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Witness: Moore
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Sponsoring Party: Southwestern Bell Telephone Company
Case No: TO-2001-467

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Missouri Public
Service Commission

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-2001-467

SURREBUTTAL TESTIMONY

OF

SANDY M. MOORE

Hoffman Estates, Illinois
September, 2001

NP

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Investigation of the State of) Case No. TO-2001-467
Competition in the Exchanges of Southwestern Bell)
Telephone Company.)

AFFIDAVIT OF SANDY M. MOORE

STATE OF ILLINOIS)
) SS
CITY OF HOFFMAN ESTATES)

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

1. My name is Sandy M. Moore. I am presently Executive Director – Consumer Product Marketing for retail Directory Assistance and Local Operator Assistance Services for Ameritech Corporate.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

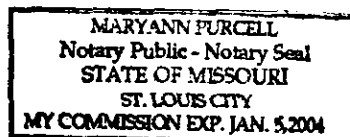
Sandy M. Moore
Sandy M. Moore

Subscribed and sworn to before this 14th day of September, 2001

Maryann Purcell
Notary Public

My Commission Expires:

Jan. 5, 2004



Case No. TO-2001-467
Southwestern Bell Telephone Company
Surrebuttal Testimony of Sandy M. Moore



Q. Please state your name.

A. My name is Sandy M. Moore.

Q. Are you the same Sandy M. Moore who filed Direct Testimony in this case?

A. Yes, I am the same.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of William L. Voight on behalf of the Missouri Public Service Commission Staff (Staff) concerning the competitive nature of Directory and Operator Services.

Q. Do you agree with Mr. Voight's comments on pages 75-76 of his rebuttal testimony that Southwestern Bell Telephone Company's (SWBT's) operator services are now competitive?

A. Yes. As I outlined in my direct testimony, SWBT's operator services are competitively classified based upon the Commission's decision in Case No. TO-93-116. While Mr. Voight's rebuttal testimony at pages 73-74 appear to indicate Staff's view that operator services are not competitive, his later testimony appears to confirm that operator services

1 have already been deemed competitive. SWBT believes the Commission should confirm
2 that operator services are competitive.

3
4 **Q. Mr. Voight suggests that Directory and Operator Services are too closely linked to**
5 **basic local service to stand independently. Do you agree?**

6 A. No. While historically Directory and Operator Services were accessed by customers
7 dialing "411" and "0", this is no longer the case. These services do stand independently.
8 Even customers who have selected SWBT for basic local service have several
9 alternatives for obtaining Directory and Operator Services. Competition for these
10 services is not simply a function of access line loss incurred by alternate providers
11 entering the market, although access line loss is another way SWBT faces competition for
12 Directory and Operator Services.

13
14 **Q. What Directory Service alternatives exist for customers who have SWBT's basic**
15 **local service?**

16 A. As I demonstrated in my direct testimony, consumer and business customers have a large
17 and expanding number of choices to obtain listed telephone numbers. While there was a
18 time when listed telephone numbers were available only through printed directories, or
19 through a telephone company operator, the choices for customers continue to grow.
20 Today, in addition to SWBT's Directory Services, customers may obtain listed telephone
21 numbers through, among other means:

- 22 ▪ White page and yellow page telephone books;

1 ▪ Internet directory sites, including:

2 AT&T (www.anywho.com)

3 Switchboard (www.switchboard.com)

4 AOL (www.aol.com)

5 Verizon/GTE (www.superpages.com)

6 BellSouth (www.realwhitepages.com)

7 Qwest (www.uswestdex.com)

8 Yahoo! (www.yahoo.com)

9 Infospace (www.infospace.com)

10 Whitepages.com (www.whitepages.com)

11 555-1212.com (www.555-1212.com)

12 911, Inc. (www.411.com)

13 Zip2 (www.zip2.com)

14
15 ▪ Wireless carriers' directory assistance services, including Verizon, Sprint, AT&T,
16 and Cingular.

17 ▪ '00' service from interexchange carriers, including AT&T and MCI;

18 ▪ MCI's 10-10-9000

19 ▪ AT&T's 800-555-1212

20 ▪ NPA-555-1212 provided by the customer's presubscribed interexchange carriers

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Q. What Operator Service alternatives exist for customers who have SWBT's basic local service?

A. As I demonstrated in my direct testimony end-users throughout Missouri have substitutable and functionally equivalent alternatives for Operator Services including:

- '00' Service, provided by all interexchange carriers
- AT&T's 1-800-CALLATT Service
- MCIWorldCom's 1-800-COLLECT Service
- Sprint's 1-800-2SPRINT
- Wireless Operator Services
- Prepaid Calling Cards
- 10-10-XXX-00 Services

All of these Operator Services alternatives, except for wireless, can be reached from a home or business where SWBT is the basic local service provider.

