd be happy to finish my
16 answer, but.

17 JUDGE RUTH: Okay. We don't have our
18 Commissioners again, so I'm going to ask you to step down,
19 but remain available and we'll recall you later.

20 THE WITNESS: Fine.

21 JUDGE RUTH: Okay. SBC, would you please call
22 your next witness?

23 MR. BUB: Thank you, your Honor, we'd like to
24 call Ms. Sandy Moore.

25 JUDGE RUTH: Okay.

1 (The witness was sworn.)

2 JUDGE RUTH: You may proceed, Mr. Bub.

3 MR. BUB: Thank you, your Honor.

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. BUB:

6 Q. Good morning, Ms. Moore.

7 A. Good morning.

8 Q. Would you please state your full name for the
9 record?

10 A. My name is Sandy M. Moore, M-O-O-R-E.

11 Q. Thank you. And you're employed by SBC
12 Operations, Inc.; is that correct?

13 A. Yes, it is.

14 Q. And you're here today to testify about
15 directory assistance, or as we know it in the industry, DA?

16 A. That's correct.

17 Q. And you're the same Sandy Moore that caused to
18 be filed Exhibit 7, which is the NP, or nonproprietary,
19 version of your testimony, Exhibit 8, which is the highly
20 confidential version of that direct testimony, and Exhibit 9,
21 which is your surrebuttal; is that correct?

22 A. Yes, I am.

23 Q. Are there any changes you need to make to any
24 of this testimony?

25 A. I do have one change in my direct testimony.

1 Q. And what's that?

2 A. It's on the first page. My title has changed.

3 Q. What's your new title?

4 A. My new title is Executive Director of Consumer
5 Marketing for Core Voice Services.

6 Q. And that's C-O-R-E?

7 A. That's correct.

8 Q. Okay. And are you still responsible for
9 directory assistance at SBC under this new title?

10 A. Yes, I am.

11 Q. Okay. With the exception of the title change
12 that you just mentioned, if I asked you the same questions
13 now that are contained in Exhibits 7, 8, and 9, would your
14 answers be the same?

15 A. Yes, they are.

16 Q. Okay. And are those answers true and correct?

17 A. Yes, they are.

18 MR. BUB: With that, your Honor, we'd like to
19 offer Exhibits 7, 8, & 9 into the record, please.

20 JUDGE RUTH: Okay. Exhibit 7, Ms. Moore's NP
21 direct, Exhibit 8, her HC direct, and Exhibit 9, the
22 surrebuttal, have been offered into evidence. Are there any
23 objections from staff?

24 MR. HAAS: No objection.

25 JUDGE RUTH: Public Counsel?

1 MR. DANDINO: No, your Honor.

2 JUDGE RUTH: Intervenors?

3 MR. LUMLEY: No, your Honor.

4 JUDGE RUTH: Seeing no objections, Exhibits 7,
5 8, and 9 are received into the record.

6 MR. BUB: Thank you, your Honor. With that,
7 we'd like to offer Ms. Moore for cross-examination.

8 JUDGE RUTH: Okay. We'll begin our cross from
9 Staff.

10 MR. HAAS: The Staff has no cross-examination
11 for Ms. Moore.

12 JUDGE RUTH: Okay. Public Counsel.

13 MR. DANDINO: Yes, your Honor.

14 CROSS-EXAMINATION

15 QUESTIONS BY MR. DANDINO:

16 Q. Good morning, Ms. Moore.

17 A. Good morning.

18 Q. If I have Southwestern Bell local service --

19 A. Uh-huh.

20 Q. -- and I dial 411, whose DA service will I
21 get?

22 A. 411 goes to your local service provider.

23 Q. So in that case, it would go to SBC, right?

24 A. That's correct.

25 Q. And if I have -- and if I have -- and if I

1 dial 1 plus 411, where will that -- what DA will that be
2 directed to?

3 A. I probably should say in the Southwestern Bell
4 region, you have to dial 1 plus 411. You can't just dial 411
5 versus, for example, in our Midwest region, you dial 411.

6 Q. Okay. So when you dial 1 plus 411, you get
7 your local carrier again?

8 A. That is correct.

9 Q. How do you get the long distance DA?

10 A. If you were to dial an area code 555-1212,
11 that is one option to getting to your long distance provider
12 for directory assistance service. You can also dial 00.
13 With NPA 555-1212 routing, it depends on the area code you
14 dial. If you dial a local area code, it would go to your
15 local provider. If you dial intralata toll, it would go to
16 your intralata toll provider, and if that area code is in an
17 interlata area code it will go to your LD provider.

18 Q. So whoever gets your DA call, it depends on
19 who you're presubscribed to; is that correct?

20 A. If you dialed area code 555-1212, but there
21 are several other options in terms of how to get that
22 information.

23 Q. Sure. But if that's what you're -- that's the
24 -- that's what you get for if you dial using those
25 techniques, right?

1 A. Area code 555-1212, correct.

2 Q. I can't say it that fast.

3 A. Sorry.

4 Q. Does SBC provide any free directory assistance
5 calls in Missouri?

6 A. The way our 411 service works is you are
7 charged a rate per call unless the local telephone number
8 that you're looking for is not in the directory. If the
9 number you're looking for is not in the directory on the
10 residential side, you receive 30 calls free per month, and on
11 the business side, you receive 10 calls free per month.

12 Q. Okay. For -- are wireless telephones listed
13 in the directory?

14 A. I can't say with certainty. It really would
15 depend on the wireless carrier. I think generally there's
16 issues in the industry right now about wireless carriers
17 listing wireless numbers, but some wireless carriers may ask
18 their customer today if they want to be listed and perhaps
19 they are.

20 Q. In SBC's white pages directory in Missouri,
21 are wireless numbers usually listed?

22 A. I am not a hundred percent certain if any
23 customers list just their wireless number.

24 Q. Okay. They definitely will have their wire
25 line number, right?

1 A. Customers have options for listings. They can
2 choose to be nonpublished so their numbers are not in the
3 directories or directory assistance, or they can choose to be
4 nonlisted, where their number would be omitted from the
5 directory but would be in directory assistance.

6 Q. Well, not listed, okay. An unlisted number,
7 it's not in the -- in the -- in the database or it's not
8 revealed?

9 A. We have two types of services, as I just
10 mentioned. If a customer selects to be nonpublished, for
11 example, then their listing would not be in the printed
12 directory or directory assistance or there's another service
13 where it would be unlisted where it would still be in
14 directory assistance databases but not in the published
15 directory, so there's options for our customers.

16 Q. Okay. If you're -- if a customer is using
17 wire line service, wire lines -- they're on the line, let's
18 say trying to find a line -- trying to find a number, can
19 they -- what's -- what process would they have to go through
20 in order to use an Internet provider of DA?

21 A. When you say when they're online so they're?

22 Q. I mean they're talking on their telephone.
23 Talking on a telephone, or I hang up and I'm sitting up in my
24 office upstairs, and I say I need a number in -- somewhere in
25 Pennsylvania.

1 A. Uh-huh.

2 Q. Okay. What process do I -- can I just get a
3 -- find an Internet number -- how would -- what process would
4 I have to go through in order to use an Internet provider of
5 directory assistance?

6 A. Okay. For Internet providers of directory
7 service, a couple different options. You can have dial up
8 service, you can have a broadband service to get to the
9 Internet or via your wireless phone.

10 Q. What I'm saying is I want to try to find a
11 number. What steps do I have to take?

12 A. Once you're already online?

13 Q. Not online, I'm on the telephone, I'm talking
14 or I'm sitting in my office and I want to use the telephone
15 and I want to find a number. How do I get the Internet DA
16 when I'm using the telephone?

17 A. So you're on the phone on one line?

18 Q. Right.

19 A. Basically you would dial up to your Internet
20 provider via another line in that scenario, or if you have a
21 DSL service via your DSL service, or if you have a wireless
22 phone, Internet access there, so basically customers have
23 options in terms of how to get to the worldwide web, and once
24 they're on the worldwide web, there's hundreds of directory
25 sites there.

1 Q. But I would have to move from the telephone to
2 the web in order to use the Internet service?

3 A. That's correct, I'm not aware of any wire line
4 service that you can be on the phone and say dial up the web.

5 Q. If I'm on a wireless telephone, I would
6 probably -- either -- what process would I have to go through
7 in order to use the -- an Internet provider of DA?

8 A. Similar to wire line, dial up DSL or today's
9 technology on wireless also has Internet dial up.

10 Q. If I'm using a wireless -- if I'm using a
11 wireless phone and how would -- can I use the wireless DA
12 service to find wire line numbers?

13 A. Yes. There's several options, like I said,
14 for directory assistance service. Internet directory sites,
15 as we just went through, is one great example of alternatives
16 out there. Another is wireless.

17 Q. Excuse me. You're giving me all the examples,
18 and I was asking just for is there a way to get it.

19 A. Yes.

20 Q. Okay.

21 A. Wireless customers offer directory assistance
22 through 411.

23 Q. Okay. Now, if I have wire line service, can I
24 obtain wireless numbers through the wire line directory
25 assistance?

1 A. The, like I mentioned before, the wireless
2 directory information is an industry-wide issue right now in
3 terms that the wireless carriers are dealing with in terms of
4 do their customers want to be listed or not and how do they
5 want to handle that.

6 Q. Is your answer yes or no?

7 A. In terms of do they -- can you repeat the
8 question? Sorry.

9 Q. Yes. If -- can a -- can I obtain -- from a
10 wire line, a wire line DA, can I obtain wireless numbers?

11 A. If the wireless carrier and the wireless
12 customer decide they want their listings included, there
13 would be processes to get that content into the database.

14 Q. But is that a usual and typical case where
15 wire line numbers are contained in the database of a wireless
16 -- of -- excuse me. Let me reword this. If I could say
17 cellular I'd use that.

18 If a -- can you -- is a -- if I have a wire
19 line directly assistance, okay, do they typically carry
20 wireless numbers in their database?

21 A. Typically, they would not.

22 Q. Okay.

23 A. It would be the same for wireless databases.

24 Q. Okay. What are the super pages?

25 A. It's one example of a web directory site.

1 Q. Is that one operated or owned by SBC?

2 A. No, it's not, ours is smart pages.com.

3 Q. Smart pages. Okay. And does Southwestern
4 Bell still use the line let your fingers do the walking?

5 A. You know, I'm not in the directory business,
6 so I'm not a hundred percent certain.

7 Q. And the directories is an alternative to
8 directory assistance?

9 A. Yes, it is.

10 Q. And the Yellow Pages are an alternative to
11 directory assistance?

12 A. Yes, it is.

13 Q. If --

14 MR. DANDINO: That's all I have.

15 THE WITNESS: Thank you.

16 JUDGE RUTH: Mr. Lumley.

17 CROSS-EXAMINATION

18 QUESTIONS BY MR. LUMLEY:

19 Q. If you could look at page 20 of your direct
20 testimony, at line 8 you discuss the prospects of SBC
21 offering new products. Do you see that?

22 A. Yes, I do.

23 Q. Are there new products specifically that SBC
24 is waiting to offer in the event it gets the relief it's
25 seeking in this case?

1 A. When you look at our new products, you know,
2 obviously we don't spend a lot of time in a given state doing
3 what-if scenarios, but if we had the competitive flexibility,
4 we would certainly look at what new products it would make
5 sense to enter into the market with.

6 Q. So you don't have any specific new products in
7 mind today?

8 A. Not today, but what I can tell you, actually,
9 two weeks from today, I will be doing some focus groups to
10 look at that very subject of what else we can be doing in our
11 directory assistance market.

12 Q. And do you understand that the price cap
13 statute specifically allows the introduction of new services
14 today?

15 A. Yes, I do.

16 Q. Now you testified in the previous case on this
17 subject, correct?

18 A. That's correct.

19 Q. On the same product area?

20 A. Yes.

21 Q. Can you describe what changes SBC has made in
22 its products -- in this product area since the last case?

23 A. Since our last case, we actually have
24 introduced one enhancement to directory assistant services
25 called business category search with proximity is what we

1 call it. So for example, if a business customer was looking
2 for a dry-cleaners in a certain city but didn't know the
3 business name, they could call directory assistance and say
4 I'm at the corner of whatever, I'm looking for the closest
5 dry-cleaner, but that service is under price caps.

6 Q. And have there been price changes since the
7 last case?

8 A. On that service specifically, I'm not sure.

9 Q. No, I mean, In this product area.

10 A. In this product area, yes.

11 Q. And what kind of changes?

12 A. We have increased the service -- the 8 percent
13 that is allowed by the price cap, and the prices, if you look
14 at my Schedule 9, are still quite competitive.

15 Q. So there have been price increases?

16 A. For directory assistance since our last
17 meeting, yes.

18 Q. And you indicated that this new product --
19 tell me again what you call it.

20 A. Business category search is what we called it.

21 Q. That new product, you indicated that you feel
22 it's subject to price caps?

23 A. It is.

24 Q. What -- what is the cap -- when it was
25 introduced, what was your understanding of what the cap price

1 was, the introduction price?

2 A. My understanding is when we introduced the
3 price, we established our rate for the service, but then it
4 falls under the normal price cap regulation.

5 Q. So that introductory price, you viewed that as
6 the cap at that time?

7 A. Yes.

8 Q. Subject to then the 8 percent --

9 A. That's my understanding.

10 Q. -- increases later?

11 A. Uh-huh, that's my understanding.

12 Q. What prevented you from introducing it at a
13 higher price and then immediately reducing it to your desired
14 price so that your cap would be higher?

15 A. Our pricing department, again, and I think Dr.
16 Aron and Ms. Fernandez talked about how we go about pricing
17 our services, and we made the decision to price it at the
18 price we wanted to sell our customers when we entered the
19 market.

20 Q. But would you agree with me you would have
21 been free to officially introduce it at a right 5 percent
22 higher and then immediately reduce it so you would have some
23 room if you felt like maybe turned out it would be too low,
24 you could go up a little?

25 A. I'm not certain. I would probably have to

1 refer that to one of our regulatory witnesses.

2 MR. LUMLEY: That's all my questions. Thank
3 you.

4 JUDGE RUTH: Okay. We are going to move on to
5 redirect based on the cross so far, although it may be
6 necessary to recall this witness for Commissioner questions,
7 but at this time, we're going to go ahead and move to
8 redirect.

9 MR. BUB: Your Honor, we can make this real
10 quick, we don't have any. Thank you.

11 JUDGE RUTH: Okay. Ms. Moore, you may step
12 down, but please remain available today.

13 THE WITNESS: All right.

14 JUDGE RUTH: Okay. And it's five till 10:00,
15 so this is a good time for a break. We'll take 15 minutes
16 and come back at ten after 10:00. Actually, we're going to
17 make it 20 minutes and come back at quarter after. We're
18 off-the-record.

19 (A RECESS WAS HELD.)

20 JUDGE RUTH: Right before break we finished
21 with Sandy Moore, and now we're ready for SBC to call its
22 next witness.

23 MR. BUB: Thank you, your Honor, we'd call
24 Elizabeth Stoia.

25 JUDGE RUTH: Elizabeth Stoia. Okay. Ms.

1 Stoia, I need to swear you in.

2 (The witness was sworn.)

3 JUDGE RUTH: And you may proceed, Mr. Bub,
4 when you're ready.

5 MR. BUB: Thank you, your Honor.

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. BUB:

8 Q. Ms. Stoia, could you state your full name for
9 the record, please?

10 A. Sure. It's Elizabeth Stoia, S-T-O-I-A.

11 Q. Okay. And you're employed by SBC Operations,
12 Inc.; is that correct?

13 A. That's correct.

14 Q. And you're here today to testify about SBC
15 Missouri's residential services from a retail marketing
16 perspective?

17 A. That's correct.

18 Q. Okay. And are you the same Elizabeth Stoia
19 that's caused to be filed Exhibit 10, which is the
20 nonproprietary version of your direct testimony?

21 A. That's correct.

22 Q. And Exhibit 11, which is the highly
23 confidential version of that direct testimony?

24 A. That's correct.

25 Q. And finally Exhibit 12, which is your

1 surrebuttal testimony?

2 A. That's correct.

3 Q. Are there any changes that you need to make to
4 any of that testimony?

5 A. No.

6 Q. Okay. If I were to ask you the same questions
7 that are contained in exhibits 10, 11, and 12, if I would ask
8 you those questions today, would your answers be the same?

9 A. Yes, they would.

10 Q. And are those answers true and correct to the
11 best of your knowledge?

12 A. Yes, they are.

13 MR. BUB: With that, your Honor, we'd like to
14 offer Exhibits 10, 11, and 12 into the record.

15 JUDGE RUTH: Thank you. Exhibit 10, the NP
16 direct, 11, the HC direct, and 12, the surrebuttal have been
17 offered into evidence. Staff, do you have any objections?

18 MR. HAAS: No objection.

19 JUDGE RUTH: Public Counsel?

20 MR. DANDINO: No objection, your Honor.

21 JUDGE RUTH: Intervenors?

22 MR. LUMLEY: No objection.

23 JUDGE RUTH: Okay. Exhibits 10, 11, and 12
24 are received into the record.

25 MR. BUB: Thank you, your Honor. With that,

1 we'd like to offer Ms. Stoia for cross-examination by the
2 other parties.

3 JUDGE RUTH: Thank you. We'll begin our cross
4 with Staff.

5 CROSS-EXAMINATION

6 QUESTIONS BY MR. HAAS:

7 Q. Good morning, Ms. Stoia.

8 A. Good morning.

9 Q. Please turn to page 4 of your direct
10 testimony.

11 A. Okay.

12 Q. At the top of that page, you described some
13 plans offered by wireless providers. Which of these wireless
14 plans do you think is closest to SBC Missouri's basic local
15 exchange service?

16 A. I don't believe that any of the plans that
17 I've described in here are close to just our basic access
18 land service. The ones I've described are bundled options
19 which include unlocal -- I mean unlimited local and unlimited
20 long distance plus vertical features.

21 Q. Turning to page 8 of your direct testimony, at
22 line 7, you state that an estimated 87 percent of homes in
23 SBC Missouri exchanges have access to some type of broadband
24 offering. Does that 87 percent include SBC broadband?

25 A. Yes, it does.

1 Q. And do you have a breakdown that would exclude
2 SBC broadband from that number?

3 A. Let me check my schedule. It's Schedule 4. I
4 have a breakdown between cable modem and DSL availability in
5 Schedule 4.

6 Q. But does that tell us whether it's SBC
7 broadband or not?

8 A. No, it doesn't. It gives a breakdown between
9 DSL, which is provided by SBC, and cable modem, which we do
10 not provide.

11 Q. What number of SBC exchanges have access to
12 some type of broadband offering?

13 A. I don't have the breakdown by exchange. This
14 is based on census data from 2000.

15 Q. Turning to page 9, at line 8, you report that
16 in the three years since SBC Missouri's last competitive
17 classification case, SBC Missouri has lost over 260,000
18 residential lines. What is the breakdown of these lost lines
19 by exchange?

20 A. I don't have that information readily
21 available by exchange. I do, however, in one of my exhibits
22 give you a loss by exchange from July of 2003 through July of
23 2004.

24 MR. BUB: Excuse me, for the record, Ms.
25 Stoia, could you identify that exhibit, please?

1 THE WITNESS: Oh, sure it's Schedule 10HC.

2 BY MR. HAAS:

3 Q. Does SBC Missouri provide basic local service
4 in the city of St. Louis?

5 A. Yes.

6 Q. And in that three-year time period, what has
7 happened to the population in the city of St. Louis?

8 A. I don't have that information. I'm not sure I
9 understand what you're asking me.

10 Q. Has the city population increased, decreased,
11 or stayed the same over the three years that you were looking
12 at?

13 A. I don't know the answer to that.

14 Q. If the population in a -- in an exchange that
15 is a Bell exchange lost population, how would you reflect
16 that loss of population in your line count?

17 A. We don't typically look at the population. We
18 look at the number of access lines we have and then the
19 number of access lines that we've lost to come to an
20 assumption of how many access lines we've lost. We don't
21 look at the population number, because not necessarily
22 everyone in that population takes our land line service for
23 their telephone. There's other options, wireless, Voice over
24 IP, CLECs, cable companies.

25 Q. If the population in an exchange decreases,

1 would you assume that any line loss you had in that -- in
2 that exchange was a competitive loss?

3 A. Not necessarily.

4 Q. So then you do break out some -- you do count
5 or account for population increases or decreases in your
6 count?

7 A. Not in the count that I have in my testimony,
8 no.

9 Q. At the top of page 11 of your testimony, you
10 refer to CLEC tariffs.

11 A. Uh-huh.

12 Q. Does a CLEC tariff stating that it offers
13 service in SBC Missouri exchanges mean that it serves
14 customers in each exchange?

15 A. They have the ability to serve customers in
16 each exchange.

17 Q. When you're counting CLECs, did you count the
18 CLEC providers that resell SBC service?

19 A. Yes, I do.

20 Q. And do you count CLEC providers that purchase
21 UNE-P from SBC?

22 A. Yes, I do.

23 Q. Turning to the top of page 15, you state that
24 also many customers are using wireless service as a second
25 line. Do you have support for that statement?

1 A. I have some anecdotal support. I can give my
2 own personal example. I have many nieces and nephews, 13 to
3 be exact, who -- whose parents may have land line service,
4 but rather than installing an additional line in their home,
5 they're providing my nieces and nephews, their children, with
6 wireless phones that they can use as their teen line or their
7 additional line rather than installing a land line for an
8 additional line in their home for a second line in their
9 home.

10 I also have been involved in many focus groups
11 surrounding that whole subject, and I can -- and I can tell
12 you that -- that customers are telling us that rather than
13 purchasing additional line, in many cases, they're purchasing
14 wireless phones for their teenagers to use as an additional
15 line.

16 Q. Please turn to page 20. At line 26, you use
17 the term one-stop shopping.

18 A. Yes.

19 Q. Do the SBC family of companies offer one-stop
20 shopping?

21 A. It depends upon which SBC company you're
22 contacting.

23 Q. All right. Which companies could I be
24 contacting or could a customer be contacting?

25 A. If you contacted SBC the telephone company, we

1 have the ability to offer you products and services for most
2 of our affiliates; however, if you walked into an SBC
3 Cingular store, that option is not available to you, or if
4 you called SBC long distance, that option is not available to
5 you.

6 Q. I can't find the page, but I believe you state
7 that -- that since these alternative providers compete
8 through SBC Missouri exchanges and they also offer vertical
9 services throughout SBC Missouri's exchanges -- I believe it
10 might be on 24 but I couldn't find it -- are you requesting
11 competitive classification for residential vertical services,
12 even if the Commission does not classify the underlying basic
13 local residential service as competitive?

14 A. I would have to defer to Craig Unruh to answer
15 that question.

16 Q. Turning to page 25, beginning at line 17, you
17 state as touched on earlier, flexibility and pricing
18 encourages the introduction of new products and technologies
19 into the market. Please explain how price cap regulation
20 discourages the introduction of new products and technology.

21 A. With price cap regulation, I'm not able to
22 think or respond like one of my competitors. So because of
23 that, I'm unable to react in a timely manner. I have
24 notification requirements; 30-day tariff filing notification,
25 30-day CLEC notification that prohibits me from being able to

1 to think and respond like a competitor.

2 Q. What's your understanding as to whether a CLEC
3 has a notification requirement?

4 A. They have tariff filing time frames, but
5 they're much shorter than what ours are.

6 Q. Were you here today when -- maybe it was
7 yesterday, when I asked Ms. Fernandez how SBC sets a price
8 for new service?

9 A. I was here.

10 Q. And does her answer also apply or explain to
11 how SBC would set prices for a new residential service?

12 A. Yeah, I think it does, although I would say
13 that for consumer, the first thing I would do is I would do
14 customer -- a market analysis. I have to do financial
15 analysis. I have to also look at the operational impacts as
16 well as look at the -- the difficulty or the complexity of
17 launching a new product in a state like Missouri, so there's
18 many, many factors over and above the expense and the revenue
19 that you think you might make from that product once you
20 launch it. Also the regulatory impacts make it very
21 difficult.

22 Q. What has SBC Missouri done with rates and
23 services in the Harvester and St. Charles exchanges since
24 receiving competitive classification for residential services
25 in those exchanges?

1 A. Can you be more specific as to what you're --
2 what do you mean what have we done?

3 Q. Has SBC adjusted any rates for just those two
4 exchanges that weren't adjusted in other exchanges?

5 A. Not to my knowledge.

6 Q. Has -- let me move on.

7 What are SBC Missouri's plans for residential
8 rates if it receives competitive classification statewide for
9 residential services?

10 A. You know, that's a difficult question for me
11 to answer. Once we see what the outcome is of this hearing,
12 we'll have to do the appropriate market analysis, the
13 appropriate financial analysis, the appropriate operational
14 review, to determine what our next steps would be. I can't
15 give you some kind of a concrete plan because I don't have
16 that.

17 MR. HAAS: That's all my questions.

18 JUDGE RUTH: Okay. Public Counsel.

19 MR. DANDINO: Thank you, your Honor.

20 CROSS-EXAMINATION

21 QUESTIONS BY MR. DANDINO:

22 Q. Good morning, Ms. Stoia.

23 A. Hi, good morning.

24 Q. Each of the CLECs that are certified to do
25 business in Missouri, they don't all offer residential

1 service in every Southwestern Bell exchange, do they?

2 A. I'm not certain exactly which exchanges they
3 actively offer their service.

4 Q. Okay. Now, you saw the list of all the
5 various companies that Mr. Unruh had in his schedule that had
6 advertised or had notices placed in the White Pages
7 directory? You saw those?

8 A. That's correct.

9 Q. And do you know if all those provide
10 residential service in each exchange?

11 A. No, I don't know that.

12 Q. Okay. I want to try to look at all the
13 competing technologies and methods of -- of providing
14 residential service, okay?

15 A. Okay.

16 Q. So I want you to list for me -- let's talk
17 about is -- we've got -- first we've got wire line, right?

18 A. Uh-huh.

19 Q. And let's just say it's SBC wire line, even
20 though we know that we're going to assume for this purpose
21 that all the CLECs provide the same thing as SBC. Okay?

22 A. Okay.

23 Q. If they provide residential service. Now we
24 have wireless services. Is that one of the competing
25 technologies?

1 A. Yes, it is.

2 Q. And then we have cable -- cable TV and they

3 provide what?

4 A. Cable TV, cable providers --

5 Q. Yes.

6 A. -- provide Voice over IP as well as cable

7 telephony.

8 Q. Okay. So they have Voice over Internet and

9 cable --

10 A. Telephony.

11 Q. -- telephony. Okay. Are there any others or

12 are they -- I'm going to call them four basic types.

13 A. Could you repeat four basic types for me?

14 Q. We have wire line, wireless, cable VoIP and

15 cable telephony.

16 A. That's correct.

17 Q. Okay. When we have -- let's first look at

18 equipment requirements. For wire line, basically what do you

19 have, a telephone and the wiring in the house to the -- what

20 do you call it -- the device on the outside, the NID, is that

21 it?

22 A. Uh-huh.

23 Q. What does that stand for?

24 A. Network interface device.

25 Q. From -- the network interface device, NID,

1 belongs to the customer, right?

2 A. That's correct.

3 Q. And from the NID outward is a company is

4 looped, is that correct?

5 A. That's correct.

6 Q. Okay. Now, if I was going switch from

7 wireless -- from wire line to wireless --

8 A. Uh-huh.

9 Q. -- can I use that same wiring in the customer

10 premises equipment for wire line -- wireless service?

11 A. Can you use the wiring for wire line that's in

12 your house for wireless?

13 Q. Yes.

14 A. No, it wouldn't be necessary. There's no need

15 to have a network -- telephone network for wireless service

16 --

17 Q. Okay.

18 A. -- wiring in your house for wireless service.

19 That's the whole point of wireless.

20 Q. Sure. I'd have to go out and acquire a

21 wireless phone of some type.

22 A. That's correct.

23 Q. Okay. And so there's an extra cost to that.

24 A. Not typically. I mean, typically the wireless

25 providers, when you're a new subscriber, will provide you

1 with free equipment or rebate or some kind of something to
2 discount the cost for that phone so you don't feel the effect
3 of that.

4 Q. Well, discounts is --

5 A. Or a rebate. In most cases, they have free
6 equipment for new subscribers.

7 Q. And usually you have to sign up for a contract
8 in order to get that type of a rebate?

9 A. In some cases.

10 Q. Now, let's say for cable VoIP, what type of
11 equipment above and beyond the standard telephone wiring in
12 your house would you necessarily need for that service?

13 A. Equipment, just equipment or are you talking
14 about --.

15 Q. Just looking at equipment right now.

16 A. You would need a terminal adaptor.

17 Q. And what does that do?

18 A. It hooks in between your PC and your regular
19 telephone.

20 Q. Okay, so you need a PC, too?

21 A. Sure.

22 Q. Okay. So you need a personal computer and
23 what was the --

24 A. It's called a terminal adapter.

25 Q. Terminal adapter, and then what do you need?

1 A. A telephone.

2 Q. A telephone.

3 A. Uh-huh.

4 Q. Now, anything else on that?

5 A. Nope.

6 Q. Okay.

7 A. When you're talking just equipment?

8 Q. Just equipment.

9 A. Okay.

10 Q. Do you have to have -- and you have to have a

11 connection to the cable company, right?

12 A. To the cable company?

13 Q. Yes.

14 A. Not necessarily, you can have a broadband

15 connection provided either through high-speed Internet access

16 through DSL or through a cable modem.

17 Q. We're talking about cable VoIP. Well, there's

18 one types of VoIP, right?

19 A. Well, there's one type of VoIP, there's two

20 methods to be able to get access to it.

21 Q. Okay.

22 A. You have to have a broadband connection, and

23 broadband that can either be provided either through a cable

24 modem or through DSL.

25 Q. Okay. We'll come back to that. Okay. For

1 cable telephony, what type of equipment do you need for that?

2 A. Just a telephone.

3 Q. Just a telephone. You don't need a computer
4 for that?

5 A. No.

6 Q. No other special equipment?

7 A. You have to have cable service from your cable
8 provider.

9 Q. Okay. So let's look at the next -- what type
10 of service -- when we're looking at wire line, all you need
11 is basic service from Southwestern Bell, right?

12 A. You have to have a telephone, and if you have
13 vertical features, you have to have a telephone that enables
14 those vertical features.

15 Q. I'm moving from equipment, then we're moving
16 to what type of service.

17 A. Oh, okay.

18 Q. Okay. I wasn't clear on that. Okay. I'm
19 sorry. So we do need a -- you need a telephone that you can
20 -- that will be a touch tone and can handle caller ID or
21 something like that if you're getting the vertical features,
22 right?

23 A. Correct.

24 Q. Okay. And approximately -- let's say I live
25 in St. Peters, you don't service St. Peters. I used to live

1 in Harvester. What is the rate -- the basic rate for -- for
2 residential service in Harvester exchange, do you know?

3 A. You know, I don't know that. I can tell you
4 that the access lines rates in the state of Missouri vary
5 from \$7.29 to \$12.07.

6 Q. Okay. That's fine. And now we're going to a
7 wireless, now what type of service do -- we have to obtain
8 the service from the wireless company; is that correct?

9 A. If you want wireless service, yeah, you have
10 to get it from a wireless company.

11 Q. Okay. And so you have to either -- either you
12 enter a contract or you make some type of an agreement and
13 provide a monthly fee for wireless service?

14 A. That's correct.

15 Q. Okay. And what is the range of prices you see
16 for just your basic wireless service?

17 A. I have a schedule in my testimony that
18 provides different rates, but typically, I would say anywhere
19 from \$24 to \$49. It depends upon what level of plan you want
20 and what type of included minutes and vertical features that
21 you want, so anywhere from \$24 to the high end of about \$49.

22 Q. And that's what typically a customer who's
23 looking to, let's say, replace their -- their local telephone
24 line would look for, something like that in that price range?

25 A. Maybe, maybe not. It depends upon what their

1 communication needs are.

2 Q. Okay.

3 A. There are, you know, lower plans available in
4 the marketplace.

5 Q. Sure, sure, sure. I mean, you can get a trac
6 phone prepaid, and as long as you keep paying what, \$20 a
7 month, you can renew your number, you can have one without a
8 contract, right?

9 A. I'm not familiar with that. You can get plans
10 for, you know, as little as \$15 a month.

11 Q. Now, when we're talking about VoIP, we've got
12 two -- you can either two types of service of VoIP, right,
13 cable or DSL?

14 A. Cable modem, you have to have broadband, and
15 there's two different ways to get broadband; there's cable
16 modem and there's DSL.

17 Q. And who provides cable modem service?

18 A. Cable companies, Time Warner is an example,
19 Charter is an example.

20 Q. And would they provide cable modem service if
21 you did not also subscribe to their cable television service?

22 A. I believe so. I think there's a difference in
23 the pricing, but yeah, I believe so.

24 Q. So if you buy it in a package, it's going to
25 be a lot cheaper?

1 A. Yes.

2 Q. Now, are the broadband, is DSL the only
3 high-speed broadband that -- other than cable?

4 A. You can get wireless broadband, but I'm not
5 real familiar with that technology, but I'd say the two most
6 common are cable modem and DSL.

7 Q. Okay. And Southwestern Bell offers DSL,
8 right?

9 A. Yes, we do.

10 Q. And do other CLECs offer DSL?

11 A. They have the ability to provide DSL, they
12 don't necessarily have to, you know, they can't provide it
13 from SBC, but they have the ability to get it from other data
14 LECs.

15 Q. Oh, they can't buy that on a wholesale basis
16 from Southwestern Bell?

17 A. We don't have a wholesale offering for data.

18 Q. Oh, yes, that's right, DSL is data.

19 A. Uh-huh.

20 Q. But you would need that in order to have Voice
21 over Internet, VoIP, service?

22 A. That's correct.

23 Q. And is DSL available in all Southwestern Bell
24 exchanges?

25 A. I don't believe so. As I said earlier, on

1 Schedule 4, I've provided a broadband availability and the
2 DSL availability and the cable modem availability in the
3 state of Missouri. 87 percent have access to broadband, but
4 to answer your question is DSL available in every exchange, I
5 don't know the answer to that.

6 Q. And in every exchange, DSL may not be
7 available in all locations?

8 A. Yeah, I don't know the answer to that. I
9 don't have that information.

10 Q. Now, for cable telephony, you would -- would
11 you have to -- obviously you're going to have to buy that
12 service from cable company, are you also going to have to buy
13 cable service from them for cable television service?

14 A. I'm not sure what their plans are. I'm sure
15 that they have the bundling option where you can buy both or
16 buy each one separate.

17 Q. So you don't know if you can just say -- I can
18 call Time Warner and say I just want telephone service, but
19 man, I don't want that -- I don't want any of your HBO stuff?

20 A. Yeah, I'm not familiar with that.

21 Q. Okay. Let's move to what you get for the
22 service. Now, with a wire line, you get a multiparty single
23 line service, right?

24 A. Multi -- we call it a basic access line.

25 Q. Okay. Well, I'm just -- I'm reading what the

1 statute says.

2 A. Okay.

3 Q. Can you translate that -- is that what access
4 service, is that what multiparty single line service is?

5 A. I'm not familiar with that term, what we call
6 it is a basic access line.

7 Q. What is basic access line?

8 A. It's a basic telephone line with dial tone.

9 Q. Dial tone?

10 A. Right.

11 Q. And then you get installation, right, at an
12 extra cost?

13 A. Right.

14 Q. But you know, that comes with an installation,
15 and your company offers the installation, right?

16 A. That's correct.

17 Q. Okay. Can you go somewhere else and get it
18 installed?

19 A. I'm not sure about that.

20 Q. Okay. Now for wireless, you get a single line
21 on that multiparty single line or you get a basic dial tone,
22 right?

23 A. Right.

24 Q. Okay. Do you know if -- does -- I guess you
25 can't install that, but I guess you have to go to the store.

1 A. Not necessarily. I mean, you can order your
2 phone on the phone, you know, through talking to somebody and
3 they can ship it to your house, and it's just a matter of
4 calling to have it activated. You can go online and order it
5 and have it shipped to your house. You don't have to go into
6 the store to get a wireless phone. They can bring that
7 directly to you.

8 Q. Okay. Now, if I have Cingular service, and I
9 want to switch to, you know, T-Mobile --

10 A. Uh-huh.

11 Q. -- can I use the same phone?

12 A. I'm not certain. I mean, I don't know. I'm
13 not an expert on wireless telephones and their compatibility
14 across wireless providers, so I can't answer that.

15 Q. So you don't know if you changed -- if you
16 change wireless carriers, you have to change your -- the
17 basic equipment you have, which is your telephone?

18 A. Well, if you did have to change your phone,
19 the point is is that wireless providers provide you that
20 equipment for free, so there's really not any impact to the
21 customer.

22 Q. Well, they have a phone that they can't use
23 now.

24 A. A phone that they didn't pay for in the first
25 place.

1 Q. Have you ever heard of the expression there's
2 no such thing as a free lunch. Somebody paid for it
3 somewhere. Okay.

4 In the cable modem VoIP, you get single line
5 service with that?

6 A. Yes.

7 Q. Okay. So you get a dial tone with that?

8 A. Yes.

9 Q. Okay.

10 A. And multiple features that we're not able to
11 provide.

12 Q. Okay. That's the extras. I'm just talking
13 about basic. They can offer that. And what about cable DSL
14 using that technology, of course you get --

15 A. You mean VoIP DSL?

16 Q. Yes, what did I say?

17 A. Cable DSL.

18 Q. VoIP DSL, you get the dial tone through that,
19 right?

20 A. Uh-huh.

21 Q. Okay. And cable telephony, you get the dial
22 tone through that?

23 A. That's correct.

24 Q. Okay. Okay. Do all four -- does -- let's
25 see. Let's talk about assistance plans, low income

1 assistance plans. That's offered -- that's available for
2 wire line customers, isn't it?

3 A. You mean like lifeline service.

4 Q. Lifeline, link up?

5 A. Yes.

6 Q. Is that also available for wireless customers?

7 A. I'm not certain. I know they have low rate
8 plans that almost anybody can afford, but I'm not certain if
9 they offer any type of a lifeline-type program.

10 Q. Okay. And you don't -- do you know if cable
11 modem VoIP has a low income assistance program?

12 A. I don't know that.

13 Q. Do you know if DSL VoIP has a low income
14 assistance program?

15 A. I don't know.

16 Q. What about cable telephony?

17 A. I don't know.

18 Q. Okay. Now access to 911 is the next topic
19 we're going to talk about. Now, of course that's available
20 with wire line, right?

21 A. That's correct.

22 Q. Okay. Now with wireless, is 911 service
23 available with wireless service?

24 A. Yes.

25 Q. Okay. Is e911 available with wireless -- wire

1 line service -- wireless?

2 A. Wireless, I'm not certain about e911.

3 Q. Okay. e911 is where it locates the location
4 of the caller?

5 A. Right.

6 Q. Okay. On, so you have no idea one way or the
7 other on that?

8 A. On wireless, right.

9 Q. Right. On cable VoIP, does that provide
10 access to 911?

11 A. e911 for some providers that I'm familiar
12 with, Time Warner, Vonnage, Packet 8, they provide e911
13 service.

14 Q. Now, do you have to separately register your
15 address?

16 A. You know, I'm not certain. I'm not certain.

17 Q. Okay. You don't know one way or the other?

18 A. No, I don't know.

19 Q. Okay. What about DSL VoIP?

20 A. Same. It would depend upon who the provider
21 is, whether e911 service is available.

22 Q. But as far as you know, it's not standard?

23 A. I believe it's becoming standard. Everybody
24 who's competing in the VoIP marketplace provides an e911
25 service.

1 Q. As we sit here today, it's not standard, is
2 it?

3 A. I can't answer that question.

4 Q. You don't know?

5 A. I don't know.

6 Q. Okay. Now, cable telephony, is 911 service
7 available for that?

8 A. As far as I know, yes.

9 Q. Okay. Is e911 service available for cable
10 telephony?

11 A. I believe so.

12 Q. Okay. Is that also available -- do you have
13 to separately register your --

14 A. I don't think so.

15 Q. Okay. If the power goes out in the residence,
16 can I still use my wire line to reach 911?

17 A. It depends upon what type of telephone you
18 have. If you have a telephone that requires power, then
19 obviously your telephone won't work.

20 Q. If I have the standard -- a standard -- I
21 could plug a standard line into -- or standard telephone
22 which doesn't require separate power in a telephone jack and
23 get a dial tone, right?

24 A. That's correct.

25 Q. Even if the power is out?

1 A. That's correct.

2 Q. Is that -- if the power is out, can I use
3 wireless telephone?

4 A. Sure.

5 Q. How come they couldn't use wireless telephone
6 on September 11th, 2001, in New York?

7 A. I think that had something to do with the
8 power at the actual cell site locations. It didn't have
9 anything to do with the power in the household, and I think
10 that's what you asked me.

11 If the power in the household goes out, then
12 yes, my wireless phone would still work. If the power at the
13 cell site location or the switching location for the wireless
14 provider goes out, then it would depend upon how many went
15 out, whether or not that cell phone would still work.

16 Q. Okay. Does a wireless phone work in all --
17 all locations? It would depend on whether you could reach a
18 cell site; is that right?

19 A. That's correct. I would say that 95 percent
20 of the time, your wireless phone would work most everywhere,
21 in my experience.

22 Q. But that's just based on your personal
23 experience?

24 A. Uh-huh.

25 Q. You have no study, statistics?

1 A. No, I'm not an expert on wireless service.

2 That would be something Mr. Shooshan could have answered for
3 you.

4 Q. For cable modem VoIP, if the power goes out at
5 the residence, is that still available to call for emergency
6 help?

7 A. I don't believe so.

8 Q. If DSL VoIP, power goes out at the residence,
9 can you still use that system to contact emergency -- for
10 emergency help?

11 A. No, it would be the same as cable modem VoIP,
12 I mean, unless the PC was battery operated.

13 Q. Okay. If -- cable telephony, if the power
14 goes out at the residence, can you use that for reaching
15 emergency services?

16 A. I'm not certain what kind of backup power
17 cable providers have for cable telephony, so I can't answer
18 that question.

19 Q. Power goes out in a neighborhood, has it been
20 your experience your cable television still works?

21 A. No, it's not been my experience.

22 Q. Let's talk about access to basic operator
23 services. For wire line customers, that's something you can
24 reach the operator by dialing 0, right, on your wire line
25 telephone?

1 A. Can you reach an operator --

2 Q. Yes.

3 A. -- when you dial 0 from a wire line?

4 Q. Yes.

5 A. Yes.

6 Q. Okay. For wireless, can you reach an operator

7 with a wireless phone?

8 A. You know, I'm not certain. Really, those are

9 questions that Sandy Moore would be more apt to answer than

10 me. I'm not an expert on operator service or directory

11 assistance. I don't know. I don't know. I don't have

12 occasion to call operator from my wireless phone.

13 Q. What's your title again?

14 A. I'm a Director, Consumer Marketing, for SBC.

15 Q. Okay. Residential services?

16 A. Right.

17 Q. For -- what about cable modem VoIP, can you

18 reach an operator with that service, do you have access to an

19 operator?

20 A. I would assume so, but again --

21 Q. You just don't know?

22 A. I don't know.

23 Q. Okay. And same with the DSL VoIP, you don't

24 know one way or the other whether you can reach an operator

25 or not?

1 A. On VoIP service, I don't know. I would assume
2 so, but I don't know.

3 Q. And cable telephony, you don't know?

4 A. No, I would think that they would be able to
5 reach an operator.

6 Q. Do you know for sure?

7 A. No, I don't know for sure.

8 Q. Okay. Let's talk about basic directory
9 assistance. Now certainly you can reach that with SBC wire
10 line service, right?

11 A. Sure.

12 Q. And for wireless service, can you reach --
13 have access to directory assistance?

14 A. Yes.

15 Q. And do you have access to directory assistance
16 to wireless directory assistance, right?

17 A. I believe wireless providers also provide land
18 line directory assistance.

19 Q. Okay. What about cable VoIP, cable modem
20 VoIP?

21 A. I believe they have directory assistance, I'm
22 not --

23 Q. You just don't know?

24 A. Yeah, I don't know.

25 Q. Okay. And for DSL VoIP, do they have access

1 to directory assistance?

2 A. I believe so, but I'm not certain.

3 Q. Okay. So you don't know?

4 A. I'm not certain. I believe so, but I'm not

5 certain.

6 Q. So you don't know?

7 A. Okay, I don't know.

8 Q. Cable telephony?

9 A. Yes, they have access to directory assistance.

10 Q. Okay. All right. Okay. The next one is

11 standard intercept service. What is that?

12 A. Standard intercept service, are you referring

13 to something in my testimony?

14 Q. I'm referring to one of the definitions of

15 basic local service.

16 A. I'm not familiar with that term.

17 Q. So you wouldn't know one way or the other

18 whether SBC wire line, wireless, cable VoIP, DSL VoIP or

19 telephone provides that?

20 A. I'm not familiar with standard interrupt

21 service.

22 Q. Intercept service.

23 A. Excuse me, intercept service.

24 Q. If you have SBC wire line, do you have access

25 to equal access to -- equal access to interexchange carriers?

1 A. Yes.

2 Q. What about for wireless, are you -- are they
3 required to provide equal access to interexchange carriers?

4 A. I believe so, uh-huh.

5 Q. Do you know for sure?

6 A. I don't know that for sure.

7 Q. Okay. So you don't know?

8 A. Yeah, as I said before, I'm not an expert on
9 wireless service.

10 Q. Okay. Just trying to find out what you do
11 know and what you don't know. That's fine. It's not a test.
12 Cable modem VoIP, do they have a requirement for equal
13 access?

14 A. I'm not certain.

15 Q. Okay. And the same thing for cable DSL or DSL
16 VoIP.

17 A. I'm not certain.

18 Q. Okay. And cable telephony, you don't know for
19 sure?

20 A. No, I believe -- well, I don't know for
21 certain if they have the same requirements that we do.

22 Q. And one more. Listing in White Pages, that
23 comes with the wire line service, right?

24 A. Uh-huh.

25 Q. What about for wireless, do you get a White

1 Page listing?

2 A. I'm not certain. I believe that the -- it's
3 up to the wireless provider and the wireless customer to make
4 that decision.

5 Q. And cable modem VoIP, do you get directory --

6 A. I don't know.

7 Q. -- listing? DSL VoIP, do you get a directory
8 listing?

9 A. I don't know.

10 Q. What about a cable telephony VoIP -- or cable
11 telephony?

12 A. Yes, I believe, yes.

13 Q. You do get a White Pages? Are you sure?

14 A. I'm not sure.

15 Q. Do you -- are most of the wireless cable modem
16 VoIP and cable telephony offered in packages?

17 A. As far as I know -- as far as I've seen, yes.
18 Sir, are you asking me are most wireless VoIP and cable
19 telephony offers in a package?

20 Q. Do they offer their services -- do they
21 package them with their -- do they say, well, this is long
22 distance, this is -- you have your vertical features, and you
23 have voicemail? They package them with other features,
24 right?

25 A. That's my understanding.

1 MR. DANDINO: Okay. That's all I have. Thank
2 you very much.

3 THE WITNESS: Thank you.

4 MR. DANDINO: I appreciate it.

5 JUDGE RUTH: Mr. Lumley, do you have cross?

6 MR. LUMLEY: No, I don't, your Honor.

7 JUDGE RUTH: We're going to do the same thing
8 with this witness, move on to the redirect, and if it's
9 necessary, we will recall you for questions from the bench?

10 THE WITNESS: Okay.

11 JUDGE RUTH: So SBC, do you have redirect?

12 MR. BUB: A little bit, your Honor.

13 REDIRECT EXAMINATION

14 QUESTIONS BY MR. BUB:

15 Q. Ms. Stoia, I'm going to take you back to some
16 of the questions that Mr. Haas, the Staff's counsel, asked
17 you.

18 A. Okay.

19 Q. He asked you about comparing wireless service
20 to SBC's land line service, and specifically he was asking
21 about SBC's basic service. To your knowledge, are there
22 wireless providers that offer basic plans -- plans that are
23 basic in nature?

24 A. Yes.

25 Q. Can you just generally describe those plans,

1 what would you get under one of those basic?

2 A. You get basic calling and a certain amount of
3 minutes.

4 Q. What are the price ranges, what's the low and
5 -- what's a range of prices for those basic-type plans that
6 you've seen in the market?

7 A. \$15 to packaged rates at upwards of, you know,
8 \$40 or so.

9 Q. It depends on what you wanted to add to that
10 basic?

11 A. Right, what you add to it.

12 Q. Mr. Haas also asked you about --

13 JUDGE RUTH: Could we take -- I'm sorry, we
14 have another technical difficulty, so we need to break for
15 five minutes. We'll go off the record and allow the Court
16 Reporter to correct her computer.

17 (A BREAK WAS HAD.)

18 JUDGE RUTH: We'll go back on the record,
19 then. Okay. I apologize, Mr. Bub. We're back on the
20 record, and you may continue.

21 MR. BUB: Thank you, your Honor.

22 QUESTIONS BY MR. BUB:

23 Q. Ms. Stoia, Mr. Haas also asked you some
24 questions about the 87 percent access to broadband service.

25 A. Uh-huh.

1 Q. And he asked whether that was SBC DSL. Do you
2 recall that line of questions?

3 A. Yes.

4 Q. Okay. In areas where SBC offers DSL service,
5 can competing carriers like CLECs or DLECs purchase XDSL
6 loops so they, too, could offer DSL service?

7 A. Yes, they can.

8 Q. Okay. Examples of those types of providers
9 would be Covad?

10 A. Covad, uh-huh.

11 Q. Any others that you know?

12 A. I can't think of any off the top of my head
13 right now.

14 Q. Okay. Mr. Haas also asked you about the CLECs
15 that are offering service in the various SBC exchanges and he
16 asked you whether you knew about resell in UNE-P.

17 A. Uh-huh.

18 Q. Can you tell us why, in your view, resell and
19 UNE-P should be counted?

20 A. Because in my experience in retail marketing,
21 every competitor out there counts. It's not just certain
22 competitors that count, it's every competitor, whether it's
23 UNE-P, or resell, a UNE-L, a wireless provider or a Voice
24 over IP provider or cable telephony. Anybody who can
25 substitute their product for my product counts as a

1 competitor in the retail marketing business that I'm in.

2 Q. Switch over to Mr. Dandino's questions. He
3 asked you a line of questions about power going out.

4 A. Uh-huh.

5 Q. And one of the things with respect to wireless
6 service, he asked when wireless service goes out, say the
7 mobile switching center, the cell phones go dead, let's take
8 a land line analog to that. If power went out at a land line
9 telephone company central office, what would happen to the
10 land line telephone?

11 A. It wouldn't work.

12 Q. He also asked you about power around the
13 neighborhood with respect to -- I think these questions were
14 with respect to cable telephony and cable TV. When power
15 goes out in the neighborhood, you indicated that your cable
16 TV goes out.

17 A. Right.

18 Q. Does it have anything to do with the
19 television needing to be plugged into the electric at home?

20 A. Yeah, exactly.

21 Q. With these new VoIP services that are
22 dependent on power at the home, can consumers purchase
23 battery backup?

24 A. Sure.

25 Q. Now I need to go back to a question Mr. Haas

1 asked you. I think this was a follow-up question he also
2 asked to Ms. Fernandez about setting retail prices for new
3 services.

4 A. Uh-huh.

5 Q. And one of the things that you mentioned that
6 you do is a market analysis. Can you tell us what you mean
7 by market analysis?

8 A. Market analysis, I look at what my competitors
9 are providing. I talk to my customers. I have focus groups.
10 I do research, and I look at what the market will bear. The
11 last thing that I'm going to do is do something that's going to
12 cause my customers to go to one of my competitors, so I look
13 at all of those things when making decisions on pricing.

14 Q. Okay. How important to you is competitor's
15 prices for the services that they offer in competition to
16 you?

17 A. How important is it?

18 Q. Uh-huh.

19 A. It's very important. I mean, in order for me
20 to compete in the marketplace, I have to look at what their
21 price points are.

22 Q. You also indicated to Mr. Haas one of the
23 things that's different is that now versus in a situation if
24 you were to be granted competitive classification, and what
25 the current regulatory scheme prevents you from doing, you

1 indicated that one thing you would like under the --
2 competitive classification, you would be able to think like a
3 CLEC. What does that mean, or think like one of your
4 competitors I think was your words.

5 A. Yeah, in today's environment, I don't have
6 that luxury. When I'm looking at launching a new product,
7 one of the very first things that I have to consider is what
8 are the regulatory impacts if I want to launch this new
9 product, and then also the timing.

10 If I launch a new product, everybody knows
11 about it 60 days before it's in the marketplace, and so
12 because of the lack of restriction that my competitors face,
13 they're able to take -- they know what I'm going to offer,
14 and they can go out and preempt me in the marketplace, so,
15 you know, when I say I would love the ability to think like a
16 competitor, that's exactly what I mean. I want to be able to
17 compete in the marketplace on the same level playing field
18 that my competition competes at.

19 Q. Okay. The 60-day delay you're talking about
20 doing things like price changes or new products, what does
21 that refer to?

22 A. The 60 days is a 30-day CLEC notification
23 where I have to let the CLECs know what I'm planning on
24 doing, and then a 30-day tariff filing.

25 Q. 30-day tariff filing?

1 A. After the end of the 30-day CLEC notification.

2 Q. So before you actually file your tariff,
3 you're required to notify CLECs 60 days before that?

4 A. Right, exactly.

5 Q. What does that 60 days -- what can a CLEC or
6 any other competitors do in that 60-day period?

7 A. They can launch something to beat exactly what
8 I'm trying to bring to market. You know, they don't have the
9 same restrictions that we have.

10 Q. What type of things can they do in that 60-day
11 period?

12 A. What type of --

13 Q. Can they do media?

14 A. Oh, sure, they can do advertising, they can do
15 direct mail, they can radio, TV, print, any type of
16 advertising sales blitz. Not only can they take what I'm
17 going to offer and beat me to the market with it, but they
18 can get the message out to the consumer before I can even
19 take it to the marketplace.

20 Q. Let's talk about some of your competitors.
21 Wireless company, if it wants to offer new service, does it
22 need to even think about regulation?

23 A. No.

24 Q. What type of tariffs do wireless carriers --

25 A. None.

1 Q. What type of notification do other carriers --
2 A. None.
3 Q. What about the VoIP providers, if they want to
4 offer a new service or change a price, do they need to file
5 any tariffs?
6 A. No, they don't.
7 Q. Do they?
8 A. Do they file tariffs?
9 Q. Uh-huh.
10 A. No.
11 Q. Are they required to give notice --
12 A. No.
13 Q. -- to any of their competitors? Let's talk
14 about CLECs, now they are regulated here by the Public
15 Service Commission; is that correct?
16 A. That's correct.
17 Q. And they do file tariffs?
18 A. That's correct.
19 Q. Okay. Let's look at their tariff filing
20 requirements. If they want to offer a new service or change
21 a price, what's the interval for them?
22 A. Seven to 10 days.
23 Q. Are they required to give notice?
24 A. No, they're not.
25 MR. BUB: Thank you, Ms. Stoia, that's all the

1 questions I have.

2 THE WITNESS: Thank you.

3 JUDGE RUTH: Okay. Thank you. Ms. Stoia, you
4 may step down at this time, but you're not formally excused.
5 It's possible we'll recall you later, and hopefully I'll have
6 more information after the Commissioners get out of agenda.

7 THE WITNESS: Okay. Thank you.

8 JUDGE RUTH: Thank you. Okay. SBC, would you
9 like to call your next witness.

10 MR. LANE: Sure.

11 (The witness was sworn.)

12 JUDGE RUTH: You may proceed, Mr. Lane.

13 MR. LANE: Thank you, your Honor.

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. LANE:

16 Q. Could you state your name for the record,
17 please?

18 A. My name is Craig A. Unruh.

19 Q. And Mr. Unruh, by whom are you employed and in
20 what position?

21 A. I'm employed by Southwestern Bell Telephone,
22 LP, doing business as SBC Missouri, and I am an Executive
23 Director Regulatory.

24 Q. And Mr. Unruh, have you prepared
25 nonproprietary direct testimony that's been marked as Exhibit

1 15, and the HC version of that same testimony, which is
2 listed as Exhibit 16 in this case?

3 A. I have.

4 Q. Do you have any changes to that testimony?

5 A. I have one change, on page 39.

6 Q. And that will be the same change on both
7 versions; is that right?

8 A. That is correct.

9 Q. Okay. What's your change?

10 A. On page 39, line 13, I need to change the
11 number 1.2 million to 1.0 million.

12 Q. Do you have any other changes in that direct
13 testimony?

14 A. I do not.

15 Q. Did you also prepare surrebuttal testimony in
16 this case that's been marked as Exhibit 17?

17 A. I did.

18 Q. Do you have any changes to that testimony?

19 A. I do. On page 14, on line 9, I'm sorry, line
20 19, change the word Maxville to Pacific. On line 20, change
21 MCA 3 to MCA 5. On line 21, delete Imperial and; change the
22 word Fenton to Pond; delete the S from the next word
23 exchanges; change are to is; change Maxville to Pacific. On
24 line 22, change Maxville to Pacific; Imperial to Pond. On
25 page 15, line 1, delete the first parentheses between the

1 word -- between the words numbers and which; delete which;
2 delete the parentheses after significant; delete the word
3 are. On line 2, delete the word similar. On line 3, change
4 the word Imperial to Pond, and Maxville to Pacific.

5 Q. Would you read those two sentences, then, that
6 you had the changes in beginning on page 14 of your
7 surrebuttal testimony at line 18?

8 A. For business services, staff fails to
9 recommend a competitive classification for the Pacific
10 exchange; for example, which is an MCA 5 exchange in the St.
11 Louis MCA while giving a positive recommendation for the Pond
12 exchange, which is adjacent to the Pacific exchange. The
13 competitive landscape in Pacific and Pond show similar
14 characteristics.

15 The next sentence going from page 14 to 15
16 reads they both have a very large number of active CLECs
17 providing service. Their estimated CLEC market share numbers
18 are significant. Both central offices contain collocation,
19 and CLECs have numbering resources in both exchanges, yet
20 staff selects Pond and not Pacific.

21 Q. Do you have any other changes to your
22 surrebuttal testimony?

23 A. I do not.

24 Q. If I were to ask you the questions that are
25 contained in Exhibits 15, 16, and 17 again today, and taking

1 into account the changes you've made this morning, would your
2 answers be the same?

3 A. Yes.

4 Q. And are those answers true and correct to the
5 best of your knowledge and belief?

6 A. Yes, they are.

7 MR. LANE: Your Honor, at this time, we'd
8 offer Exhibits 15, 16, and 17, and tender Mr. Unruh for
9 cross.

10 JUDGE RUTH: Okay. Mr. Unruh's testimony 15,
11 his NP direct, 16, and 17, the surrebuttal, have been offered
12 into evidence. Staff, do you have any objections?

13 MR. HAAS: No objection.

14 JUDGE RUTH: Public Counsel?

15 MR. DANDINO: No objections.

16 JUDGE RUTH: Interveners?

17 MR. LUMLEY: No, your Honor.

18 JUDGE RUTH: Okay. Exhibits 15, 16, 17 are
19 received into the record.

20 MR. LANE: Thank you, your Honor.

21 JUDGE RUTH: Staff, do you have cross?

22 MR. HAAS: Yes, your Honor.

23 CROSS-EXAMINATION

24 QUESTIONS BY MR. HAAS:

25 Q. Good morning, Mr. Unruh.

1 A. Good morning.

2 Q. Let's start with the question that Ms. Stoia
3 referred to you, and that is whether SBC is requesting
4 competitive classification for residential vertical services
5 if the underlying basic local service is not classified as
6 competitive?

7 A. In this particular case, we are not.

8 Q. Ms. Stoia also referred to a 30-day CLEC
9 notification. Would you explain to me what that is about?

10 A. Yes. Pursuant to our interconnection
11 agreements, we are required to notify the CLECs of tariff
12 changes that -- that we are making, so I think in her
13 example, if we are to introduce a new service, 30 days before
14 we make the tariff filing to introduce that new service, we
15 have to issue a CLEC notice to all the CLECs telling them
16 that we're offering this new product and information
17 associated with it.

18 Q. Do your interconnection agreements provide
19 that the 30-day CLEC notification goes away if the service is
20 considered a competitive service?

21 A. No, that requirement would still exist.

22 Q. Please turn to your direct testimony at page
23 10.

24 A. I'm there.

25 Q. At line 9, you state that five years after the

1 initiation of competition in an exchange, the legislative
2 intent was for price cap regulation to be eliminated, and the
3 sentence goes on. But my question is what is your support
4 for what the legislative intent was?

5 A. I think in a reading of the price cap statute,
6 in particular 392.245.5, it establishes the mechanism by
7 which this Commission is to examine the state of competition
8 and determine whether or not there's effective competition.
9 I think the fact that the legislature put that provision in
10 as a mechanism of we should move from price caps to
11 competitive classifications, along with the general goals
12 stated in 392.185, I guess if I have the correct reference,
13 in terms of what the policies of the legislature wants
14 towards communication, demonstrate that the legislature
15 wanted a competitive marketplace, they wanted the competitive
16 marketplace to be the driver of how telecommunication
17 services are offered to consumers.

18 Q. Did the legislature instruct the Commission to
19 eliminate price cap regulation after five years?

20 A. Well, price cap regulation would remain in
21 place for entities that would still be price cap regulated,
22 so I mean, price caps doesn't go away, there're still other
23 entities that would be subject to price caps.

24 Q. Did the legislature instruct the Commission to
25 eliminate price cap regulation for a particular company after

1 it has been under price cap regulation for five years?

2 A. The legislature created the mechanism whereby
3 you would move from price cap regulation to a competitive
4 classification.

5 Q. And that's if the Commission finds that
6 effective competition exists for the service?

7 A. That's correct.

8 Q. Please turn to page 13.

9 A. I'm there.

10 Q. At line 11, you state even though SBC Missouri
11 could increase the price of residential basic local in
12 Harvester and St. Charles, it has elected not to. Why has
13 SBC Missouri elected not to?

14 A. Probably for a variety of reasons. One is
15 there's -- there's, I think, general hesitation or concern, I
16 guess, about increasing prices in general in light of the
17 competitive marketplace. I will also say that just having
18 the two exchanges doesn't really provide much flexibility in
19 terms of -- of what you want to do with your products and
20 services.

21 And it also, you know, you've heard people
22 talk about -- one of our general goals is to try to simplify
23 our business so we can try to drive costs out of our
24 business, and a piece of that, and you've heard our retail
25 marketing witnesses say they don't have any specific plans,

1 but one of the things that kind of gets kicked around is
2 trying to move to one price plan.

3 So changing the price in Harvester and St.
4 Charles -- today we have about seven different prices for
5 consumers for basic local service. If we were to change the
6 price in Harvester and St. Charles, we could end up with now
7 eight different prices, so it's kind of inconsistent with our
8 overall desire to try to move to a single price point, which
9 matches --

10 JUDGE RUTH: I'm sorry, we need to stop again,
11 and -- let's go off the record.

12 (A LUNCH RECESS WAS HELD.)

13 JUDGE RUTH: Okay. We are back on the record
14 in TO-2005-0035. When we broke for lunch, when he had just
15 started cross-examination by Staff of Mr. Unruh. That's
16 where we'll take back up. You may proceed. Thank you.

17 BY MR. HAAS:

18 Q. Mr. Unruh, will you please turn to page 14 of
19 your direct testimony?

20 A. I'm there.

21 Q. At line 15, you state I am not aware of any
22 complaints or concerns expressed by consumers regarding SBC
23 Missouri's competitive classification. What changes has SBC
24 Missouri made in the Harvester and St. Charles exchanges
25 since receiving competitor classification for residential

1 services?

2 A. Just to be clear, is your question limited to
3 what have we done to residential local service in Harvester
4 and St. Charles?

5 Q. Yes.

6 A. That's a broad question, we do a lot of stuff
7 in DSL, and long distance, that kind of thing. We have -- we
8 have not changed the price of local service. We did -- I'm
9 trying to recall the exact time frame, but it was definitely
10 after the competitive classification was granted. We did run
11 a promotion in those two exchanges for, and I forget the
12 details, but I think it was maybe three months free of
13 privacy manager.

14 And then I should probably add to that for
15 completeness. It's not specific to Harvester, but we did
16 restructure our intralata toll rates to match what was going
17 on in the marketplace, and so that would have impacted
18 Harvester and St. Charles customers as well.

19 Q. What changes has SBC Missouri made to its
20 business services in the Kansas City and St. Louis exchanges
21 since receiving a competitive classification for business
22 services in those exchanges?

23 A. The intralata toll restructuring that we did
24 for all customers would have applied to those business
25 customers as well. In addition to that, we've engaged in a

1 couple of, I guess, similar with some of the discussion we've
2 been hearing throughout the case about restructuring and
3 trying to simplify.

4 Today, our business services, there's a wide
5 disparity between single line businesses and -- single line
6 business prices and multiline business prices. We've taken
7 some steps to reduce that disparity between those two service
8 types in Kansas City and St. Louis.

9 Q. At page 19, line 11 --

10 A. Of direct?

11 Q. -- of direct, yes, you state that resale is an
12 important alternative available to SBC Missouri's
13 competitors. Would you define or discuss resale?

14 A. Yes. Resale, in this context, resale is the
15 ability of a CLEC to resell our service, that they, in
16 essence, buy our service contrasted with unbundled network
17 elements where they buy in facilities and network components,
18 resale is where they're actually buying the service from us
19 on a wholesale basis at a discount from our retail price, and
20 then they sell it as their service to their customers.

21 Q. How much does the CLEC pay SBC Missouri when
22 it resells an SBC Missouri service?

23 A. It's a discount off of the retail price.

24 Q. What is that discount?

25 A. 19.2 percent.

1 Q. At the top of page 25 of your direct, you
2 state that Unruh Schedule 7 identifies the CLECs which offer
3 services within each exchange. Does the fact that the CLEC
4 offers service in an exchange mean that it is serving
5 customers in that exchange?

6 A. This particular schedule identifies the CLECs
7 that are identified on the Commission's website as having
8 tariffs and certificates that allow them to provide service
9 in the particular exchange. It does not -- this particular
10 schedule does not identify whether or not the actual CLEC is
11 actually serving customers at the moment. I have other
12 schedules that identify the number of -- what we call active
13 CLECs. The CLECs that are actually serving customers in
14 those exchanges. This schedule identifies who holds
15 themselves out to provide service in those communities.

16 Q. At page 27 of your direct testimony, at line
17 4, you say as you can see from the map, CLECs have
18 collocation arrangements in several of SBC Missouri's
19 exchanges around the state, including in a significant number
20 of more rural exchanges.

21 Does the fact that a CLEC has a collocation
22 arrangement in an SBC Missouri exchange mean that it is
23 serving customers in that exchange?

24 A. Not necessarily, although it indicates they
25 have invested in putting facilities into that community.

1 It's hard to imagine them spending money if they didn't
2 intend to try to serve customers.

3 Q. What do you mean by the term collocation
4 arrangement? Is that merely a contract or does that mean
5 there are facilities in place?

6 A. Facilities in place. There are arrangements
7 where -- there's different kinds of collocation, but probably
8 the easiest to think about is what we call physical
9 collocation where a CLEC actually has space in our central
10 office and they bring their equipment into that space and use
11 it to serve customers.

12 Q. In your next sentence, you state approximately
13 88 percent of the traditional land lines in SBC Missouri's
14 territory are in exchanges where CLECs have established
15 collocation agreements, pardon me, arrangements.

16 In what number of exchanges have CLECs
17 established collocation arrangements?

18 A. I do not believe I have a count of that.
19 Obviously you could look at the maps that I've produced in
20 Exhibit 9 HC and count them.

21 Q. Let's turn to your surrebuttal testimony now.
22 At page 2, line 25, you state the Commission cannot now
23 simply ignore UNE-P competition as Staff and others argue
24 based on the pure speculation that all the UNE-P based
25 competition will evaporate and the customers will return to

1 SBC Missouri.

2 How did the Staff treat UNE-P in the first SBC
3 competition case?

4 A. I didn't go back and review all their
5 testimony, but it's my recollection, and I did -- I did
6 glance at Bill Voight's testimony recently, and it's my
7 recollection and just based on some of the kind of skimming
8 through his testimony that in large part the Staff ruled out
9 resale as really a -- a component of counting effective
10 competition, but they did not rule out UNE-P.

11 Q. If you recall, how did the Commission treat
12 UNE-P in the first SBC competition case?

13 A. I believe they considered it as one of the
14 factors. I think they highlighted that there are many
15 factors that should be considered, including UNE-P, along
16 with the presence of alternative technologies that we're
17 talking about here today.

18 Q. Still on page 3 at line 3, you state while the
19 FCC may be eliminating the obligation to provide unbundling
20 switching under Section 251(c)(3) of the Federal
21 Telecommunications Act of 1996, that does not mean that CLECs
22 will not be able to use SBC Missouri's switching capacity.

23 How will the CLECs, then, in the future, be
24 able to use SBC's Missouri -- SBC Missouri's switching
25 capacity?

1 A. SBC Missouri has publicly stated that it is
2 willing to work with carriers to reach commercial agreements
3 that would include, if those customers wanted it, access to
4 our switching facilities. In fact, we've reached an
5 agreement in several places with Sage to do just that.

6 Q. On that same page at line 10, you state the
7 Commission should grant competitive classifications because
8 consumers benefit from a more fully competitive market and
9 the Commission has the backstop mechanism which minimizes any
10 risk, while the status quo is harmful to consumers and there
11 is no way to undo the harm in the future.

12 What is the backstop mechanism?

13 A. The backstop mechanism is what is outlined in
14 392.245.5, which allows the Commission to reexamine the state
15 of competition after they've initially granted competitive
16 classifications, and if they find that effective competition
17 no longer exists in that exchange, they can remove the
18 competitive classification, put the company back under price
19 caps, and reestablish the price cap based pricing that would
20 have or could have been in place.

21 Q. How long do you think that reexamination would
22 take?

23 A. I think it -- I believe the statute
24 contemplates that a -- that the Commission would work its way
25 through a proceeding, so however long it might take to work

1 through a case.

2 Q. Your sentence suggests that there is harm
3 being done now because that harm cannot be undone in the
4 future. What is the harm that is being done now?

5 A. I think as Dr. Aron speaks to in her testimony
6 and -- and I think just the general recognition of the fact
7 that competitive markets benefit consumers more fully than
8 any attempts to regulate markets that face competition, the
9 fact that you have regulation in place tends to distort and
10 skew and interfere with a naturally competitive, you know,
11 changing dynamic marketplace, and it may do so in ways you
12 don't really even understand, but I think it's clear that the
13 legislature intended for competition to be the driving force
14 rather than regulation, and we're asking for us to move in
15 that direction now with this case.

16 Q. Did you refer to markets that face competition
17 or markets that face effective competition?

18 A. Just now?

19 Q. Just now.

20 A. I probably used competition generically in my
21 statement.

22 Q. And is there a difference between competition
23 and effective competition?

24 A. I think depending on how you define the two
25 terms, there could be. You could define -- potentially

1 define competition in a different -- in a different manner
2 than the way the statute has defined effective competition.

3 Q. Please turn to page 5 of your surrebuttal
4 testimony. At line 2, you state this means the FCC has found
5 that CLECs can effectively compete without unbundled pricing
6 in the incumbent LEC at telluric-based prices.

7 Were you present when Dr. Aron was testifying?

8 A. For most of her testimony.

9 Q. Did she say that imperilment analysis goes to
10 the barrier factor?

11 A. When you say to the barrier factor, do you
12 mean the language that's under the -- of what we're looking
13 at under the definition of effective competition?

14 Q. Yes.

15 A. I don't recall specifics, but I recall some
16 general discussion about -- about this issue and barrier
17 stantering (sic).

18 Q. At line 14 on the same page, you state I
19 believe it is unfair to require SBC Missouri to provide below
20 cost UNEs that the CLECs could provide themselves. What is
21 your support for concluding that UNEs are below cost?

22 A. I believe we've provided testimony in
23 arbitration cases or in cases like during the 271 process,
24 for example, where we present what we believe to be the cost
25 of providing various UNEs, and in general, we would argue

1 that the prices established by the Commission have been set
2 below what we believe our cost to be.

3 Q. When you refer to what you believe your costs
4 are, are you using an historic book cost analysis?

5 A. This would have -- my reference here would be
6 to a telluric base. I probably should point out we might
7 have issues with telluric as a cost basis, but at least here
8 I'm talking about telluric-based pricing and having prices
9 set below what we believe those levels are.

10 Q. Would you turn to page 6? At line 15, you
11 state I provided evidence indicating that there are 30
12 traditional switches, and another 30 alternative
13 switches/switch-like equipment in Missouri.

14 In which SBC Missouri exchanges are those
15 switches and switch-like equipment serving customers?

16 A. I don't know if we could provide a definitive
17 list of exactly what all is taking place, what all services
18 are being provided by these switches, particularly the --
19 what we've labeled alternative switches, but one indicator of
20 it that we use is the 911 listings that demonstrate -- in
21 that case, a 911 listing is put into the database, and it's
22 -- it's a surrogate, if you will, for identifying where CLECs
23 are using their own switch to serve the end-user customer,
24 because if they were using our switch, it would be in the
25 database under our name.

1 Q. Please turn to page 7. At line 7, you state
2 that it appears from press accounts that McCloud plans to
3 purchase unbundled loops from the incumbents like SBC
4 Missouri and then provide switching functions for other
5 carriers like AT&T.

6 Does McCloud have in place an agreement with
7 SBC Missouri to purchase these unbundled loops?

8 A. I believe they're under the M2A, which just
9 for clarity of the record, is an interconnection agreement
10 that was reached between SBC Missouri, and it was kind of a
11 model interconnection agreement that virtually all of the
12 CLECs operating in Missouri have adopted. And that
13 interconnection agreement was born out of our efforts to get
14 long distance relief.

15 Q. When is the M2A set to expire?

16 A. That interconnection agreement expires March
17 6th, 2005.

18 Q. Please turn to page 8. At line 3, you state
19 SBC Missouri has previously announced its willingness to
20 provide switching services at a commercially reasonable
21 price, and you also used that term earlier today.

22 How would a commercially reasonable price be
23 set or determined?

24 A. The parties would negotiate, just like happens
25 in most wholesale markets where suppliers and their customers

1 try to decide a mutually beneficial price. Obviously, in --
2 so it would be a negotiation between us, for example, and the
3 CLECs, and what we would have to -- to factor into that
4 negotiation is the fact that companies like McCloud and XO
5 are also willing to provide switching services, so we would
6 be competing for that business.

7 Q. Do companies like McCloud or XO have their own
8 loops?

9 A. They might have some. It's fair to say they
10 would not have loops everywhere.

11 Q. Do you know whether SBC Missouri would
12 negotiate based on its historic book costs of loops?

13 A. Again, I think it would be a negotiation with
14 the parties based on their willingness to pay. I mean, they
15 have options. They can either buy from us, they can either
16 deploy their own, or they can use somebody else's switch, so
17 we'd have to take all those factors into account and try to
18 reach a price that -- that was a win-win, something that we'd
19 be willing to provide the service for and something that they
20 would be willing to pay for. That's typically what happens
21 in wholesale markets.

22 Q. At the bottom of page 9, you state that you
23 find it enlightening that only two CLECs have chosen to file
24 testimony in this case. From that observation, are you
25 asking the Commission to conclude that the other CLECs agree

1 with SBC's position in this case?

2 A. Well, I believe as Dr. Aron pointed out
3 yesterday, I guess, companies tend to focus their resources
4 on what's important to them, and if they felt like it was
5 important to -- important enough that they fight our efforts
6 to get a competitive classification, then they would be here
7 opposing it.

8 Q. At the top of page, you point out that AT&T is
9 withdrawn from this proceeding. Would a proposed merger with
10 SBC account for AT&T withdrawing from this case?

11 A. I can't speak to AT&T's motivations. I would
12 suggest that while I don't know the particulars of the
13 negotiations, according to press accounts, the talks between
14 SBC and AT&T didn't really materialize until January, which
15 was after AT&T withdrew from this case.

16 Q. Would the cost of participating in this
17 proceeding be a factor in a CLEC's decision whether to
18 intervene or not?

19 A. Yes. It hasn't stopped them before.

20 Q. Do you have an estimate of what is SBC
21 Missouri's cost for preparing and trying this case?

22 A. I do not.

23 Q. Please turn to page 14.

24 A. Surrebuttal?

25 Q. Yes.

1 A. I'm there.

2 Q. Beginning at line 6, you point out that CLECs
3 are using EELS, E-E-L-S, in southeast Missouri. First off,
4 what are EELS? What does the acronym stand for?

5 A. I should have spelled that out there. It's
6 short for enhanced extended loops. And the purpose of an EEL
7 is to allow a CLEC to reach from -- they could established
8 collocation, for example, in exchange A, and then exchange B
9 is nearby. Rather than go to exchange B and establish
10 additional collocation arrangements in exchange B, they could
11 use an EEL to extend their reach to exchange B. So it
12 essentially connects a loop out of exchange B with the
13 transport going from exchange A to B to, in essence, give
14 them a long loop, back to exchange A where they have their
15 collocation arrangement.

16 Q. Do you know what numbers of customers are
17 being served in each of the listed exchanges from these EELS?

18 A. I want to make sure I understand your
19 question. Is the question -- well, I'll answer it this way.
20 We have the -- we have the number of -- we have an estimate
21 of the number of CLEC lines in each of those exchanges.

22 Q. And would that estimate include those
23 customers being served from EELS?

24 A. Yes.

25 Q. What, if anything, has the FCC said about the

1 future of EELS?

2 A. I'm not certain.

3 Q. Please turn to page 17. At line 13, there's a
4 question that begins by stating that Mr. Peters claims that
5 SBC Missouri used generic data and took a global approach.
6 And your answer, in part, is my direct testimony contains a
7 number of exhibits that provide exchange-specific
8 information. What analysis did you perform on that exchange
9 specific information?

10 A. I'm not sure what you mean by analysis. We
11 presented the -- the evidence of a number of things. You
12 know how many UNE-P, how many resale, how many 911 listings,
13 whether or not there's collocation, whether or not they have
14 numbering resources, active number of CLECs in that exchange,
15 a large bit of evidence that's exchange-specific.

16 Q. How do you reach the conclusion that effective
17 competition exists in exchange with the information that
18 there are X number of CLECs and Y number of lines?

19 A. Well, I think you have to follow the statute
20 and the statute says they're alternative providers, are they
21 providing functionally equivalent or substitutable services,
22 and I think the evidence demonstrates that both of those
23 conditions are met.

24 Q. At page 19, line 12, you refer to Staff's
25 arbitrarily-selected market share criterion. Please describe

1 what you believe is the staff's arbitrarily-selected market
2 share criterion.

3 A. From their testimony, it appeared like they
4 limited their analysis to a -- what they would consider to be
5 a facility-based meaning where their 911 listings, where does
6 it appear that CLECs are using their own switch, and it
7 appeared as if they selected a market share number. I
8 believe the number was nine percent. If it was above nine
9 percent based on the limited criteria of just having the
10 switched-based lines, then that was their magic bullet, if
11 you will.

12 Q. Can you point out in Staff testimony where
13 they say that they selected a nine percent number rather than
14 -- well, can you point that out?

15 A. I do not have their testimony with me.

16 Q. At line 19 --

17 A. Same page?

18 Q. Same page. -- you conclude, pardon me, I
19 believe it's line 18, you conclude that Mr. Peters is opposed
20 to any form of price increase. Can you direct me to any
21 place in Staff testimony where Staff witness says that he is
22 opposed to any form of price increase in an exchange that
23 faces effective competition?

24 A. I don't have the specific references with me,
25 but the one I pointed out here on, it looks like it's page

1 16, it doesn't talk about why we increased the late payment
2 charge, he just calls it an unfortunate price increase.

3 In separate sections of his testimony,
4 Mr. Peters talks about -- he -- I'll call it eludes to the
5 fact that there -- it's possible we could raise basic local
6 prices, perhaps he didn't mean it, but I interpreted his
7 testimony to -- to suggest that we better think twice about
8 giving SBC Missouri a competitive classification because some
9 price might go up, and that that, in his view, might be
10 unfortunate.

11 Q. At the top of page 20, line 4, you state
12 obviously the previous late payment charge did not
13 sufficiently incent these customers to pay their bills on
14 time. Is that the purpose of a late payment charge to incent
15 the customers to pay their bills on time?

16 A. I think it's a component of it. If you didn't
17 have late payment charges, people would probably tend to pay
18 more of their bills late.

19 Q. What are the other components?

20 A. Help recover the cost of dealing with people
21 that don't pay their bills on time.

22 Q. Do you know whether the new late payment
23 charge is a cost-based charge?

24 A. I would have to say that while I did not see
25 any specific cost studies, I recall discussion about an

1 attempt to try to identify the cost of dealing with people --
2 of dealing with late payment issues, and I don't recall any
3 specific figures, but I believe the -- the general numbers
4 being talked about were in that range, in the range of the
5 price that we've increased the late payment charge to.

6 Q. Please turn to page 27 of your surrebuttal.

7 A. I'm there.

8 Q. At line 11, the question is posed Mr. McKinney
9 goes on to argue that since SBC does not offer a naked DSL
10 line, VoIP shut not be considered a competitive alternative.
11 Do agree with this assertion, and you answered no, I do not.

12 Are you suggesting that a customer would
13 purchase DSL from SBC that includes voice service, and then
14 also purchase a second voice service from another provider?

15 A. Yes, they could. It's not the completeness of
16 the point I was making, but certainly customer would be free
17 to buy different services from different competitors.

18 Q. On page 28, line 19, you state it is quite
19 possible that a customer could decide to maintain a basic --

20 A. I'm sorry, I didn't catch the line number.

21 Q. Line 19.

22 A. Okay.

23 Q. It is quite possible that a customer could
24 decide to maintain a basic strip down line with SBC Missouri
25 while primarily, if not entirely, using some other service,

1 eg., wireless service.

2 Do you have support for frequency with which
3 this possibility occurs?

4 A. I do not have general information that would
5 speak to the totality of that, although some of the evidence
6 presented in Mr. Shooshan's testimony with respect to the
7 wireless survey, for example, that we did, speaks to the --
8 an occurrence of people primarily using their wireless
9 service, even though they also retain a wire line phone.

10 Q. At the bottom of page 37, and going on to page
11 38, you state residential customers receive a bargain for
12 basic local service, particularly those in rural markets
13 where SBC Missouri's price is now as low as \$7.29, which is
14 far below the cost SBC Missouri concurs to provide the
15 service.

16 Do you have a cost study to support that
17 statement?

18 A. I have seen costs in the past that would
19 support that statement. I don't have it with me, if that was
20 your question.

21 Q. What would be the -- the date of those cost
22 studies that you've seen in the past?

23 A. I don't recall.

24 Q. Would they be 20 years old?

25 A. No.

1 Q. Ten years old?

2 A. No. If I had to guess, I'd say in the two- to
3 three-year range.

4 (REPORTER'S NOTE: At this point, an in camera
5 session was held, which is contained in Volume 4, pages 353
6 through 355.)

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1 JUDGE RUTH: Letting you know that we are off
2 the in camera and we're streaming again.

3 BY MR. HAAS:

4 Q. Has that cost study been reviewed by the
5 Commission Staff?

6 A. Not to my knowledge, but I don't -- I should
7 probably answer I don't know.

8 Q. Has that cost study been reviewed by Office of
9 the Public Counsel personnel?

10 A. I don't know.

11 Q. Turning on to page 41, at line 7, you state
12 however, I do not anticipate any significant price increases
13 for residential basic local service because they do not
14 believe the competitive marketplace will permit that to
15 happen.

16 What is a significant price increase?

17 A. I don't know if I can give you a precise
18 figure of what I would consider to be what the threshold is
19 between significant and not significant, but I -- I don't
20 envision us attempting to increase prices -- I mean, the
21 market simply will not support us increasing price -- I think
22 there's kind of this fear that we're just going to raise
23 prices to \$50 or something, and the market just won't support
24 that, so it isn't going to happen.

25 I think the type of thing we've talked about

1 and thought about is, again, trying to simplify our business.
2 It makes it difficult for us operationally to deal with the
3 multiple prices that we have. For example, in residential
4 service, the price ranges -- we have seven different prices
5 for basic local service that range from \$7, I think it was
6 \$.29, to a little over \$12. And it makes it difficult for us
7 to operate with that pricing disparity, so the kinds of
8 things I believe marketing is thinking about is trying to
9 move that to one single price, and so -- and I don't see that
10 -- let's just, for the sake of argument, talk about, you
11 know, moving \$7 price up. I don't see that happening in one
12 fall swoop.

13 I see that happening, say, a dollar at a time
14 over a multiyear period, and I should just add the caveat
15 that there's no specific plan that that's definitely what
16 we're going to do. We obviously have to examine it in light
17 of the competitive marketplace. But that's an example of the
18 kind of thing people think about wanting to do.

19 Q. And another example of simplifying business,
20 and you mentioned it on page 42, would be perhaps moving the
21 outside the base rate area to a single price. Has SBC
22 Missouri made a revenue-neutral filing with the Commission to
23 eliminate the OBRA by moving to a single price?

24 A. Just to clarify, the OBRA, today, is a single
25 price assessed to certain customers in certain exchanges. My

1 intent here was to not suggest that we'd want to move that to
2 a single price, but it's kind of one of those extra charges
3 that, in terms of simplifying the business, we might think
4 about trying to eliminate.

5 And so, again, I don't know that this is
6 exactly what marketing will want to do, but as an example of
7 something, we might want to try to take revenue generated
8 from that and spread it across, say, all access lines, for
9 example. And if you can spread it that broadly, the increase
10 is really pretty small.

11 So to get to your -- just to clarify that
12 issue, and then to get to your answer, the answer is no, we
13 haven't. I believe there would be those who would argue that
14 would be a price cap violation if we attempted to raise the
15 price of basic local service for some customer.

16 Q. Mr. Unruh, will you please describe a
17 hypothetical exchange where SBC Missouri would not face
18 effective competition?

19 A. I think it would be maybe an exchange where
20 there was no CLECs certificated to provide service there; no,
21 you know, no CLEC with a tariff to file service there; no way
22 for alternative providers to provide service there; no way to
23 get wireless service there; no way to get any kind of a
24 VoIP-based service there. For some reason, which I don't
25 believe exists in the current marketplace, there would be no

1 way for a competitor to enter that market. Again, I don't
2 see that existing anywhere in Missouri, so it's purely
3 hypothetical.

4 Q. If SBC Missouri receives a competitive
5 classification for its business services in all of its
6 exchanges, what plans does SBC Missouri have for its business
7 services and rates?

8 A. I think as Ms. Fernandez stated, that there
9 are no specific plans for what we would do with a competitive
10 classification. I think similar to what I've discussed for
11 residential, I believe marketing might consider efforts to
12 try to -- to better align prices.

13 Q. What plans does SBC Missouri have for
14 residential rates and services if it receives competitive
15 classification for residential services in all of its
16 exchanges?

17 A. My answer will be largely the same. I believe
18 as Ms. Stoia stated, there are no specific plans in that
19 event, but again, I've pointed out examples of things that we
20 might consider doing, like simplifying our pricing structure.

21 MR. HAAS: Thank you. That's all my
22 questions.

23 JUDGE RUTH: Thank you. I had mentioned
24 earlier on the record that when we got to a breaking point
25 and had the Commissioners, we would go back to our second

1 witness, which was Fernandez, and then move to our third,
2 which was Shooshan. It's my understanding there were some
3 travel arrangements we were trying to work around.

4 So Mr. Unruh, I'm going to ask that you step
5 down but remain available. And SBC, if you want to recall
6 Fernandez at this time.

7 MR. BUB: Thank you, your Honor, we will.

8 JUDGE RUTH: Ms. Fernandez, I'll just remind
9 you that you are still under oath. We'll go ahead and move
10 to questions from the bench. Commissioner Murray, do you
11 have any questions at this time?

12 COMMISSIONER MURRAY: I'm going to pass at
13 this time.

14 JUDGE RUTH: Commissioner Gaw?

15 COMMISSIONER GAW: I'm going to pass to
16 Commissioner Clayton.

17 QUESTIONS BY COMMISSIONER CLAYTON:

18 Q. Doctor -- is it doctor?

19 A. No, it's --

20 Q. Professor?

21 A. No, I'm just Ms. Fernandez today.

22 Q. Are you a lawyer, are you a JD?

23 A. No, I'm not.

24 Q. I can't even call you lawyer. Okay. During
25 our discussion yesterday with Dr. Aron, we went through some

1 discussion about what competition means, what it is, and I
2 asked some specific questions regarding Missouri and what's
3 going on in Missouri exchanges. And Dr. Aron suggested that
4 there were other witnesses that had done such an analysis on
5 the competitive circumstances in the state of Missouri. Are
6 you that witness?

7 A. I've definitely spent a lot of time looking at
8 the competitive environment in Missouri, so I'd be happy to
9 --

10 Q. Is that a yes or is that a no?

11 A. That's a yes.

12 Q. That's a yes. And when you looked at the
13 competitive state of -- or the competitive circumstances in
14 Missouri, did you only do a statewide analysis or did you do
15 a -- other demographic analyses breaking down by, perhaps,
16 urban areas, towns, exchanges, anything like that?

17 A. The way I've analyzed the market, not
18 necessarily for this proceeding, but as part of my
19 responsibilities is we are looking at competition across
20 product sets, across segments, across markets.

21 We don't look, necessarily, at an exchange
22 basis, but as an example, I will tell you we had a lot of
23 information coming from our sales channel, say in the late
24 90's, early 2000, that was very, very focused in the major
25 metros, and there's no question that my sales channel has

1 been very vocal about the movement of our competitors' sales
2 forces outstate, if you will, is that's how I would refer to
3 it. So we're not looking at it on an exchange basis, we're
4 really analyzing what competitive activities been outstate in
5 the major metros, across state lines, et cetera.

6 Q. When you say your sales channels, who are you
7 referring to?

8 A. It would be several. It would be those that
9 are employed by SBC. You can think of those as premise,
10 face-to-face sales force that cover a market that typically
11 has, let's say, 15 lines, access lines, or more with whoever
12 their provider is.

13 Q. Okay. So people like that would be selling
14 telephone service for greater than 15 access lines?

15 A. Correct.

16 Q. Okay.

17 A. So we'll call those premises sales. Another
18 example of channel information I get is from what we call our
19 alternate channels. Those are customers that are authorized
20 to sell our services, and they cover customers in that space
21 as well. They could also cover customers that have five or
22 more lines.

23 We also talk a great deal to our customer
24 service reps that service the very small business customers,
25 and there are quite a few of those. One, two, three-line

1 customers.

2 And the final kind of channel which get
3 feedback -- a great deal of feedback is our win back channel,
4 and those individuals are both on our payroll as well as
5 there are commissioned sales people that are not on our
6 payroll but deal every single day of every week in a
7 situation where we're winning back customers.

8 Q. Okay. And are you the -- are you a regional
9 manager, are a vice president or?

10 A. I'm a director responsible for business
11 services, for primarily our infootprint region, so that would
12 be the southwest region, the west region, the east region,
13 which is Connecticut, as well as Midwest.

14 Q. It would be easier to say who you would not
15 manage then. I mean, is there anyone that you don't manage
16 as it relates to core business services?

17 A. I'm not focused outside of our incumbent
18 footprint is probably the best way to look at it, so our SBC
19 telecom region, I'm not really responsible for.

20 Q. I'm not sure what that is. Does that mean
21 outside of where you are not an ILEC, basically, where they
22 operate as a CLEC? Is that what it is

23 A. I was going to say that.

24 Q. Why didn't you just say so? Okay. All right.
25 I understand then. And it seems that you break down the --

1 with your sales and your channels that you've made reference
2 here with five -- one person -- one group makes sales greater
3 than five lines, one is greater than 15 lines.

4 A. Yeah, it's generally a complexity issue.

5 Q. Okay. And have you noticed is there a
6 difference in the nature of the competition as you move from
7 perhaps an urban setting to a suburban setting?

8 A. Not in my mind, not at all. There are --

9 Q. Let's start with the urban setting. Would you
10 say in an urban setting that you would see the most
11 competition where the competition is the most fierce, where
12 there's the most priced pressure in an urban setting or is
13 that a false statement?

14 A. I would tell you at one time that was probably
15 true, but not anymore. I think our competitors -- not I
16 think, I know -- our competitors have a very nimble sales
17 force, and the truth of the matter is it's basically they're
18 running a business. Once they've gone into a market and
19 they've essentially worked that market, then they pick up and
20 move to a new market, and their offers are not focused on
21 just the major metros. They're capable of offering their
22 services statewide, and they're very nimble.

23 Q. Who would you say your toughest competitors
24 are in the urban areas?

25 A. We hear a lot about Birch, McCloud, we've

1 heard a lot about NuVox, a great deal about NuVox, over time
2 AT&T, MCI. There are many more than are listed in my direct
3 testimony for sure, and --

4 Q. Are those -- those companies that you just
5 mentioned, those would be considered facility-based CLECs?

6 A. Yes, there's a lot of facility-based
7 competition out there.

8 Q. Are any of those competitors you just
9 referenced, are any of those offering some sort of IP-enabled
10 service?

11 A. Many of them have IP services, and I didn't
12 mention some of the competitors that are really in the IP
13 space. I was really thinking about circuits which
14 competitors.

15 Q. Who would be some of the IP-enabled
16 competitors?

17 A. We've certainly heard a lot about Vonnage.
18 We're hearing more about cable companies in the business
19 space, and the cable competition isn't just in a very small
20 business at all. As an example, cable company recently took
21 our access lines from a very large auto dealership, so there
22 are a variety of competitors that our salespeople are facing.

23 Q. What is your definition of a business
24 customer, how many lines do you judge that or do you judge it
25 by a level of service? I ask you a question and then I want

1 to qualify it.

2 How many lines or are there other services
3 that you would use to define a business customer?

4 A. It's really a business class of service, and
5 I'll be honest with you, the most -- the way to look at a
6 business customer is let the customer define that, quite
7 frankly. It's not about number of lines or complexity of
8 service. We have many Missouri small businesses that are
9 operating out of their home, and those individuals may not be
10 buying business class service, often they are not, so my
11 focus is on those individuals buying business class service.

12 Q. Okay. Each of the competitors that you've
13 mentioned so far, as you're aware, too, major urban areas,
14 too. Each of those companies are operating both urban
15 centers, to the best of your knowledge?

16 A. Yeah, I would say there are --

17 Q. Or are there some that are not operating in
18 St. Louis or Kansas City or do you know?

19 A. The -- probably the complete listing of
20 competitors is provided in Craig Unruh's testimony.

21 Q. If you don't know, just say you don't know.
22 That's fine.

23 A. Yeah.

24 Q. In the suburban, in the suburban areas, do you
25 know -- and I say suburban, I mean in the areas that would

1 certainly surround the urban course, are the companies that
2 you compete with the same? Are they able to offer the same
3 level of service in a competitive manner as SBC is in, say, a
4 Chesterfield or in Independence, Missouri or?

5 A. And when you say level of service, do you mean
6 connectivity or do you mean customer care, billing? I'm not
7 really sure I understand that.

8 Q. Well, service that would meet a particular
9 business customer's needs, and as you know to any particular
10 business customer, that could be a different definition.

11 A. Well, and I'll answer it the way I think you
12 mean it or at least the way I'm seeing it. Our competitors
13 have comparable service, and when I say comparable, I don't
14 mean inferior at all. I mean the same service. For
15 instance, Centrax is Centrax. Digital behind a PBX, we call
16 it smart trunk or PRI service it's the same.

17 And their service isn't inferior elsewhere,
18 but what I will tell you they're very good at doing is
19 differentiating themselves. And I'll give you a great
20 example of that. We sell super trunk service, it's basically
21 an access line behind a PBX. It's not a completely digital
22 service like smart trunk or PRI is. There's no --and I'm not
23 going to get real complicated, but --

24 Q. You're already real complicated.

25 A. Okay. Let me step it down a notch. Our

1 competitors are able to differentiate themselves (sic) in
2 one case by selling a super trunk service, exact same service
3 we have, but they offer what's called outbound caller ID.
4 That's the ability for let's say a Missouri hospital, a
5 patient in the room to make a phone call at home, and that --
6 that name and number goes across to the called party. We
7 don't have that service today.

8 So in that particular case, my channel, my
9 sales channel will tell me that our product is not as robust
10 as theirs is, so I have to evaluate whether or not I'm going
11 to launch outbound caller ID as a vertical feature on a super
12 trunk knowing exactly what I know today is my regulatory
13 climate. So not only do they have comparable service, but
14 they're very adept at finding a place in our portfolio that
15 we have a gap.

16 And who can blame them? You would do the same
17 thing if you were in their business, so my characterization
18 of our competitors is whether you're in metro St. Louis or
19 rural Missouri, they are adept at offering like-products, and
20 perhaps with better feature functionality than I can.

21 Q. How large is your -- is the Missouri sales
22 force that you would supervise?

23 A. I'm not supervising the sales force.

24 Q. And I may be using the wrong terminology.

25 A. And I don't know exactly how many individuals

1 we have on our payroll in Missouri.

2 Q. Approximation.

3 A. I'm not really sure.

4 Q. More than five?

5 A. More than five.

6 Q. More than 50?

7 A. More than 50.

8 Q. More than 100?

9 A. We're in the -- probably in the couple of

10 hundred range.

11 Q. Couple hundred. Okay.

12 A. Uh-huh.

13 Q. That sales force is broken into regions? Do

14 they have territories?

15 A. Yes, they do. There -- there's a -- it's

16 called actually a Regional Vice-President, and typically that

17 Regional Vice-President will either be responsible for, in

18 the case of Missouri, the state, and would crossover into

19 contiguous Kansas as well.

20 Q. Who is that Regional Vice-President?

21 A. I believe it's Kevin Cramer, and he's in St.

22 Louis.

23 Q. Okay. Do you hear specific -- specific

24 concerns from the salespeople who are on the ground working

25 in those territories or does all the information flow through

1 Mr. Cramer to you?

2 A. Well, it's a combination of things. Actually,
3 Kevin hired me, so I have a very good relationship with him.
4 And we -- we are very, very tightly interwoven with the sales
5 organization, so I get on a weekly basis e-mails from them.
6 I can tell you that outbound caller ID, as an example, I got
7 a lot of feedback on that.

8 We get a lot of questions and concerns about
9 our competitors offering T1 integrated access services, so
10 it's really in a PBX kind of world that we get a lot of
11 questions. Basic access lines are pretty simple products and
12 there's not a whole lot there for our competitors to
13 differentiate themselves on that we haven't met them in the
14 marketplace with, but what happens is they're very adept at
15 going into the market and quickly adjusting their prices
16 downward.

17 Q. Is there any exchange in the state of Missouri
18 where SBC is not facing some sort of competitive pressure
19 with regard to business?

20 A. No.

21 Q. So you have -- you have -- it is your
22 testimony that everywhere, all corners of the state as it
23 relates to business customers, you are feeling some pressure?

24 A. Absolutely.

25 Q. Does it vary from corner to corner from the

1 type of competitor that you face? Either technology or the
2 name of the competitor or anything?

3 A. Yeah, there's variance across the state in
4 terms of number of competitors and offerings.

5 Q. As you move to the rural parts of the state,
6 who are the -- what type of technology or what name of
7 competitors is -- is reaching out into the rural areas?

8 A. I hear a lot from my sales channel about
9 NuVox, as an example. When I think about someone like an
10 MCI, they are very good at looking at a customer across the
11 nation, so there -- I hear a lot about them as well, and I
12 hear a lot about AT&T.

13 Q. You hear a lot of AT&T, so NuVox, MCI, AT&T?

14 A. Yeah, you'll generally see what I have on
15 Exhibit 9 and 10 as being a lot of the competitive pressure
16 we hear.

17 Q. I'm looking for Exhibit 9 and 10.

18 A. In my direct. This is the -- what we would
19 characterize as a noncomplex bundle lineup.

20 Q. It's a catchy title.

21 A. Well --

22 Q. There it is.

23 A. Our competitors, sometimes they choose more
24 complex services to market. There's a section in my
25 testimony that will show you which competitors in Missouri,

1 for instance, are selling Centrax. We get a lot of
2 information from our sales channel around PRI rates. I'd be
3 really surprised if you're surprised by that. That's a very
4 competitive product right now. A lot of customers have PBXs,
5 and they're looking to improve their bottom line, so there's
6 a lot of activity in the PRI space, and I can tell you I was
7 on many, many calls about our PRI rates over the last 36
8 months.

9 Q. Do you know what SBC's statewide share of the
10 business market is? Is that confidential?

11 A. Market share you mean?

12 Q. Yes. I don't know if that's confidential or
13 not. I guess not.

14 MR. LANE: Just make sure I'm clear, you're
15 asking for a statewide number?

16 COMMISSIONER CLAYTON: Just market share
17 percentage on business.

18 MR. LANE: Mr. Unruh has that in his
19 testimony, if that helps.

20 BY COMMISSIONER CLAYTON:

21 Q. Do you know? If you don't know, just tell me
22 you don't know. There's no punishment here. We can't do
23 anything to you.

24 A. No, I'm actually thinking about what I can
25 say, but publicly --

1 JUDGE RUTH: Do I need to go into closed
2 session again?

3 BY COMMISSIONER CLAYTON:

4 Q. I'll tell you what, I'll withdraw the
5 questions and if you know the answer and you feel like you
6 can answer it, then answer it, and if not, I don't know how
7 important it is, because I can always come back to Craig or
8 ask him, which I will.

9 A. I don't know precisely what Craig would tell
10 you.

11 Q. We don't either.

12 A. I can tell you we've done survey research.

13 Q. Can you tell me whether the share -- the
14 market share is different in the urban areas, the suburban
15 areas, and in the rural exchanges or do you know?

16 A. Unfortunately, what I know about has to do
17 with primary research we do with small business. I can't
18 tell you, for example, if we move up market into a medium
19 business and a large business, I don't know the answer to
20 that. It's impossible for me to know market share when I
21 don't know -- I don't control -- it's impossible to know.

22 Q. It's impossible for you to know or anyone to
23 know?

24 A. It's impossible for me to know.

25 Q. Okay.

1 A. So we'll just -- I don't know what our market
2 share is. I'll leave it at that. Directionally, I have an
3 idea.

4 Q. Okay. There are other folks that we can get
5 to them. I don't want to put you on the spot.

6 A. But I think your question generally would be
7 do we feel like there's greater intensity in some markets,
8 exchanges or metros versus urban.

9 Q. Well, your answer to that question is going to
10 be yes. I know what your answer is going to be.

11 A. Right.

12 Q. But I would like some supporting evidence or
13 data, and since you either supervise or work with the people
14 that are in the field, I was hoping that you could give me a
15 better idea of what people out in different parts of the
16 state are saying--

17 A. Right.

18 Q. -- since the charts that's before us relates
19 to different regions of the state, even though --

20 A. Absolutely.

21 Q. -- SBC is saying, well, we want statewide, I'd
22 like a snapshot either by exchange or region or otherwise,
23 and I didn't know if you could provide any insight into the
24 specific market pressures.

25 For example, you mentioned the rural providers

1 are NuVox, MCI, and AT&T, and we know what's going to happen
2 with AT&T, but I didn't hear you say any of the cable
3 providers from rural areas. Does that indicate that you're
4 not receiving competitive pressure from cable telephony in
5 the rural areas?

6 A. I don't have -- I haven't specifically
7 addressed cable.

8 Q. Okay. Okay. Can you -- can you tell me
9 whether in the rural areas that SBC is feeling competitive
10 pressure from -- from Internet providers like Avonnage (sic)
11 or maybe a Call Vantage or something that is a
12 broadband-based Internet telephony. Can you tell me whether
13 those specific competitive pressures are out in the rural
14 areas of the state?

15 A. Yes, I can. In fact, it was interesting that
16 there was a print ad, Big River Telephone has a print ad that
17 appeared in the Southeast Missourian, and I have it here, if
18 you'd like to see it.

19 Q. Certainly.

20 A. This is every day of every week, these things
21 can appear in my inbox from a variety of sources, and I can
22 tell you we're very concerned about Voice over IP. And if
23 you look back at Schedule 9 and 10, particularly 10 where you
24 see our current rates for our bundle, there's no question
25 we're looking right at Vonnage price points and recognizing

1 that that is a significant competitive threat to our business
2 and to any circuit switch provider's business.

3 Q. Are you aware of what exchanges Vonnage has
4 been able to secure telephone numbers throughout SBC's rural
5 telephone numbers?

6 A. I'm sorry, say that again.

7 Q. Referring specifically to Vonnage, do you know
8 in how many exchanges Vonnage has secured --

9 A. No, I don't.

10 Q. -- local telephone numbers? Does your sales
11 force indicate to you whether that is even a significant
12 factor in whether someone jumps ship from SBC to Vonnage,
13 having a local phone number?

14 A. No, I haven't heard them say that.

15 Q. Okay.

16 A. I think the general comments that are made
17 related to that from my sales channel and my customers has
18 been -- and I'm sure this won't surprise many of you. The
19 value proposition for IP and this unlimited all-you-can-eat
20 LD unlimited local is really about the whole commoditization
21 of calling. So in many -- and this is true of Centrax as
22 well.

23 Many of my business customers are saying I
24 want the ability to do four-digit dialing anywhere in the US
25 and they want that enabled through an IP centrax solution,

1 and that is a very attractive proposition, even in spite of
2 the fact that LD rates are coming down as low as they are.

3 It's not just the long distance cost, it's the
4 ability to just dial four digits and be calling someone in
5 California on an IP network. So it's a great platform for
6 business customers. It's the ease and convenience of making
7 a four-digit call and not having to worry about watching your
8 long distance bills. So whether you're on a circuit switch
9 network buying unlimited long distance or on an IP network,
10 they just don't want to have to worry about long distance
11 rates.

12 Now, we haven't introduced an unlimited long
13 distance plan for our big business customers. Right now, no
14 one in the marketplace has that, but clearly with IP, we all
15 have to be thinking about that.

16 Q. Technologically speaking for a business, I'm
17 going to let you pick a size, but that would choose whether
18 it would purchase a Vonnage service or a Voice over IP type
19 of service, how many DSL lines or high speed lines or what --
20 how many pipes do they need comes into their premises for --
21 for a company to actually compete with Southwestern Bell?

22 A. You're kind of saying what's the break-even
23 point for a business that would -- decide it's more cost.

24 Q. No, what I'm asking is for a business
25 customer, do you just need one broadband connection to

1 operate all 15 access lines or 30 access lines? How many --
2 how many lines can you actually have running on these VoIP
3 connections through one DSL?

4 A. Circuit?

5 Q. Or circuit, I'm not sure how you call it.

6 A. Yeah, the answer to the question is really
7 what are you going to do with that broadband connection. We
8 have, for example, advertising agencies that have very
9 bandwidth heavy applications that are bringing down files,
10 you know, across the network that are very large. So they
11 would size and scale that data network to allow for a very --
12 they'd want a very large amount of bandwidth to do
13 downloading and unloading, so up and downstream, they would
14 want a lot of bandwidth.

15 So that particular situation, dedicated
16 Internet access is what they're looking for, so they're not
17 interested in a DSL line per desktop, if you will, or sharing
18 because there's too much bandwidth drain on their network, so
19 it really depends on the application itself.

20 Q. The reason I ask the question is that earlier
21 today there was discussion about perhaps the only DSL or
22 broadband availability in a particular area, maybe an SBC DSL
23 line that goes into the premises, and of course if you're
24 mandated by SBC to have a voice line that goes with that in a
25 residential sense, it doesn't make a whole lot of sense, well

1 at least in my opinion, that someone's going to pay both that
2 voice line, DSL line, and then pay for a separate line.

3 And I wanted to know how that would apply in a
4 business sense. Could a company buy the -- a one DSL line
5 from Southwestern Bell and get their one voice line, use it
6 as the fax line, and then fire up a VoIP type of application?
7 Does that question even make sense?

8 A. I think you're asking -- you can buy a variety
9 of bandwidth on a DSL line. You can, you know, an entry
10 level speed or you can go very high. So again, it comes back
11 to your application. So as a business owner, you're going to
12 weigh the cost of the monthly recruiting cost for that data
13 pipe against the utility you're going to get for your users.
14 Two or three people sharing it, what are they doing with that
15 -- with that DSL circuit.

16 But at some point, you start to do what you
17 would do with a voice network as well, and you would say we
18 have too many individuals on that network and we need to
19 improve or expand capabilities of that data pipe, which is
20 handling voice and data, so I'm not sure if that's answering
21 your question, but the bottom line is whether you buy from
22 SBC or a cable provider, you're going to weigh the cost
23 associated with getting the utility you need out of that
24 pipe.

25 And generally speaking, it's going to be more

1 efficient, obviously, the more users you have on there, to
2 add the incremental cost associated with more users on an IP
3 network will decline.

4 And the market is kind of finding the rate
5 right now, if you look at Vonnage, to get voice and the data
6 capability, which is high speed data and voice and all the --
7 the robust features that go with it, it's generally in the
8 neighborhood today of \$78 to about \$85 a month. When you're
9 a large IP solution, for example, the one that was announced
10 recently by Ford, 55,000 IP lines, so Ford's migrating from
11 circuit switch to IP, they're going to see probably in the
12 neighborhood of in the maybe low 40's, high 30's, because of
13 the efficiency of that many users.

14 But the market today, right now, for a small
15 IP application, it's generally in the neighborhood of \$78 to
16 \$83 a month, so that's your voice, your feature
17 functionality, which includes, you know, the find me follow
18 me vertical features and broadband, a robust broadband
19 service. That's a pretty amazing price when you think about
20 it. Under a hundred dollars a month for all that.

21 Q. So do you feel better that you will be able to
22 -- well, do you believe that you would be able to compete
23 more effectively using a similar service like with the AT&T
24 cam vantage? Will you be in charge of that type of business
25 service? Would that be a head-to-head competition from, say,

1 Avonmage (sic) if the merger goes through? Is that going to
2 -- is that a product that you would be able to sell through
3 your channels?

4 A. It would be a product we would sell in the
5 same channels like I mentioned earlier. Kevin Cramer, that
6 would not be a product that I'm responsible for the revenue.

7 My responsibility in that regard is going to
8 be what we would really call a migration strategy. So
9 someone else that handles the data products would handle that
10 revenue stream and the marketing strategy associated with
11 that. And it's impossible for me to say what we would do in
12 an environment where we're with -- if we merge with AT&T, but
13 today, we have a product in the marketplace that it's our --
14 our IP service and that's what we're -- that's what we've
15 gone to the market with.

16 Q. Would ABC -- would SBC be able to market such
17 -- such an IP type of product in all of its exchanges in the
18 state of Missouri in which it is the ILEC? Really I guess
19 you could say operate anywhere.

20 Could it market and effectively offer those
21 services anywhere in the state of Missouri, the IP based
22 service through what's been known as AT&T call vantage?

23 A. I don't know -- I don't know exactly where
24 AT&T's marketing call advantage. I don't know the answer to
25 that.

1 Q. Okay. But do you know of any technological
2 problems that would keep SBC from being able to offer that
3 product?

4 A. No.

5 COMMISSIONER CLAYTON: Okay. Thank you very
6 much.

7 JUDGE RUTH: Okay. Thank you. Commissioner
8 Appling, do you have any questions at this time?

9 COMMISSIONER APPLING: One question.

10 QUESTIONS BY COMMISSIONER APPLING:

11 Q. Yesterday when you was testifying, and you
12 probably have already answered this question again today, but
13 you was talking about launching products --

14 A. Uh-huh.

15 Q. -- which is much more complicated --

16 A. Right.

17 Q. -- than it used to be. Why, and before you
18 answer the why, isn't that a part of competition?

19 A. Absolutely. It's a -- it's complex from a
20 competitive perspective. And I guess my point on that really
21 is all our competitors face that complexity, right?

22 Q. Right.

23 A. Regardless of who you are in the marketplace.
24 My point was it's impossible for us as, really, residential
25 customers and for us as business people to not recognize that

1 convergence is adding complexity to our business.

2 As much as we'd like to keep products and
3 services compartmentalized, circuit switched, and this is IP,
4 this is wire line, wireless, they're all converging today.
5 So as convergence continues in our business, it's impossible
6 for, really, us to think about launching a product and
7 pretend that we're the only partner, if you will, for that
8 service today.

9 So I was talking about that because when we
10 think about the prices we need to go to the market with, it's
11 the same for our competitors. We have to look at what the
12 competitive price points are, most certainly, and we have to
13 add a layer of complexity called integration to all that.
14 Wanting the experience for the customer to be a happy one, a
15 good one, and not have it fraught with issues because we're
16 integrating wire line and wireless.

17 Or as an example, I think we've all seen this,
18 too, the complexity of having multiple bills, our customers
19 want standardization simplification. They want bills that
20 are representative of all the products they buy from the
21 provider and we're all facing that, so that's what I meant by
22 the complexity of a product today.

23 Q. Well, what do you recommend that we -- that we
24 do? I'm giving you a shot now. What is it, should we just
25 open up the gate and let the market define the rate?

1 A. We are at a -- our business is where there's
2 definite evidence that we have effective competition, and
3 what we've asking for is the ability to have the same
4 flexibility and response time that our competitors have.
5 That's what we're asking for.

6 We're -- we're not saying that take all of
7 your regulation down because that's really how our IP
8 competitors operate and our wireless competitors operate with
9 virtually no rules associated with rates going up and down,
10 tariff filings, et cetera. So I guess I would say I would
11 consider myself successful if I was able to convince you that
12 our evidence shows that it's time for us to have the same
13 rules and regulation as our competitors do.

14 COMMISSIONER APPLING: Thank you, and this
15 Commission apologizes for holding you up here a couple hours.

16 THE WITNESS: There's no apology needed, and I
17 really do like to come here. I used to live in St. Louis and
18 any opportunity I get to get some toasted ravioli, I'm all
19 over that.

20 COMMISSIONER APPLING: Thank you very much,
21 but we don't want to be the cause for that.

22 JUDGE RUTH: I'll go back to you, Commissioner
23 Murray. Do you have questions?

24 COMMISSIONER MURRAY: Thank you. Just one or
25 two, possibly.

1 QUESTIONS BY COMMISSIONER MURRAY:

2 Q. If you were to give an example of something
3 that your competitors can offer to your business customers
4 that you are constrained by being under price cap regulation
5 from responding to quickly, what would be the most egregious
6 example that you can think of?

7 A. I think that -- I'm not sure I call it
8 egregious, but I will tell you that the top of mind things
9 for me and my business customers, I think there's two things.
10 The first is my competitors approach the marketplace with a
11 very simple, straightforward portfolio of offers. And so
12 because of that, they're able to go into my customer
13 regardless of where that customer has its locations and quote
14 a single price point, and they're able to do that because
15 that's how they're very effective at competing with me. So
16 that would be one area that's top of mind for me. And the
17 second --

18 Q. Just let me stop you there while we're on that
19 example. And then what, by comparison, can you do?

20 A. What I have to do is I have to look at the
21 competitive offer, and I don't think you'll be surprised to
22 hear that our competitors often are 25 to 40 plus percent
23 below our rates often. So what I have to do when my
24 salespeople tell me that this is what their customer's giving
25 them in terms of a proposal and I have to try to match it or

1 react to it is I have to analyze the rates for that
2 particular customer location, so that would be by rate group,
3 and determine if I can do a promotion to -- to meet that
4 competitive price point, which given 25 to 40 percent lower,
5 it's going to be impossible for me to get there. So -- and
6 that's not -- that's not an odd or unique situation. That
7 happens very often.

8 Q. And without being under price cap regulation,
9 how will you be able to respond?

10 A. I'll be able to respond by looking at the
11 products that we have and the rates that we have by rate
12 group and -- and wanting to give my customer more
13 standardized price -- price across the state or -- and really
14 do it in a way that that customer sees no net impact to their
15 bottom line. So I can't raise my rates high in one area and
16 lower them dramatically in another area.

17 I'm going to have to look at that very
18 carefully because of the enormity of the decision, so that's
19 an example where it's a combination of what competitors have
20 done and what our customers want to see, which is more
21 uniformity in price and really rate stabilization. And you
22 hear us talk a lot about price. That is a very big thing to
23 my business customers is let's take it off the bottom line.

24 Q. And right now, with being under price cap for
25 the services that are regulated here, if you want to bundle

1 with VoIP or you want to bundle with wireless or some other
2 some nonMissouri regulated service, what will you be able to
3 do differently in bundling if you are relieved from price cap
4 status here?

5 A. I don't know -- I don't know how to answer
6 that. Because --

7 Q. Does the regulation -- does the price cap
8 regulation that SBC is under make it more complicated to
9 offer those bundles, I guess?

10 A. Oh, absolutely. I think it's complicated
11 because we have to do so many things to get to a standardized
12 price and an offer, as one example.

13 I think the other thing that I can tell you
14 firsthand is, you know, we -- we try to run promotions to
15 meet our competitors in the market. We're not -- we're not
16 capable of in seven to ten days taking our price points down
17 in response to competition. Quite frankly, if you look at,
18 for example, our PRI promotion right now, we're running it
19 because our competitors are -- have gone to about a \$450 to
20 \$500 a month price point, and once we have a promotion in the
21 marketplace, it's there for a while, so we could do an 8- or
22 9-day promotion, we can do a shorter promotion. But at the
23 end of the day, I'm not going to be able to go out there ten
24 days later and have a lower rate for my customers and compete
25 toe-to-toe with our competitors.

1 Q. So your response time is a big part of it; is
2 that correct?

3 A. It's huge. And that's really how the
4 businesses are looking at the proposals are getting from our
5 competitors. They're base -- my salespeople are basically
6 saying this is what I got today, and what -- they want to
7 know what I'm going to do about it.

8 And my answer has to be you've got a promotion
9 that's out there today, and it's going to expire on this day
10 and that's what you have to use. And if you look at the
11 mayday promotion as an example, that was one that I had
12 developed myself to get to a competitive rate. We actually
13 had to change it up and include 100 number block with it for
14 \$10 a month, which is a significant discount over the
15 tariffed rate. And we also threw in caller ID, too, as an
16 option. We had to do what we could to give more value to
17 that customer, but it's not something that I could do in
18 seven to ten days.

19 Again, we have to go through CLEC notice, a
20 30-day tariff interval. We put it in the marketplace. We
21 typically have it in the marketplace for a while. It's not
22 responsive to our customers and it's not responsive to
23 competition, and we've lost a lot of PRIs because of that.

24 Q. And if a CLEC were trying to woo a business
25 customer from you, what kind of notice would you receive of

1 that if a CLEC came in, for example, and said I can offer you
2 a bigger bundle at a lower cost than what you're paying, give
3 you more than what you're getting now from SBC, and I can
4 give it to you at a lower price, what kind of notice would
5 you have that this customer was being wooed?

6 A. What kind of notice would I get from the
7 competitor you mean?

8 Q. Would there be a tariff filing that you would
9 have notice of?

10 A. The -- our CLECs have to file the tariffs, but
11 they don't have the 60-day interval that we do.

12 Q. And what would be the length of the notice
13 that you would be getting, then, if you were following
14 tariffs daily?

15 A. Which is a very good observation on your part,
16 that we would have to be watching every day what tariffs are
17 filed with the Commission. It would be somewhere around --
18 between 7 and 10 days.

19 Q. And that is what you are requesting --

20 A. Yes.

21 Q. -- the same footage that we put SBC on?

22 A. Right, and I recognize that we an obligation
23 to give CLEC notice.

24 Q. So that they would have an equivalent time to
25 respond to a tariff --

1 A. Correct.

2 Q. -- that SBC filed.

3 A. Correct. I guess if you're in sales and
4 someone said to you you can wait 60 days for your paycheck or
5 you can have it in 37 days, they'd want their paycheck in 37
6 days.

7 COMMISSIONER APPLING: 60 days.

8 BY COMMISSIONER MURRAY:

9 Q. You were going to give me one -- I think you
10 were on the way to giving me a second example and I cut you
11 off, and if you don't remember what it was, don't worry about
12 it, but if you do and want to say it, go ahead.

13 A. Yeah, let me think about the first point was
14 clearly the -- it was really two things. It was really a
15 standardized portfolio, the ability to move in the market
16 faster. I mean, those are really the two issues.

17 I'm -- I'm not able to assume the risk of
18 going to market with a offer if I know that I've got a cap on
19 what I can do with the -- with the price points as I lower
20 them, so there's no question that I'm going to be reluctant
21 to do that today and that's not going to stimulate more
22 competition.

23 COMMISSIONER MURRAY: Okay. Thank you. Thank
24 you, JUDGE.

25 JUDGE RUTH: Okay. Commissioner Gaw, do you

1 have questions?

2 COMMISSIONER GAW: Yes, do you need a break?

3 Is that why you're asking it?

4 JUDGE RUTH: I don't need a break, but I'm
5 happy to take one if you wish. We just got of order for
6 questions from the bench.

7 COMMISSIONER GAW: Well, that's okay. I just
8 want to make sure before I start.

9 QUESTIONS BY COMMISSIONER GAW:

10 Q. Ms. Fernandez, just to follow-up first on a
11 line of questions that you just had. Help me to understand
12 specifically, if you know, what your -- what the change is
13 specifically that you would be getting that would make it
14 easier for you to respond, and -- and if there are several of
15 those, I want you to list those for me.

16 A. Generally speaking, it's two things really,
17 it's time to market, or interval.

18 Q. Okay. And what would change about that if you
19 receive competitive status?

20 A. We would be able to file our promotional
21 tariffs in seven to ten days instead of 30 days. We'd still
22 have a 30-day CLEC notice, but the interval for the tariff
23 filing would be brief, or we would be able to adjust our
24 price points in a manner that's faster.

25 Q. All right. And second?

1 A. The second thing has to do with the inability
2 we have today to let's say -- I'll use an extreme case --
3 take our PRI rates down 50 percent and then in -- and shortly
4 thereafter raise them back up, and that would be an example
5 where clearly if I was a competitor, I wouldn't want to see
6 SBC do that. In the business world, we might call that a --
7 a fire sale. It would be a very aggressive offer designed to
8 give our competitors -- give a competitive price to our
9 customers and then we would change our price back up later
10 on.

11 Q. Okay. Those are the two things -- two areas?
12 That's a yes?

13 A. Yes, sir.

14 Q. It's just you were nodding your head. In
15 regard to time to market, is it -- do you have a 30-day for
16 SBC to -- on promotions now

17 A. Yes, if if we're in a promotion or reducing
18 the rate, I believe it's 30 days.

19 Q. Okay. And you say if that were -- if that
20 were a promotion or more along the lines of seven days or
21 seven to ten days, that that would be helpful to you?

22 A. It would be helpful to us.

23 Q. All right.

24 A. And in regard to -- to lowering and raising of
25 rates, is there any restriction on your ability to -- to set

1 bundled rates under the current law that you know of?

2 A. Let me think about that. And I think we had
3 this discussion before, and I'm not sure I was clear about
4 when we think about a bundle, the work that I've done and the
5 bundle that's been most recent where we've had some activity
6 has been what we call our custom saver bundle, that's the
7 local access plus vertical features.

8 Q. Pardon me.

9 A. And today, that first line is tariffed at
10 \$38.99. So if I wanted to to go tomorrow --

11 Q. When you say first line?

12 A. Is \$38.99. The second line is \$24.99, so.

13 Q. So I'm just trying to understand what you mean
14 by first line. Second line?

15 A. The rates are different. If you're a small
16 business customer and you want to buy that --

17 Q. Yes.

18 A. -- your first line would be \$38.99, and that
19 would be a line plus five features, and then your second line
20 would be \$24.99, and it would just have caller ID on it.

21 Q. All right.

22 A. So it -- let's say I wanted to run a promotion
23 on that product and take \$10 off both, so instead of \$38.99
24 it was \$28.99.

25 Q. All right.

1 A. Or \$24.99, it would be \$14.99. My total to
2 market interval would be 60 days, and so that's an example
3 where I'm not able to move in the marketplace in seven to ten
4 days like my competitors can.

5 Q. Okay. So that's time to market rather than
6 your second point.

7 A. And then on the price point, the -- the bundle
8 would be a line in vertical features, so I'm assuming that if
9 I wanted to drop my rate permanently, and let's's say take
10 the \$38.99 down to \$28.99, for example, or take it down by 50
11 percent. If I did that, I would not be able to adjust that
12 price upward again without being subject to the price cap
13 rule.

14 Q. And you base that on -- on anything in
15 particular Ms. Hernandez?

16 A. Meaning the classification?

17 Q. That belief that that would be the -- that you
18 would not be able to -- to raise that amount back up?

19 A. Right, I'd be limited to how much I could
20 increase that rate over time.

21 Q. Do you have specific -- anything specific that
22 you -- that you would point to that -- to tell me that that
23 would be the case?

24 A. No, I don't.

25 Q. Okay.

1 Q. Perhaps others will clarify some of this --

2 A. Okay.

3 Q. -- for me, rather than trying to just -- I
4 appreciate your points. Those are your two points, right?

5 A. Yeah.

6 Q. Okay. Let me skip to advertising.

7 A. Okay.

8 Q. And I'm just looking at your testimony --

9 COMMISSIONER GAW: And Judge, I think we'll
10 have to go into some sort of closed session for these
11 numbers.

12 JUDGE RUTH: Okay. Let me put this on
13 intermission. We'll go into in camera session.

14 (REPORTER'S NOTE: At this point, an in camera
15 session was held, which is contained in Volume 4, pages 396
16 through 410.)

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1 COMMISSIONER GAW: But thank you. That's all
2 I have, Judge. I know you have to break, so.

3 JUDGE RUTH: Yes, we are going to take a short
4 break, and when we come back, I'd like Mr. Lane to clarify if
5 we still need to be in in camera session when we come back.
6 We'll discuss that when we come back. I didn't know if some
7 of the last few questions should actually be opened up, so
8 you might be --

9 MR. LANE: Judge, if you want, we can look at
10 the transcript and send you a notice that --

11 JUDGE RUTH: Yes, please do that, and try to
12 do it within a few days of when the transcript comes out so I
13 can have the record changed as opening whichever lines back
14 up. Now we're going to go off-the-record for ten minutes
15 until a quarter till 3:00 by the clock in the back of the
16 room.

17 (A BREAK WAS HELD.)

18 JUDGE RUTH: Okay. We are back on the record
19 after the break. We were having Commissioner questions for
20 witness Ms. Fernandez, and Commissioner Gaw has requested
21 that I ask a witness for him -- or ask a question of the
22 witness for him. I'll let you get seated.

23 THE WITNESS: Then it's official. Can I be on
24 the camera?

25 JUDGE RUTH: Thank you. His question is the

1 numbers that you have in Schedule 6 and 8, is there any way
2 to break those down into areas of the state or exchanges, and
3 he said that you thought you might have touched up this, but
4 he wanted to make sure that he had it clear.

5 THE WITNESS: If there's a way to break it
6 down by region you mean?

7 JUDGE RUTH: Well, he said areas of the state
8 or exchanges, so I assume that would be regions.

9 THE WITNESS: Yeah, I'm sure it's not
10 available by exchange. I can talk to my ad agency about
11 whether it's possible to get it on a -- what they call a DMA
12 basis or it's an advertising region, you know. Something
13 smaller than a state is basically what he's looking for?

14 JUDGE RUTH: Yes.

15 THE WITNESS: Yeah, let me find out from my
16 advertising agency if that's possible.

17 JUDGE RUTH: Okay. What I'll do, then, is I'm
18 going to reserve as a late filed Exhibit No. 36, a document
19 that would be in summons to Commissioner Gaw's question. If
20 you are able to provide that, please do so within five
21 business days after the hearing.

22 THE WITNESS: Absolutely.

23 JUDGE RUTH: And any of the parties, if you
24 have objections to that once it comes in, you'll need to do
25 so within three business days of when it's submitted, and if

1 you can get it in earlier than five days, please do so. Now,
2 if you're not able to provide a document, I'll expect some
3 kind of a notice in the file just indicating that.

4 THE WITNESS: Right.

5 JUDGE RUTH: Okay. Is everyone clear on that?
6 Then it looks like that will conclude the questions from the
7 bench, so we'll move to recross based on those questions and
8 start with Staff.

9 MR. HAAS: No questions.

10 JUDGE RUTH: Public Counsel is not here, so
11 how about you, Mr. Lumley?

12 MR. LUMLEY: No, ma'am.

13 JUDGE RUTH: Redirect?

14 MR. BUB: Thank you, your Honor, we have a
15 little bit.

16 REDIRECT EXAMINATION

17 QUESTIONS BY MR. BUB:

18 Q. Okay. I'm all set. Ms. Fernandez, I'm going
19 to take you back to when Mr. Haas was asking you some
20 questions. The topic was your belief that your competition
21 on the CLEC side was primarily facility-based, and he asked
22 you whether you had any evidence to support that and your
23 answer was you didn't on the stand with you.

24 Would it have been a fair characterization to
25 say that that evidence was behind counsel --

1 A. Yeah.

2 Q. -- podium in the form of Unruh Schedule 4 --

3 A. Yes, it was.

4 Q. -- this big chart?

5 A. Yes, it was.

6 Q. Mr. Lumley was asking you some questions about
7 business customers in the small and medium-sized category.
8 You had had discussions with him about their use of wireless
9 service, and I recall your words in response to him were that
10 customers told you that they couldn't justify both the
11 expense of land line service and wireless service.

12 Do those customers during those conversations
13 indicate to you that they disconnected either of those
14 service? What did they tell you?

15 A. Yes, they basically said they didn't need to
16 have both, so they disconnected their wire line service in
17 favor of purely wireless service.

18 Q. And that came from focus group discussions
19 that you had with customers?

20 A. It was actually from -- we have an annual user
21 group meeting where we get together with customers, not only
22 annually, but in a regional way, and we talk about services
23 and migration, and it was actually in one of those focus user
24 group meetings.

25 Q. Also I believe in response to questions from

1 Mr. Lumley, and I think you also had a discussion about this
2 topic with one of the Commissioners about replacing business
3 land line service with wireless, and you are -- referenced an
4 announcement that Sprint, in a press release that Sprint had
5 made about replacing land line phones at Ford Motor Company.
6 Do you recall that?

7 A. Yes, I do.

8 MR. BUB: At this point, your Honor, I'd like
9 to go off-the-record just for a second to have something
10 marked.

11 JUDGE RUTH: I believe this will be 37; is
12 that correct?

13 (COMPANY EXHIBIT NO. 37 WAS MARKED FOR
14 IDENTIFICATION BY THE COURT REPORTER.)

15 JUDGE RUTH: You may proceed.

16 MR. BUB: Thank you, your Honor.

17 BY MR. BUB:

18 Q. Ms. Fernandez, I've handed you Exhibit 37. Is
19 that the article announced -- describing the announcement
20 that Sprint had made to serve Ford --

21 A. Yes.

22 Q. -- with wireless service? Okay. Well, what
23 does this article describe?

24 A. Well, it describes Ford Motor Company's
25 agreement that it's going to reduce its traditional circuit

1 switched access lines by 8,000 in -- I'm sorry?

2 Q. And what are they going to replace it with?

3 A. With wireless service from Sprint.

4 Q. Thank you.

5 MR. BUB: Your Honor, at this time, I'd like
6 to offer Exhibit No. 37 into evidence.

7 JUDGE RUTH: Exhibit No. 37, the article from
8 the Kansas City Star, dated 1/25/05 has been offered. Are
9 there any objections to it being received into the record?
10 Staff?

11 MR. HAAS: No objection.

12 JUDGE RUTH: Public Counsel?

13 MR. DANDINO: No, your Honor.

14 JUDGE RUTH: Intervenors?

15 MR. LUMLEY: No, your Honor.

16 JUDGE RUTH: Okay. Exhibit No. 37 is received
17 into the record. You may proceed.

18 MR. BUB: Thank you, your Honor. We have
19 another exhibit, I guess this will be 38.

20 JUDGE RUTH: All right.

21 MR. BUB: And this one came up during a
22 discussion you had with Chairman Gaw (sic) about Big River,
23 and since it just came up, I don't have copies, but if we
24 could at least have an exhibit number reserved.

25 JUDGE RUTH: Yes, it will be 38. Would you

1 describe it for me, please?

2 MR. BUB: Sure. It's -- it's an advertisement
3 that appeared in the Southeast Missourian dated Wednesday,
4 January 25th, 2005, placed by Big River Telephone.

5 JUDGE RUTH: Will you have copies in the
6 morning?

7 MR. BUB: We will have copies.

8 JUDGE RUTH: Show it to counsel, then, please.
9 Thanks.

10 MR. BUB: Your Honor, if we could let the
11 record reflect that I'm handing Exhibit 38 to the witness.

12 JUDGE RUTH: Okay.

13 BY MR. BUB:

14 Q. Would you please identify that?

15 A. This is the print ad that I referred to
16 earlier by Big River advertising their Voice over IP seminar.

17 Q. Is that the same advertisement that you were
18 discussing with Chairman -- or with Commissioner Gaw?

19 A. Yes, it is.

20 MR. BUB: Okay. Your Honor, we'd like to
21 offer that into evidence.

22 JUDGE RUTH: Exhibit No. 38, the ad placed by
23 Big River Telephone, January 25th, 2005, in the Southeast
24 Missourian has been offered into the record. Are there any
25 objections from Staff?

1 MR. HAAS: No objection.

2 JUDGE RUTH: Public Counsel?

3 MR. DANDINO: No objection, your Honor.

4 JUDGE RUTH: Mr. Lumley?

5 MR. LUMLEY: No.

6 JUDGE RUTH: Then Exhibit 38 is also received
7 into the record and it's my understanding that Southwestern
8 Bell will have copies available in the morning for all the
9 parties and the Commissioners.

10 MR. BUB: We will.

11 JUDGE RUTH: Thank you. You may proceed.

12 MR. BUB: Thank you.

13 BY MR. BUB:

14 Q. Ms. Fernandez, you recall a series of
15 questions in a discussion that you had with Commissioner
16 Clayton about DSL services that were offered to business
17 customers?

18 A. Uh-huh.

19 Q. Okay. And I think the focus of the discussion
20 was on DSL specifically provided by SBC to its business
21 customers and their ability to get VoIP service over that DSL
22 line. Do you recall that?

23 A. Yes, I do.

24 Q. Okay. Is SBC the only carrier offering DSL
25 lines to business customers in the state?

1 A. No, it's not.

2 Q. Okay. In areas where SBC Missouri offers its
3 DSL service, are CLECs -- data LECs and CLECs also able to
4 offer DSL to their customers?

5 A. Yes, they are.

6 Q. And they would do that by buying an X DSL loop
7 from SBC Missouri and combining it with their equipment; is
8 that correct?

9 A. That's correct.

10 Q. And examples of those types of products would
11 be like Covad?

12 A. Correct.

13 Q. And to your knowledge, does Covad offer VoIP
14 services?

15 A. Yes.

16 Q. And they would do that through the DSL line
17 that they're providing to their customer?

18 A. Correct.

19 Q. In that instance, are they required to get
20 basic phone service from SBC?

21 A. No, they're not.

22 Q. I'm going to shift gears a little bit to
23 follow-up on a discussion you had with, I think, Commissioner
24 Murray, and also I think with Commissioner Gaw about some of
25 the primary, I guess, obstacles that the price cap statute

1 presents to you in the business of marketing and of SBC
2 Missouri's business.

3 One of the things that you discussed was a
4 timing or an interval issue --

5 A. Right.

6 Q. -- with regard to tariff filings, and I'd like
7 to go over that, if we may. Was your basic point that
8 intervals you have versus your competitors, the CLECs, are
9 different?

10 A. Correct.

11 Q. Okay. Now, when SBC wants to offer a new
12 permanent price, is file a tariff?

13 A. Right, correct.

14 Q. And that tariff filing interval is 30 days, is
15 that your understanding?

16 A. Yes.

17 Q. And if your CLEC competitor wants to increase
18 that product --

19 A. Yes.

20 Q. -- and if they want to lower it, they can do
21 it in seven?

22 A. Correct.

23 Q. Now, it's a little different for promotions.
24 I think this is where we got mixed up a little bit.

25 A. Right.

1 Q. With promotions with SBC, if we want to offer
2 a temporary promotion, our tariff filing requirement is ten
3 days.

4 A. Correct.

5 Q. And then CLECs are seven.

6 A. Correct.

7 Q. Okay. Now, another class of competitor as
8 well, the VoIP providers, do they file tariffs?

9 A. No, they do not.

10 Q. Do they have any notice requirements?

11 A. No, they do not.

12 Q. How about wireless carriers?

13 A. No, they do not.

14 Q. Tariffs?

15 A. None.

16 Q. Okay. Let's talk about the second issue, and
17 this actually has to do with the ability to actually change a
18 price, not the interval but moving the prices around, and I
19 think you had an example with Commissioner Murray of a
20 customer that -- business customer with locations in
21 different places, and just to make the example real easy for
22 me to understand, if we could have a business with a
23 location, say, in St. Louis --

24 A. Right.

25 Q. -- and another one, maybe, of plant in or some

1 type of facility out in Neosho, and that customer was
2 presented a bill every month by SBC Missouri. What does he
3 see -- let's just look at the basic line rate.

4 A. For basic line, rates are different.

5 Q. And if they wanted to get a single rate across
6 their facilities, in order to do that, we need to lower the
7 rate in St. Louis and raise the rate in Neosho to come up
8 with that single rate across his business.

9 A. Right.

10 Q. From that perspective, would be revenue
11 neutral to the customer?

12 A. It would.

13 Q. You're basically paying the same thing single
14 point for all his lines?

15 A. Correct.

16 Q. How does the price cap statute prevent you
17 from doing that?

18 A. Today I cannot raise my rates in Neosho. I
19 can lower my rates in St. Louis, but I can't do anything to
20 my rates in Neosho; therefore, I can't achieve my objective.

21 Q. And your objective, not that there's a plan,
22 but to respond to that one customer's request by raising
23 Neosho a bit, dropping St. Louis a bit, it would be revenue
24 neutral to the customer, would it also be revenue neutral to
25 SBC?

1 A. No, it would not.

2 Q. For that customer?

3 A. Oh, for the customer, sure it would.

4 Q. All right. Would the price cap statute that
5 we have right now, you can't even think about doing that, can
6 you?

7 A. No, I cannot.

8 Q. Okay. Let's talk a little bit about the ad
9 spends, and I think I can do this without going in camera,
10 but Commissioner Gaw had taken you through the various ad
11 spends for -- I believe it was 2002, 2003, and half of 2004.

12 A. Correct.

13 Q. Okay. And without mentioning those numbers,
14 after the ad spend that SBC Missouri expended in 2002, it
15 raised its expenditures, right?

16 A. Right.

17 Q. Why did SBC feel it was necessary to do that?

18 A. We felt it was necessary because of
19 competition and the intensity of competition.

20 Q. Besides spending what you spent in 2002, did
21 you, from the business end, continue to lose business lines?

22 A. We absolutely did. In spite of an increased
23 advertising spend over '02, '03, into '04, we continued to
24 lose access lines, and the revenue associated with those
25 lines.

1 Q. Commissioner Gaw also pointed out that some of
2 the CLECs, without mentioning the numbers, ad spends went
3 down, and you mentioned that there were other alternate
4 channels that this document did not capture. Could you give
5 us an example of those alternates?

6 A. Sure. In addition to mass media advertising,
7 as reflected in these numbers, CLECs have expenditures
8 associated with direct mail, outbound telemarketing.

9 Q. Let's talk about direct mail. What are you
10 talking about there?

11 A. It would be actually sending a piece of direct
12 mail to the target customer, an SBC customer, to offer their
13 offers for service, their competitive offers, sending direct
14 mail to our customers based on geography. That's one
15 example.

16 Q. Let's stick with that. Could that be like
17 business letters to those customers?

18 A. It would be letters.

19 Q. Could it be slip brochures?

20 A. It would be a combination of letters, it would
21 be brochures, it -- they are using what's called door hangers
22 as well. These are little sometimes glossy things that are
23 actually hung on their business door if someone doesn't
24 answer or it's off hours.

25 Q. Okay. What's another example of some of the

1 advertising or some of the expenditures that a CLEC would use
2 to push its services that wouldn't be captured in your
3 exhibit?

4 A. The other things that's not in there is
5 typically direct mail is followed by outbound telemarketing
6 expense. That's not reflected in these numbers as well.
7 That would simply be the CLEC having sales contact. The
8 customer that received a letter as a follow-up to talk about
9 the offer.

10 Q. Basically just calling them up on the phone?

11 A. Uh-huh, and setting appointments, uh-huh.

12 Q. What about premise visits?

13 A. It would include follow-up premise visits.
14 Typically what CLEC can do is focus on geography, do direct
15 mail to a building, do door hangers, make follow-up phone
16 calls, and then actually go knock on doors.

17 Q. And all that --

18 A. Is not included.

19 Q. Not included in your exhibit. Okay. Are you
20 aware of any CLECs that operate in Missouri that offer -- I
21 guess that have arrangements with advertising or multimedia
22 companies where they change their services in kind?

23 A. Yes, I am. Birch is an example. They have
24 been successful at winning local access service with clear
25 channel communications. And as part of that opportunity,

1 they have in kind services that they are able to advertise
2 radio spots, in particular, in exchange for services provided
3 to clear channel.

4 Q. When those type of arrangements are made in
5 kind, would those be reflected in the statistics that you
6 reported in your exhibits?

7 A. They're not reflected in there.

8 MR. BUB: I think that's all I have. Thank
9 you, your Honor. Thank you, Ms. Hernandez.

10 THE WITNESS: Thank you.

11 JUDGE RUTH: Before I let you step down, I
12 want to give the Commissioners one last chance if they have
13 any additional questions for this witness.

14 COMMISSIONER MURRAY: I don't.

15 JUDGE RUTH: Okay. Then Ms. Fernandez, you
16 may step down and you are excused.

17 THE WITNESS: Thank you.

18 JUDGE RUTH: We will recall SBC witness
19 Mr. Shooshan. Sir, I'll remind you that you are still under
20 oath from yesterday, and we'll take off where we left off,
21 which was ready for questions from the bench. Commissioner
22 Murray, I'll start with you. Would you like to begin asking
23 questions?

24 COMMISSIONER MURRAY: I would if I could find
25 the testimony.

1 JUDGE RUTH: We can take a minute or I can
2 come back. It's your preference.

3 COMMISSIONER MURRAY: Just give me one minute.
4 Never mind, come back to me. Sorry.

5 JUDGE RUTH: Commissioner Gaw, would you like
6 to go next.

7 COMMISSIONER GAW: Sure, thanks, Judge.

8 QUESTIONS BY COMMISSIONER GAW:

9 Q. Mr. Shooshan, on your -- on your
10 questionnaire, and I think this is the wire line user
11 questionnaire, on question 4 -- tell me when you've got that.

12 A. I've got Schedule 3.

13 Q. I think it's on page 7.

14 A. Yes, question 4, yes, sir.

15 Q. Question 4, does your household have more than
16 one line for traditional telephone service; answer, then it
17 has the various answers down below and percentages. And then
18 question -- do you see that?

19 A. Yes, I do.

20 Q. And then on question 5, did your household
21 previously have more than one line for traditional telephone
22 service. Do you see that question?

23 A. Yes.

24 Q. Now, if -- do I answer the -- if I answer the
25 question 4 in the affirmative, do I also ask answer question

1 5?

2 A. No, sir. The skip pattern is if you answer
3 yes that you have more than one line for service, then the
4 interviewer is instructed to skip question 5 to go to
5 question 6. If you say no, then we ask did you ever have
6 one.

7 Q. Okay. So that's a clear -- clearly a
8 different number, not a subset. That's what I was -- and I
9 see that on there now, but I just wanted to make sure I was
10 following you.

11 A. Yes, sir.

12 Q. When -- in the testimony, you used the number
13 18 percent as a figure in regard to numbers of individuals
14 who who answered that they did not have a traditional land
15 line phone. Is that accurate?

16 A. Yes, that was in the -- that was the -- there
17 were two surveys, the question you just asked me as about you
18 said the wire line survey. The survey of wireless customers,
19 this is page 15 of Schedule 3, we asked them in question 3 do
20 you have traditional telephone service in your home, and the
21 -- 18 percent of those said no.

22 Q. Okay.

23 A. These would be wireless callers in the three
24 metropolitan areas that we were tracking in the survey.

25 Q. Is there any way to take that number and

1 extrapolate it out to a number of households that are in
2 Missouri that do not have a wire line phone but instead use a
3 wireless phone?

4 A. You know --

5 Q. And maybe you've tried to do that, but I --

6 A. It's a good question. The Staff raised that
7 in their -- I believe it was Staff in their rebuttal
8 testimony, or maybe it was one of the interveners, and the
9 answer is that it could be done, but it would -- to -- to do
10 it, we would have to make some assumptions and rely on some
11 data that otherwise wasn't in the case, and so what we sought
12 to do in the interest for both time and simplicity was
13 present the numbers for what they are.

14 Q. Okay.

15 A. And again, as I said, if I could, Commissioner
16 Gaw, our attempt here was not to measure penetration or
17 market share, but to show how people viewed the two services
18 in comparison going to the point about substitution.

19 Q. Sure. I wondered whether or not there had
20 been any additional work done on that number that would have
21 shed any light on how it related to market share, but you're
22 telling me, really, you didn't do that analysis.

23 A. No, one because it was not the -- it was not
24 purpose for which the survey was being offered, No. 1, and
25 No. 2, it would have required us to make some assumptions

1 that I would have been prepared to defend, but which people
2 might have taken issue with.

3 Q. I understand.

4 A. For example, I'm aware that in September, I
5 believe before we were retained to work in this case, SBC
6 filed some information, I think in response to a data
7 request, where they made some calculations about wireless
8 penetration in the state, and I've looked at that. I think
9 that's very reasonable, but you know, that was not what we
10 were seeking to do here. We were seeking to go to the issue
11 of substitution.

12 Q. All right. Are you familiar with the quality
13 of service of -- in the wireless arena in rural parts of
14 Missouri?

15 A. I've not studied that, no.

16 Q. Okay. In ban areas that you did survey, in
17 the more urban areas, say, metropolitan areas of St. Louis,
18 Kansas City, and Springfield --

19 A. Yes.

20 Q. -- did you have any data in regard to the
21 quality of service within residences or businesses that --
22 that -- in regard to wireless?

23 A. That's a good question. We spent a lot of
24 time thinking about how to -- to draw that out of
25 respondents, and since quality of service, to some extent,

1 it's a subjective question.

2 We asked a series of questions that relate to
3 the sufficiency or satisfactory -- how satisfactory wireless
4 would be as a replacement for all of the calls you make and
5 receive in your home. Again, we were surveys here are
6 residential customers, we weren't surveying business
7 customers.

8 And what's significant, I think, of the 82
9 percent of households who continue to, this in the wireless
10 survey, who continue to retain a land line or wire line
11 connection, nearly 3 out of every 4 told us that wireless
12 service would be satisfactory as a replacement for all of the
13 calls they made or received in their home. So that, it seems
14 it me, that question about how satisfactory the service would
15 be as a complete replacement goes to or subsumes the issue of
16 service quality.

17 Q. If you -- if you reside in a house that does
18 not have the -- where wireless service does not give a signal
19 sufficiently to complete a call or to get a clear reception,
20 would wireless in that home be a substitute for wire line?

21 A. Clearly it would not be, and that's why there
22 were some respondents, a percentage of respondent who I
23 assume answered the question on satisfaction who said no, it
24 would not satisfactory. If you're in a home where the signal
25 is attenuated or whatever. But as I pointed out this

1 morning, for those households, there may be other substitutes
2 in the market like Voice over Internet Protocol, a
3 CLEC-offered service, or cable telephony, so ...

4 Q. Somewhere in here it says at some point in
5 time you were -- before you were doing your current work, you
6 were staff counsel for subcommittee on telecommunications?

7 A. Yes, it's now the subcommittee on
8 telecommunications and the Internet, and House of
9 Representatives from 1974 until 1980.

10 Q. When were you there?

11 A. 1974 to 1980, I was Chief Counsel and Staff
12 Director.

13 Q. Who was Chair of that subcommittee at that
14 point?

15 A. The chairman at that time I became Chief
16 Counsel was Torbit McDonald of Massachusetts, and then
17 subsequently Lionel VanDeerlin of California.

18 COMMISSIONER GAW: Okay. That's all I have.
19 Thank you, Judge.

20 JUDGE RUTH: Commissioner Clayton, do you have
21 any questions?

22 COMMISSIONER CLAYTON: I don't.

23 JUDGE RUTH: Commissioner Appling?

24 COMMISSIONER APPLING: I have no questions.

25 JUDGE RUTH: And Commissioner Murray.

1 COMMISSIONER MURRAY: Thank you. I finally
2 found the testimony.

3 QUESTIONS BY COMMISSIONER MURRAY:

4 Q. Good afternoon, Mr. Shooshan.

5 A. Good afternoon.

6 Q. How are things in Maryland?

7 A. I haven't been there for a while, but they're
8 fine.

9 Q. That's one of my favorite states, I used to
10 live there for a while. The testimony that you filed, direct
11 testimony on page 4, I just had a couple of questions. It's
12 probably that I'm just not reading this correctly, but maybe
13 you could clarify it for me.

14 A. Yes, ma'am.

15 Q. On the answer there in the beginning, you say
16 18 percent of wireless customers do not have traditional
17 telephone service in their homes, and then of the remainder,
18 so the percentages that follow are talking about those who do
19 have both?

20 A. Yes, who have not totally cut the cord, and
21 again to be clear, this question were the results here from
22 the wireless survey, that is survey of wireless customers.
23 We found that 18 percent didn't rely on wire line phones at
24 all, and obviously then, the inverse of that, 82 percent
25 continue to keep their traditional phone service connection.

1 Q. But of those who have both wire line and
2 wireless, 16 percent said they use their cell phones as their
3 primary home phone --

4 A. Yeah.

5 Q. -- is that what you said?

6 A. I'm sorry, 64 percent --

7 Q. 16 percent.

8 A. 16 percent, yes, use their cell phone as their
9 primary home phone, yes.

10 Q. And that's of those who have both wireless and
11 wire line?

12 A. Who have a cell phone in the home and have
13 retained a wire line connection, but nevertheless, they use
14 that as the primary phone.

15 Q. Okay. And then going down to there is a
16 wireless user in 70 percent of households.

17 A. Let me be clear. I clarified that this
18 morning, but I want to be very clear when I was in exchange
19 with Staff this morning. I wanted to make very clear that
20 that was the -- that was the survey -- the results of the
21 survey of wire line customers that were SBC wire line
22 customers in the three metropolitan areas. So to be
23 completely precise, although I think it's clear from the
24 context, there's a wireless -- that wireless user in 70
25 percent of SBC wire line households in the three metropolitan

1 areas we surveyed; Kansas City, St. Louis, and Springfield.
2 That's what that number is. So that's, in effect,
3 penetration of wireless in SBC wire line homes in the area
4 surveyed. That's what that number is.

5 Q. Okay. But then your -- in terms of
6 percentages of those --

7 A. Yes.

8 Q. -- that is the 70 percent of households that
9 have a wireless phone?

10 A. Yes.

11 Q. And they may be just wireless or they may be
12 both wireless and wire line, I'm assuming; is that correct?

13 A. Yes, in this case, these -- no, these were
14 wire line customers, so we reached them on their wire line
15 phone, therefore they had both, and then we went on to ask
16 them a series of questions about how they used their wireless
17 phone, vis-a-vis their wire line phone.

18 Q. All right. So that is also households that
19 have both?

20 A. Correct.

21 Q. The above was also households who had both,
22 but it was broader than SBC's wire line customers?

23 A. Correct, it was all wireless customers. In
24 other words, we could have been talking to a wireless
25 customer there that was receiving wire line service from a

1 CLEC.

2 Q. All right. And where the customers are wire
3 line SBC customers, and also have a wireless phone, only 7
4 percent of those use their cell phones as their primary home
5 phone, is that what you're saying?

6 A. Yeah, 7 percent, exactly. Seven percent use
7 the cell phones as their primary home phone.

8 Q. So if SBC is their wire line provider, it
9 appears that they're more likely to use SBC as their primary
10 line than if someone else was their wire line provider, if
11 you just look at those statistics.

12 A. No, I, you know, I -- I -- I don't know that
13 that's true, because we didn't survey customers of other
14 CLECs. That was by design. The client decided that they
15 felt the most probative evidence for you would be what the
16 perception of wireless was in their customers' households as
17 opposed to customers of another CLEC that had already, for
18 example, opted to take their voice service or wire line voice
19 service elsewhere.

20 In other surveys that I've been involved in,
21 we have not had that screener on there. We've asked the
22 question of -- of all the -- of all wire line customers, and
23 I can tell you that the differences among them are not
24 significant. That is the amount of the extent to which
25 people say they use their wireless phone as their primary

1 phone not withstanding keeping the wire line connection
2 doesn't vary significantly as to who their wire line provider
3 is.

4 Q. And in your first group that was surveying of
5 wireless customers --

6 A. Yes.

7 Q. -- in that group, 72 percent indicated that
8 cellular would be a satisfactory replacement for all other
9 calls?

10 A. Yes, these are, again, wireless customers who
11 nevertheless have retained their wire line connection. We
12 asked them, in effect, would you find it satisfactory to
13 shift all of your calling, both the calls you make and
14 receive in your home to -- to wireless, and 72 percent said
15 it would either be satisfactory or very satisfactory
16 replacement, in effect.

17 Q. And you didn't -- did you not ask the question
18 to that group how many had actually considered discontinuing
19 traditional telephone service?

20 A. We did. We did ask the question have they
21 considered it. In a wireless survey, this is, again,
22 Schedule 3 of my testimony, question 12, we asked them --
23 after we've asked them about the -- how satisfactory they
24 would find it for all their calls, question 12 on page 19, we
25 said have you considered discontinuing traditional phone

1 service and relying entirely on cellular, and 26 percent of
2 those said yes, so that would be 26 percent of those
3 households that had not already cut the cord, had considered
4 discontinuing traditional phone service.

5 Q. Okay. So in your summary there, on pages 4
6 and 5, that bullet does not just pertain to the SBC wire line
7 customers? It's set out underneath those, but it appears
8 from your questions that --

9 A. Okay. I thought we were talking about the
10 wireless survey, then we can go to the wire line survey.

11 Q. Okay.

12 A. I'm sorry.

13 Q. I was asking did that 26 percent pertain to --
14 was that asked to the wireless customers?

15 A. It was asked -- no, no, okay. Let's -- let me
16 see if I can clarify. I'm sorry for the confusion.

17 Q. Okay.

18 A. We asked the question of both wireless
19 customers who had retained a wire line connection and wire
20 line customers who also used a wireless phone, whether they
21 had considered discontinuing traditional phone service and
22 relying entirely on cell phone.

23 Schedule 3, page 11, are the results of that
24 question as it was posed to the latter group, that is the
25 wire line customers, and there we found that 26 percent of

1 those had said, yes, and then the similar results or the
2 results for the similar question asked of wire line customers
3 is on page 19, question 12, and that number is also 26
4 percent.

5 Q. Okay. All right. Thank you. I'm not a
6 statistics or survey-type person, so sometimes it takes me
7 awhile to interpret the results.

8 A. I don't blame you. That's why in all the
9 cases I've done like this, it's been important to file the
10 survey instrument and the results so everybody can see
11 exactly the same basis for which we're drawing the conclusion
12 that we're drawing here.

13 Q. Would you just take a minute and talk about
14 the difference between substitutes and compliments?

15 A. Yes.

16 Q. In terms of services.

17 A. Again, I think that the -- the terms have well
18 understood meanings in economic literature. So let me start
19 by talking about them as they are conceived of in economic
20 literature. A substitute is some -- is a product -- two
21 products are substitutes if the changes in the price of one
22 has a corresponding change in the demand for the other.

23 For example, let's take hamburgers and buns.
24 That was an example I think we saw in -- it wasn't Staff's
25 testimony, it was one of the intervenor's testimony. I think

1 it's pretty clear that even in a common sense way, we would
2 see those as complimentary goods. They're not substitutes.
3 If the price of -- I'm confusing. Let me stay with
4 substitutes for a minute.

5 Let's take hamburgers and hot dogs. I think a
6 common sense way we know those are substitutes. And we can
7 test for that if the price of hamburgers went up, we can
8 assume that more people would -- would eat hot dogs. By the
9 same token, goods are compliments if, and here the best
10 example would be going back to what I said about hamburgers
11 and buns.

12 If the price of hamburgers go up, just as the
13 demand for hamburgers would fall, the demand for hamburger
14 buns would fall, too. What we have seen now relating this
15 back to the concepts or the fact in this case, what we have
16 seen is that as wireless prices have fallen, the demand for
17 wireless has gone up and the penetration of wireless has
18 increased and the usage and penetration of wire line has
19 fallen.

20 Now, again, I'm not saying the two are
21 completely correlated because we know there are other
22 reasons, competitive effects on wire line service, but we can
23 -- we can see that going on in the marketplace. If as some
24 would suggest the two were compliments and not substitutes,
25 then as wire line prices have fallen, one would expect the

1 demand for wire line to go up, and if facts, it's gone the
2 opposite way.

3 And so I think that in a real sense, we can --
4 we can look to the economic literature, more importantly here
5 what we thought we would do, and particularly given the
6 problems that arose in the last reclassification case here,
7 whereas I understand it this Commission was disinclined to
8 give much weight to wireless because there had not been
9 Missouri-specific evidence presented, we actually went out to
10 ask consumers how they saw the two services.

11 And here in a very series of what I call sort
12 of common sense metrix, usage, what number they give out, how
13 satisfactory they see the two in relation to each other, we
14 have a series of, I think, data point for you that
15 demonstrate that the two services are substitutes, not
16 compliments as some would urge.

17 COMMISSIONER MURRAY: Thank you. I think
18 that's all I have.

19 THE WITNESS: Thank you.

20 JUDGE RUTH: Are there any other questions
21 from the bench?

22 COMMISSIONER GAW: Very briefly, Judge.

23 QUESTIONS BY COMMISSIONER GAW:

24 Q. Just back to your -- your sample size,
25 Mr. Shooshan. It looks like you drew about equal numbers

1 from Springfield, Kansas City, and St. Louis on your sample
2 surveys. Is that accurate?

3 A. Yes, that was the intention. We wanted --
4 yes.

5 Q. All right. If you were -- that would not
6 necessarily correlate to the respective populations in those
7 regions, then, in regard to sample size, would it, from one
8 metropolitan area to the other?

9 A. Not necessarily. This goes to the issue of
10 weighting.

11 Q. Yes.

12 A. Is that what you're getting at?

13 Q. That's what I'm trying to understand a little
14 better.

15 A. All right. The results in this survey were
16 not weighted, and we -- we talked about that at length with
17 KS&R. We talked with a nationally known firm that we've done
18 a lot of work with, and their view was that we had a
19 sufficient range generated sample with an adequate number of
20 completions for each of the three metropolitan areas, that we
21 had a statistically valid result here without having to do
22 the weighting. Other studies I've done, we've done the
23 weighting.

24 Q. All right. And this one, it isn't done?

25 A. It isn't done, but I, again, in their opinion,

1 which I would agree with, we have, nevertheless, a valid
2 statistic sample in this case.

3 Again, it's important, Commissioner, that
4 we're not attempting to measure penetration or market share,
5 but rather consumer perception of the two services as -- as
6 to whether they're substitutes.

7 Q. If this were, if you were conducting a
8 political survey, would have done this survey this way to
9 determine the likely outcome of an election?

10 A. If I were the candidate, I'd have wanted the
11 sample weighted because I think in that case you really are
12 looking for, you know, a different -- a different set of
13 results than you are here.

14 Q. Would you have also included the other areas
15 of the state in your survey?

16 A. Depends on where I was running for office.

17 Q. If it were -- if you were running in SBC
18 territory, for instance.

19 A. I was having trouble understanding how an
20 exchange was a relevant marker, but I sure don't understand
21 how it would be SBC territory in a political sense and be
22 relevant.

23 Q. Yes, I understand. I'm giving you a very
24 unusual hypothetical.

25 A. I understand you are. Again, as I said, I

1 think in my surrebuttal testimony, the decision not to
2 include areas outside the three metropolitan areas was a
3 conscious decision based in part on time to get this thing
4 completed to be filed and also on available budget.

5 Q. But you would have included them if you were
6 doing a survey to try to determine an outcome, for instance,
7 of an election?

8 A. I'd certainly want to be -- I certainly want
9 to be looking at the entire, you know, voting population in
10 that case. I think if I could, though, I'm still dealing in
11 the maybe out of the hypothetical into the -- the current
12 case.

13 Q. Sure.

14 A. I do believe, again, as I said in my
15 surrebuttal testimony, that there is evidence that other
16 witnesses have presented, specifically Mr. Uhruh, that go to
17 certainly the availability of wireless service in the areas
18 we didn't survey, and I have introduced evidence, although
19 not of Missouri-specific nature, which talks about the
20 substitution that's taking place in wireless -- for wireless
21 in rural areas.

22 Q. We're back to Mr. Uhruh's testimony again.

23 A. All roads lead back to Mr. Unruh.

24 Q. It did, I noticed that. If you were doing a
25 -- a survey -- let me, and I'm sorry, since you spent some

1 time in government, I can't help but keep asking these
2 questions that relate to -- have you --

3 A. I was a staffer, sir, I was never on the front
4 line like you, so.

5 Q. Well, I'm not sure that I was either, but I'm
6 trying to -- have you done any surveys in regard to other
7 issues you've been involved with surveys with other issues
8 outside of this kind of an issue with telecom?

9 A. Well, I mean, there was a time before I moved
10 to the committee staff when I was working, you know, on
11 congressional staff, and when I took some time off to do some
12 political work.

13 Q. I'm not trying to get you in trouble,
14 Mr. Shooshan.

15 A. I understand, it was a long time ago.

16 Q. It was a long time ago, but here's what I'm
17 driving at, because I don't want to take a lot of time up
18 here if it's not really shedding any light, but I was just
19 curious about whether or not you were familiar with -- with
20 any -- any standard that might exist in regard to surveys
21 that are conducted normally today, whether they be political
22 or otherwise, in regard to the error assumption if only land
23 lines are called as opposed to -- or if there is some
24 statistical number that is utilized in regard to how many
25 wireless customers -- wireless calls you would have to make

1 to somehow account for those customers that do not have wire
2 line phones that might be important to the outcome of this
3 survey. And if you -- I know that's a long winded question.
4 I can break it down a little better, if you wants.

5 A. No, I understand the thrust of your question.
6 We had this discussion this morning. I presented in my
7 Exhibit 3 for each of the questions the range of error or the
8 statistical range for both plus and minus for each of those,
9 the standard deviation.

10 Obviously the higher the N, that is the higher
11 the completed responses, the -- the less the spread in terms
12 of the -- the range, if I'm being clear here. If we had gone
13 for 400 completes instead of 200 completes in each strata,
14 the range of error would have been smaller, of course. So
15 you get what you pay for.

16 My view was that, as is KS&R's, that the --
17 the range that bounds the answers to these questions is
18 within the bounds of a statistically valid sample.

19 Q. I'm asking -- I'm actually asking a little bit
20 different question than that. And I'll set it up this way:

21 Without it being true or false, there was some
22 discussion -- in my memory, there was some discussion during
23 the last elections about whether or not surveys that were
24 being done were as accurate because of the fact that they
25 tended to result from phone calls to land line customers, and

1 what I'm asking is whether or not you are aware of any
2 modification to the way margins of error are handled as a
3 result of that speculation?

4 A. Yes, it is interesting. In fact, I site this
5 in my testimony that it was an issue around the polling in
6 the last election. And I know, in fact I talked to -- KS&R
7 does some political polling, too.

8 There's a great deal of discussion going on
9 among the survey research firms about how to account for this
10 phenomenon. Indeed, just so you understand, one of the
11 reasons, in fact, the reason we did two surveys here was if
12 we hadn't done a wireless survey, we would have lost -- we
13 would have never have contacted those people that didn't have
14 a wire line phone, so we were trying to deal with that
15 phenomenon here.

16 One of the problems, for example, I know from
17 talking to people who do this for a living is that the FCC
18 has rules that basically say you cannot use an automatic
19 dialer to connect to wireless phones, so as you probably know
20 from your own experience, that's a key technique that people
21 use to get live people on the phone is you don't have people
22 actually punching lines, you have a machine that's calling.

23 That's a problem that certainly in terms of
24 political polling is going to have to be overcome, but I
25 think what was significant and what I cited it for in my

1 testimony, is that the professional pollsters coming out of
2 the last election think that they missed a significant chunk
3 of the electorate by the fact they were never reached when
4 the poles were made, and we tried to avoid that problem here
5 is all I can tell you.

6 Q. And what I was specifically asking you about
7 was whether or not you were aware whether there had been any
8 agreed-upon modification of the -- the amount of error or
9 deviation that would occur because of that unknown, if there
10 had been some sort of a statistic that had been agreed upon
11 by pollsters to suggest that we know we're not reaching 20
12 percent of the people or we're not reaching three percent of
13 the people, and if you are aware of that.

14 A. My understanding, and I can just tell that you
15 I've had some conversations with people because I'm
16 interested in this beyond my work here, is that there has not
17 been, to my knowledge, any kind of consensus on how to adjust
18 for that. In fact, there's only been relatively recent
19 acknowledgment that there was a problem and there were people
20 that were not being picked up at all as a result of the fact
21 that the research firms typically were only calling wire line
22 households, so I'm not aware of any consensus about how to
23 deal with that problem, but it's something that's being
24 worked on right now.

25 Q. I understand. I'm just trying to see whether

1 or not there was something out there. And then if -- are you
2 aware -- have you done any work like this in California?

3 A. I have not.

4 Q. Okay. Are you aware of any statistics out of
5 California on the number of individuals that utilize other
6 wireless exclusively as their phone and do not have a wire
7 line phone?

8 A. If there's -- if there's studies that have
9 been done out there, I mean, I try to see as many as I can.
10 I can't remember any specifically with regard to California,
11 but I wouldn't be surprised if there were.

12 Q. Well, if you're not familiar with it, that's
13 all I have then. Thank you.

14 COMMISSIONER GAW: Thank you, Judge.

15 JUDGE RUTH: Okay. Are there any additional
16 questions from the bench? Seeing none, we'll move to recross
17 and start with Staff.

18 MR. HAAS: No questions.

19 JUDGE RUTH: Public Counsel.

20 MR. DANDINO: No questions, your Honor.

21 JUDGE RUTH: Mr. Lumley.

22 MR. LUMLEY: No, thank you.

23 JUDGE RUTH: And then we'll go to redirect.

24 MR. BUB: Thank you, your Honor. We have a
25 little bit.

1 REDIRECT EXAMINATION

2 QUESTIONS BY MR. BUB

3 Q. Good afternoon, Mr. Shooshan.

4 A. Good afternoon.

5 Q. I'd like to take you back to a couple of
6 questions that Staff Counsel, Haas, had asked you earlier.

7 A. Yes.

8 Q. You had a discussion with him about survey
9 respondents that went completely wireless, and specifically
10 he was asking you whether there was any distribution by age
11 of respondents that went completely wireless, and I believe
12 you indicated that you didn't present in your testimony any
13 evidence of that distribution, but that the data was
14 available; is that correct?

15 A. Yes, that's correct.

16 Q. Okay. Have you been able to have that data
17 looked at to get this distribution?

18 A. I have. In fact, I had it provided to me
19 wirelessly here, if I could just refer to the screen. We did
20 break down when we did -- typically what happens is KS&R
21 provides the raw data, and policy research under my direction
22 develops that into what you see presented here, and - but we
23 take that data and we look at it a variety of different ways.

24 And again, economy of time and page numbers,
25 we don't present it all, but we did go back and it turns out

1 we had the numbers, so I had them sent to me. Let me clear
2 what this was.

3 The issue was of the 18 percent of wireless
4 customers who have said that they don't have traditional
5 telephone service, how was -- how was that distributed, how
6 was that number distributed amongst the various age groups,
7 and the suggestion from Mr. Haas was at the time that it was
8 substantially the younger, I believe he was quoting a number
9 or range 18 to 24 that would account for most of that and
10 could I -- could I rule that out in terms of the results of
11 the survey. And I said to him not in terms of what was
12 presented here, but let me check, and I checked.

13 We, as you probably know, in the survey, broke
14 respondents into three age groups. Actually, four because if
15 you were under 18, we terminated the survey. We only wanted
16 to be talking to adults. We divided into 18 to 30, 31 to 50,
17 51 plus, the latter age group is unfortunately the one I find
18 myself in.

19 So the 18 percent, which was accumulative
20 percentage, breaks down as follows: Of those between 18 and
21 30 who were surveyed, these are wireless customers, 18 and
22 30, 27 percent do no longer have or have never had wire line
23 service; of those between 31 and 50, 14 percent do not have
24 or have never had wire line service; and of those 51 and
25 above, 11 percent do not have or have not had -- do not have

1 today wire line service.

2 So that's how -- that's a further break down
3 of the 18 percent by the three age groups.

4 Q. Thank you for getting that for us. Mr. Haas
5 also asked you about survey respondents that feel that
6 wireless was satisfactory but hadn't yet cut the cord. You
7 remember that series of questions?

8 A. Yes.

9 Q. And specifically, he asked if during the
10 survey those -- that group was asked, well, if it was
11 satisfactory, why didn't they discontinue their land line
12 service, and your response was that that wasn't asked in this
13 particular survey, but that you had previously explored this
14 area in focus groups. Do you remember that?

15 A. Yes.

16 Q. Okay. Could you tell us what did you find in
17 those focus groups?

18 A. Yes, and let me initially say, too, again,
19 just for clarification. There are two types of questions
20 that you -- that you ask in a survey. There are -- well,
21 actually, three. There are yes/no questions, there are ones
22 where you give them a range of options, you know, don't know,
23 yes, no, don't know, no response, and then there are called
24 open-ended questions. Frequently open-ended questions are
25 asked, such as an open-ended question would be why didn't you

1 do something.

2 Again, it makes the survey more complicated,
3 it also raises the likelihood of error, that is that the
4 person tallying that response writes something down wrong.
5 Again, for simplicity and the sake of time, we didn't ask any
6 open-ended questions here other than tell us what your zip
7 code is, or you know, those kinds of things.

8 Now, onto your point. I can think of two
9 examples of what I've heard in focus groups that I've done,
10 admittedly not in Missouri, but elsewhere, of why people keep
11 a wire line connection, and again, this wouldn't be all
12 people. One thing I found out there is even in the
13 residential market, there are very diverse needs, and people
14 look at the market differently. I mean, there's a tendency
15 to clump everybody to say oh, these are just residential
16 customers, but in fact, there are a wide range of needs.

17 For resident customers, when we talk to them,
18 one of the main reasons they give for keeping their wire line
19 connection is they have a fax machine at home and they want
20 to use the fax machine. Clearly, if you have a computer and
21 software that's installed on just about every computer today,
22 you can do what amounts to fax, computer to computer. I
23 rarely send or receive a fax. It's all e-mail or scanned
24 documents, but some people who have invested money in a fax
25 money want to connect it to a phone line, and they keep the

1 phone line for that reason.

2 A seconds reason that they've said, and I like
3 to call this the belt and suspenders answer, is it's so
4 cheap, why not. And I'm forced to observe in a state where
5 the range is between \$7 and \$12, I suspect, although I don't
6 know, that there are a lot of people out there who haven't
7 cut the cord because it's real cheap to keep that \$7 phone
8 line, even though they're doing most of their calling,
9 ironically, on their wireless phone.

10 If I could say something quickly on the
11 business side, purely small business. A focus group that I
12 did there of small business owners, very interesting story,
13 small business, 25 people, owned by a woman, she said we have
14 basically reduced the number of PBX trunks that we've
15 ordered. We haven't ordered a new one in five years. What
16 we're doing, we've kept one inbound line for people to call
17 the firm, but everything on premises is done wireless.

18 They had illustent PBX that they had an office
19 product where the call can come in and then can be routed
20 wirelessly to your desktop, and then all of the calls that
21 were made and received by the employees, whether on or off
22 premises, were made from their wireless phones. So there was
23 a question where there was an initial wire line connection
24 that came into that business, but most of the calling was
25 being done on -- certainly all the outbound calling was being

1 done wirelessly.

2 A lot of the inbound calling, obviously, was
3 coming on wireless them. They hadn't cut the cord
4 completely, but they certainly weren't -- they dropped the
5 number of trunks they were using and they hadn't order new
6 ones, even though their business had expanded. So there are
7 plenty of reasons out there why people will not cut the cord
8 completely and use both, but that does not, in my view, take
9 away from the fact that by every measure I've seen, wireless
10 and wire line service are substitutes.

11 Q. I'll just shift gears just one second to
12 questions that were asked by Office of Public Counsel, Mike
13 Dandino. He asked whether you had performed, I think some
14 background questions, whether you had performed any similar
15 surveys in other states or other places, and you indicated
16 that you recall doing about eight times, you remember New
17 Jersey, Illinois. Do you remember that series of questions?

18 A. Yes.

19 Q. Okay. Could you tell us a little bit about
20 those surveys, were those surveys, do they also focus on
21 wireless substitutability?

22 A. I went back again during the break and
23 checked. We actually have done four surveys that relate to
24 wireless substitution. These are completed surveys that have
25 been filed and are a matter of public record. We have two

1 surveys we're doing now, ongoing surveys that haven't been
2 filed that will be. That's the expectation, in a couple of
3 cases.

4 We've also done some surveys that go beyond
5 wireless substitution but for which wireless substitution is
6 a component, if that helps clarify things. And there we've
7 looked at, you know, a broad range of competitive
8 alternatives. I think I mentioned this morning that two of
9 the surveys that we're overseeing right now also go to the
10 issue of VoIP as a substitute as well, Voice over Internet
11 protocol.

12 Q. Were the results of those surveys around the
13 United States generally consistent with what you found here
14 from Missouri?

15 A. Yes and no. Yes in the sense that we saw that
16 along a lot of dimensions, consumers see wireless as a
17 substitute for wire line. What has increased over the years
18 has been the number of people who have said we're not using
19 wire line at all, and that has been going up each year that
20 we do one of these surveys. The first one of these we did
21 I think in New Jersey maybe four years ago. That number
22 would have been relatively small compared to the 18 percent
23 that we found here, for example.

24 Q. Does that establish a trend in your mind?

25 A. I think it's a trend, and I think the other

1 thing is, too, so we're not just focusing just on the
2 connection substitution. By every measure, including the
3 FCC's and others who've looked at this, a substantial amount
4 of usage is shifting to wireless and away from wire line, and
5 that's very very significant, too.

6 Q. Thank you Mr. Shooshan.

7 A. Thank you.

8 MR. BUB: We don't have any other questions,
9 your Honor. May this witness be excused?

10 JUDGE RUTH: At this time, I am not able to
11 excuse the witness. I hope to know before five o'clock
12 whether or not we can do that, so you'll need to remain
13 available for a bit.

14 You may step down and at this time, we need to
15 recall witness Sandy Moore, if the Commissioners have any
16 questions for her, and also Elizabeth Stoia. What we'll do
17 is we're going to take a very short break until five minutes
18 after 4:00 to allow the Commissioners to take a look at their
19 notes and give our Court Reporter a quick break, then we're
20 going to go on the record, but please be available at five
21 after 4:00. Thank you.

22 (A BREAK WAS HELD.)

23 JUDGE RUTH: Okay. We are back on the record
24 after a break, and at this time, I'm going to recall witness
25 Sandy Moore. And Ms. Moore, you are still under oath, and

1 when you were here before, we were ready for questions from
2 the bench. I'm going to ask Commissioner Murray first if she
3 has any questions.

4 QUESTIONS BY COMMISSIONER MURRAY:

5 Q. Good afternoon, Ms. Moore.

6 A. Good afternoon.

7 Q. I don't ever even think about directory
8 assistance until every few years we have this issue come back
9 about whether it's competitive, and is there, really, I mean,
10 do people really still use directory assistance?

11 A. They do. I think over the years, though, how
12 they obtain that information changes.

13 Q. Well, I guess when I say I don't even think of
14 directory assistance, it's because I don't equate in my mind
15 going on the Internet and looking up -- looking something up
16 as directory assistance, but that -- that is one of the --
17 what you call a substitute for directory assistance now; is
18 that correct?

19 A. Yes, I clearly see obtaining directory
20 information from the Internet as a substitute for 411
21 directory assistance per se.

22 Q. And if a -- if a customer wants to get
23 directory assistance in another location, when they dial,
24 what is it, 555-1212, is that a number? Or see, like I say,
25 I haven't used directory assistance in so many years --

1 A. Uh-huh.

2 Q. -- I don't even remember how to do it, but if
3 you dial a number, there's a number to dial to get assistance
4 in another location, isn't there?

5 A. There's actually many options, and the option
6 that you're referring to is if you dial an area code 555-1212
7 outside of your local area, that would be routed to your
8 presubscribed long distance carrier for directory assistance
9 service, and that's one example of how to obtain a number
10 outside your area.

11 Q. And what are other examples of how to obtain
12 assistance for your local area besides other than from your
13 land line carrier?

14 A. So assuming obviously one layer of competition
15 is who you select for local service, so who you select for
16 local service, your 411 dialed DA call would go to that
17 provider.

18 And then the next layer, at least the way I
19 look at it is kind of in the layers, is to say depending on
20 who you have for local service, of course you can obtain 411
21 service from that provider.

22 Additionally, you have other options, other
23 what I'll call wire line options include a lot of carriers
24 have DA offered via 00. AT&T has a service called
25 10-10-ATT-00 that gets to DA. There's some new entrants in

1 the market in the last year, one of them is Inphone where you
2 dial 888-411, and then four more 1's, and they offer service.

3 Another recent entrant is a company called --
4 well, the company behind it is LSSI, but it's called Easy 411
5 where you dial 877-EZ-411. And then, of course, we already
6 spoke about the area code 555-1212. So those are the array
7 of areas wire line directory assistance options out there for
8 you to use someone else's service other than your local 411
9 service provider. And then additionally, there is
10 significant competition from wireless where if you are a
11 wireless phone user, you can dial 411, and you'll be rerouted
12 to your wireless 411 provider, and then the other one is also
13 the Internet directory sites out there.

14 Q. And is there -- do the carriers compete for --
15 actively for the directory assistance business of other
16 carriers' customers?

17 A. Meaning if someone is selected to someone for
18 local service, how do other providers compete?

19 Q. Compete for it.

20 A. Another example I didn't mention I think fits
21 what you're talking about very well is there's yet another
22 layer of competition where a company could encourage a
23 business to actually reroute their 411 call in their PBX
24 network, for example, to another provider. And there are at
25 least three good examples of providers doing that in the

1 market as well.

2 But it really is all about -- when I think
3 about directory assistance, it's clear they pay per use
4 service, and with the array of options out there, customers
5 clearly have choice regardless of who their service provider
6 is.

7 Q. And the -- I would think that the reason a
8 customer would attempt to choose would be primarily based on
9 price, would it not?

10 A. I would say it's a couple of factors. Price
11 would come into play, convenience, also services offered.

12 Q. And what would be different services offered
13 with directory assistance? How can they vary?

14 A. Some of the providers, like I mentioned on the
15 wireless front, and some of the wire line providers offer
16 more enhanced services, so in addition to just providing the
17 telephone number, let's say I call for a movie theater.
18 Rather than me calling that movie theater, could you tell me
19 the movie show times and what's playing. On the wireless
20 side, they get more into concierge-type services, restaurant
21 reviews, thing like that as well.

22 Q. Okay. That -- yes, I'm familiar with those
23 wireless concierge-type services, and I believe it is true
24 that you can call and say I'd like to know the location of an
25 Italian restaurant in Richmond, and get not only the

1 location, but then also get them to make the reservation for
2 you.

3 A. Yeah, some wireless providers do offer that as
4 a service, and then also the (888) 411-1111 service that I
5 mentioned also offers some personalization of services
6 including those enhanced services.

7 Q. Okay. Thank you.

8 A. Uh-huh.

9 JUDGE RUTH: Commissioner Gaw, do you have any
10 questions?

11 QUESTIONS BY COMMISSIONER GAW:

12 Q. I'm on page 19 of your direct, Ms. Moore, at
13 portion where you're dealing with the percentages there,
14 usage. Are you going to tell me -- are these HC again?

15 A. They are.

16 JUDGE RUTH: If you're going ask about these,
17 then I'll go in camera.

18 COMMISSIONER GAW: I guess so, I don't know
19 how in the world they're HC, but if they are, they are.

20 JUDGE RUTH: I'm -- give me just a second.
21 We're in camera.

22 (REPORTER'S NOTE: At this point, an in camera
23 session was held, which is contained in Volume 4, pages 463
24 through 472.)

25

1 JUDGE RUTH: Sorry, Commissioner.

2 COMMISSIONER GAW: That's all right. I only
3 had three more questions about those numbers.

4 JUDGE RUTH: Shall I go back in camera?

5 COMMISSIONER GAW: No, I'm kidding. I think
6 that I'm done. Yeah, that's good enough for me. Thank you,
7 Judge.

8 JUDGE RUTH: Commissioner, were you wanting,
9 then, a late-filed exhibit in response to your question about
10 the data request?

11 COMMISSIONER GAW: Yeah, and particularly I
12 was looking for the information on that past survey and on
13 things pertaining to the numbers I was asking questions
14 about, but since -- I don't know what's in the -- in that
15 survey. Other parties will have to speak to whether or not
16 they think the whole thing ought to come in or not. I'll let
17 them figure that out. That's all I know of that I can see
18 that I -- that I know I want, but I don't know what else is
19 in there, so.

20 JUDGE RUTH: I'm going to reserve No. 39 for
21 this late filed exhibit, and I'll instruct SBC to attempt to
22 discern what portions should be admitted as a late-filed
23 exhibit, and I'm going to direct that it be filed, actually,
24 within five business days of today, and that the parties will
25 have three business days to respond once it's filed.

1 And I'm going to change the deadline for the
2 late filed Exhibit No. 36 to be the same, so it will be five
3 business days from today as opposed to five business days
4 from the end of the hearing. Is that clear to the parties?

5 MR. LANE: The last one, Exhibit 39, will be
6 HC.

7 JUDGE RUTH: Yes, I'll clarify that. It will
8 be 39 HC. All right, and Commissioner Gaw, you said you were
9 finished with questions at this time?

10 COMMISSIONER GAW: Yes, thanks.

11 JUDGE RUTH: Commissioner Clayton?

12 COMMISSIONER CLAYTON: If that will be all
13 right.

14 JUDGE RUTH: Please.

15 QUESTIONS BY COMMISSIONER CLAYTON:

16 Q. I just have a few questions. First of all, I
17 was wondering how long have you been with the company?

18 A. I've been with SBC or previously Ameritech
19 since 1989.

20 Q. Where are you from originally, which state?

21 A. Illinois, and I still reside in Illinois.

22 Q. Oh, okay. When you first started with the
23 company, how many directory assistance options would a
24 customer have?

25 A. In 1989, I wasn't involved with the directory

1 assistance product, so I really didn't study it then. I
2 certainly can take some time going through the options and I
3 have some history of when they were introduced.

4 Q. At what point did you become knowledgeable of
5 the options for directory assistance?

6 A. In 1997.

7 Q. 1997. Okay. Do you know the history of 411,
8 how that three digit designation was made?

9 A. Not really.

10 Q. Okay.

11 A. I know it was part of an FCC Order back at the
12 time of divestiture when it was established. That's about
13 what I know.

14 Q. So that occurred, what, 1984?

15 A. Yeah.

16 Q. Was that --

17 A. But I believe 411 was in existence prior to
18 then, but I don't know how long.

19 Q. Okay. Are you aware of other three-digit
20 dialing options that are out there?

21 A. Yes.

22 Q. Do you know any examples of what other
23 three-digit dialing options there are?

24 A. 911, of course, and then within the last
25 couple of years, 211 and 511 were established, and then also

1 311. I'm not sure if that's nationwide or just in some
2 cities for nonemergencies.

3 Q. Okay. How about 555-1212, where did that come
4 from?

5 A. I'm not sure how long that's been around
6 either. I believe it's been around as long as 411, but I'm
7 not positive.

8 Q. And 411 would be directory assistance, it
9 would guide you to whose directory assistance, traditionally?

10 A. To your local service providers.

11 Q. Okay. And how about 555-1212, who would it
12 direct you to?

13 A. That one varies, again.

14 Q. I know currently it does. I heard your answer
15 on that. I'm talking about the history of it. When it was
16 created traditionally, where would -- if you dialed, say, for
17 example, we are in the 573 area code here, you can't do this
18 anymore, but if I were to dial 1-555-1212, say, 15 years ago,
19 where would that have been directed to?

20 A. That will -- in some states, you can still
21 dial that.

22 Q. Okay. You can still dial that?

23 A. Uh-huh.

24 Q. And if you dialed, say, an area code, say
25 Washington, 202, who would -- what directory assistance would

1 that send you to?

2 A. To your interexchange carriers.

3 Q. Your long distance carrier?

4 A. Uh-huh.

5 Q. How about 1-800-555-1212?

6 A. That is a service that I believe is still --
7 it's still provided in the market and AT&T is the underlying
8 provider.

9 Q. Okay. Okay. So those two services are the
10 traditionally-known directory assistance services?

11 A. They've been around the longest, I would agree
12 with that.

13 Q. Are there any other numbers that you could
14 dial, I'm talking about going back 15 -- let's go back to
15 divestiture. Are there any other numbers you can dial for
16 directory assistance at that time?

17 A. Not that I'm aware of.

18 Q. Okay. And it's a fairly recent occurrence,
19 maybe in the last ten years, where most directory assistance
20 options have come up?

21 A. Yes, I think when looking at it, it probably
22 started in the late 90's when its double 0 came out, and the
23 other options, as I refer to them.

24 Q. Okay. Considering that 411 has been around
25 since -- for over 20 years, and 411 will send you, if SBC is

1 your local carrier and 411 will send you to Southwestern
2 Bell, and it's only three-digit dialing, in your testimony on
3 page 20, you make reference to the same level field, and I
4 was wondering is -- do you believe that SBC is on the same
5 level field or below considering that it has a three-digit
6 code that will send a caller to its own directory assistance?

7 A. I really do. And the reason for that is
8 primarily looking at my Schedule 1, which is another HC
9 exhibit, so I won't get into the specific numbers, but if you
10 take a look at that, and it outlines our volume losses in the
11 last five years, and it is significant.

12 Q. Is that -- does that schedule have dates '98
13 through September year-to-date '04?

14 A. That is correct, so if you look at the
15 percentages, at the bottom of the table, it does a comparison
16 of '98 over '03.

17 Q. How do those percentages compare to people
18 changing their local service carrier?

19 A. In this number, you would see a couple of
20 things going on. As our access lines decrease, the 411 would
21 go to the new local service provider for that customer, so
22 that would be one attributing factor, but another would be,
23 of course, if the customer stayed with us for local service
24 but they no longer dialed 411, that would also be in the
25 numbers.

1 Q. Let me ask you, how does this number, this
2 reduction compare to your loss of access lines?

3 A. Okay. I have not done a direct comparison of
4 that.

5 Q. Okay. So you don't know?

6 A. I don't know.

7 Q. Okay. Okay. If I wanted to focus in on
8 dialing for directory assistance, in looking at the
9 competition for dialing for directory assistance, the options
10 would be 411, 555-1212, double 0, 10-10-ATT-00, and (888)
11 411-1111. Are there any other dialing codes for directory
12 assistance if SBC were my local service carrier?

13 A. One other one is 877-EASY-411.

14 Q. 877-EASY-?

15 A. That's correct.

16 Q. And who provides EASY-?

17 A. It's actually a company that is a data content
18 provider in the industry for directory assistance, and their
19 name is LSSI.

20 Q. LSSI. And is their charge included on this
21 cost?

22 A. It is in one of my schedules.

23 Q. Schedule 8A, is it included on that one?

24 A. EASY-411 is on Schedule 5.

25 Q. Okay.

1 A. And their rate is \$.65 a call.

2 Q. Yeah, Schedule 9 is where I found it. Yes,
3 that's a dial code. And inphone, is inphone -- is that the
4 name of the company that runs that directory assistance?

5 A. The underlying provider is Metro One. They're
6 a heavy player in the wireless 411 market.

7 Q. Okay. And then 10-10-ATT obviously is AT&T.
8 How about the double 0, where does it go?

9 A. The double 0 is routed to your long distance
10 provider, and many of them have a menu upfront, or an IVR,
11 that takes you to directory assistance.

12 Q. Okay. And does -- I assume SBC can offer long
13 distance in most of its markets.

14 A. Yes.

15 Q. And it would operate a separate long distance
16 directory assistance, or do you just get routed back to the
17 same directory if SBC was your long distance provider, you
18 did the double 0?

19 A. Uh-huh, actually, I don't manage our long
20 distance companies directory assistance. That's out of our
21 separate affiliate, but I can tell you they're not coming to
22 the 12 state operation I have for directory assistance.

23 Q. Okay. Is -- so do you operate a call center?

24 A. I'm sorry, in terms of me managing the product
25 from a marketing perspective. We have Regional VP's over

1 each of our regions that manages the call centers where we
2 provide the service.

3 Q. Are each of these dialing places, EASY 411,
4 the inphone, AT&T double 0, each of those are national in
5 scope?

6 A. Yes, all of them are national providers.

7 Q. Okay. Can you give me an example of exactly
8 how customers would -- well, let me -- I'm looking at a
9 sentence here on page 20. It says customers will be the
10 benefactors of the change relating to this competitive
11 classification, and I was wondering how you can describe or
12 give me an example of what benefit the customer could expect
13 if we were to classify directory assistance in this
14 competitive.

15 A. Okay. I don't have any firm plans at this
16 moment, but I can give you a couple of examples of things
17 that we're entertaining in looking at. One example is based
18 on some research we've done, customers are interested in
19 unlimited directory assistance. They would love to pay a set
20 price in a given month for unlimited use of a service, and
21 for me to offer an unlimited bundle of the service, I'd
22 likely would want to adjust what I'll call the standalone
23 price for directory assistance.

24 Q. Could you not offer or put together some
25 tariff provision for a different type of service? How are

1 you not able to offer that service right now?

2 A. I could today, but I would say it's pretty
3 risky, so to offer an unlimited directory assistance package,
4 per se, I would likely want to adjust the standalone price
5 and likely increase that.

6 Q. So you would increase the standalone price,
7 but does the competitive classification restrict you right
8 now from offering an unlimited service and could you offer
9 that service at any price that you wanted?

10 A. I don't believe I could offer it -- you know
11 I'm not certain an answer to that, because I think there's
12 some limits in terms of how I would price it, based on the
13 pricing of the standalone directory assistance product.

14 Q. You're not sure how you -- I don't understand
15 your answer. Would you elaborate on that?

16 A. Meaning if -- let's give another example.
17 Let's say I wanted to rather than roll out an unlimited
18 directory assistance package, I want to offer customers a
19 bundle of maybe eight directory assistance calls, and I want
20 to discount the price for that. I can certainly do that
21 today, so I could say your given DA rate today for the
22 service is \$.68 a call. So if I wanted to give you a pack of
23 eight calls, I would give you -- the price would be something
24 less than the \$.68 times the eight, but there's some risk for
25 me as a company to do that. So if I'm going to offer an

1 attractive discounted package of DA calls, I may want to
2 raise that price to \$.75 for those purchasing just one call
3 at a time.

4 Q. So you would want to raise -- in that example,
5 you would want to raise the price of the single directory
6 assistance call which would improve the appearance of the
7 package deal?

8 A. Correct, that's one example.

9 Q. Okay. So -- but there's nothing that would
10 restrict you from putting together that package deal today?

11 A. Other than me just discounting it, correct,
12 and leaving the standalone or single price per call alone,
13 that's accurate.

14 Q. Tell me what the risk is that you would face
15 if you remain competitive on directory assistance in offering
16 such a package. You said there would be risk that you would
17 face in putting together such a package in the current
18 classification.

19 A. From the business perspective, again, we
20 forecast of how successful we're going to be. We could be
21 hugely successful, and that would be a great thing, but we'd
22 have to look at the pricing strategy and the results in the
23 marketplace and adjust rates accordingly. So I, again, may
24 want to alter that single price of the service to make SBC
25 whole. You really need to kind of look at what's going on

1 within the dynamics of the DA world of that bundle versus the
2 standalone and what else we're doing overall with our
3 products and service pricing.

4 Q. So in that type of business strategy,
5 basically would up the price for a single call in an effort
6 to sell a larger product?

7 A. That's correct.

8 Q. Okay.

9 COMMISSIONER CLAYTON: I don't think I have
10 any other questions. Thank you.

11 THE WITNESS: Sure.

12 JUDGE RUTH: Any additional questions from the
13 bench? Commissioner Gaw?

14 COMMISSIONER GAW: Just briefly.

15 QUESTIONS BY COMMISSIONER GAW:

16 Q. That kind of a mechanism in regard to SBC's
17 concern about risk, would you say that would be something
18 that -- that SBC would apply to other things other than
19 directory assistance if they were looking at if they became
20 competitive and classified?

21 A. I really can't speculate on the other areas,
22 you know, being the witness for DA really would.

23 Q. Yeah, but you know, it does apply to this
24 area?

25 A. Yes.

1 Q. Okay. I think I just had -- oh, I cannot
2 recall, would you tell me on directory assistance with SBC,
3 the operator does disclose the amount it costs for the call
4 before the information is given, do they not?

5 A. If the customer asks.

6 Q. But they don't do it unless they ask?

7 A. That's correct.

8 COMMISSIONER GAW: That's all I had. Thank
9 you, Judge.

10 JUDGE RUTH: Okay. We'll move to recross
11 based on questions from the bench. Staff.

12 MR. HAAS: No questions.

13 JUDGE RUTH: Public Counsel.

14 MR. DANDINO: No questions.

15 JUDGE RUTH: And Mr. Lumley, did I hear you?

16 MR. LUMLEY: No questions, your Honor.

17 JUDGE RUTH: Then we will at least start
18 redirect, if you're ready.

19 MR. BUB: I think we can do it quickly and
20 finish.

21 REDIRECT EXAMINATION

22 QUESTIONS BY MR. BUB:

23 Q. Ms. Moore, I'd like to follow-up on a couple
24 of questions in a discussion you had with Commissioner
25 Clayton about the risks of introducing a new package like the

1 one that you talked about was a package of eight DA calls,
2 and you're trying to think of what price you're going to
3 introduce it into the market with if we had --

4 JUDGE RUTH: Mr. Bub, can you adjust your
5 microphone? Thank you.

6 MR. BUB: Is that better?

7 JUDGE RUTH: Yes.

8 MR. BUB: Okay.

9 BY MR. BUB:

10 Q. -- with a package of eight DA calls, in a
11 situation where you're thinking about introducing it and
12 you're talking about the risk to the company of setting the
13 initial price. Let's say that you're under -- you've been
14 given competitive classification for DA.

15 When you set that price, if after, say, a
16 month, six months, a year worth of experience, and you
17 realize that I've priced it too low, what can you do under --
18 with the competitive classification?

19 A. I can adjust the price and increase it.

20 Q. Okay. With the current price cap regulation,
21 do you have that same flexibility?

22 A. No, I don't.

23 Q. Okay.

24 MR. BUB: Those are all the questions we have.

25 Thank you. Thank you, Ms. Moore. Do you know whether she

1 can be excused at this time?

2 JUDGE RUTH: We're still waiting to hear.

3 Hopefully I'll know soon. I suggest that we go
4 off-the-record for one or two minutes. I've sent an e-mail,
5 but I'm going to try a phone call also.

6 (A BREAK WAS HELD.)

7 JUDGE RUTH: Okay. We're back on the record.
8 We finished with the bench questions and the recross and
9 redirect for witness Sandy Moore, so she may be excused. And
10 also the Commission is excusing Mr. Shooshan. Then tomorrow
11 we will go back to Ms. Stoia. At this time, I'm not able to
12 say if there will be any Commission questions for her.

13 Now, I don't have anything procedurally that
14 needs to be addressed before we adjourn today. I think I've
15 made it clear about the late filed exhibits, and then we are
16 off-the-record.

17 WHEREUPON, the recorded portion of the hearing
18 was concluded until Wednesday, February 2, 2005, at 8:30 a.m.

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