Q. Has the usage of SWBT's Directory Service been impacted by competitive Directory Services?

A. Yes. Clearly, as shown on my Highly Confidential Schedule 1HC, SWBT Directory Service volumes have significantly declined since 1996, even though, according to published independent research cited below, the overall directory assistance marketplace

1 is growing. The ** ____ ** decline in SWBT's directory service call volume is indicative
2 of increasing directory service competition, particularly when the proliferation of new
3 area codes and new telephone numbers, which would cause typically cause an increase in
4 directory assistance calls, is considered. While SWBT does not have access to specific
5 usage information from its competitors, the available evidence strongly suggests that
6 competition is the cause. For example:

- 7 • Independent studies by Frost & Sullivan show that the telephone directory assistance
8 marketplace as a whole continues to grow at a moderate pace.¹
- 9 • Competitors, such as AT&T and WorldCom have launched and heavily promoted
10 new directory assistance services. As part of my responsibility for competitive
11 marketplace analysis, I am familiar with syndicated research on competitive
12 advertising expenditures. Syndicated research is research undertaken by independent
13 companies, such as Competitrack, which many companies, including, SWBT, rely
14 upon to gauge their competitors' advertising and promotion efforts. According to
15 Competitrack, AT&T spent approximately \$52 million annually in 1999 to support its
16 "00 Info" service. It spent an additional \$7 million to promote its "10-10-ATT-00"
17 service. In 2000, AT&T spent an estimated \$33 million promoting its "00 Info"
18 service. Similarly, WorldCom spent an estimated \$23 million promoting its "10-10-
19 9000" service in 1999. Examples of their advertisements can be found in Schedule 2
20 and Schedule 3 of my direct testimony.
- 21 • Customers use internet directories to conduct millions of searches that would
22 otherwise be conducted through directory assistance or printed telephone directories.

1 According to the National Telecommunications and Information Administration
2 (NTIA), the percentage of households with internet access has increased from 26.2%
3 in December, 1998 to 41.5% in August, 2000.²

- 4 • Independent studies by Frost & Sullivan show that the use of internet directory
5 assistance increased by 22.6% from 1999 – 2000. Internet directory assistance is
6 expected to grow at a rate of 34% over the next 7 years. By 2007, it is expected that
7 the internet will be used over 5 billion times for directory assistance information.³
- 8 • Cellular telephone usage continues to grow at a torrid pace. Nationwide, the number
9 of cellular subscribers increased by 60% from June, 1998 to June, 2000.⁴

10
11 **Q. Has the usage of SWBT Operator Service been impacted by competitive Operator**
12 **Services?**

13 A. Yes. Clearly, as shown on my Highly Confidential Schedule 1HC, SWBT's Operator
14 Service volumes have significantly declined since 1996. This **__** decline in
15 SWBT's operator service call volume can be directly attributed to competitive
16 alternatives that exist in the marketplace.

¹ *U.S. Directory Assistance Services Market*, Frost and Sullivan (1999).

² *Falling Through the Net: Toward Digital Inclusion*, U.S. Department of Commerce, Economic and Statistical Information, National Telecommunications and Information Administration (October, 2000.)

³ *Invasion of Internet Directory Assistance Creates New Challenges for Telephone Directory Service Providers*, Frost and Sullivan (2000).

⁴ *Trends in Telephone Services*, Industry Analysis Division, Common Carrier Bureau (December, 2000.)

1 **Q.** Do you agree with Mr. Voight's opinion that "non-traditional" services such as
2 wireless and internet should not be considered in evaluating whether there is
3 effective competition (pages 19 – 23)?

4 A. No, I do not. This is evidenced by the growth of companies like InfoNXX and
5 MetroOne, which target wireless customers. Metro One is a publicly traded company that
6 operates call centers in 29 cities throughout the United States. According to their annual
7 report, Metro One handled approximately 302 million requests for information in 2000,
8 more than double the amount handled in 1999. Metro One has recently been included in
9 Fortune's comprehensive annual list of America's 100 Fastest-Growing Companies.
10 InfoNXX has also built a nationwide network with six major call centers and points of
11 presence throughout the United States. InfoNXX provides directory assistance services
12 for wireless carriers, as well as banks, universities, brokerage houses and other
13 businesses. InfoNXX was recently recognized by *Inc. Magazine* as one of the fastest
14 growing private companies in the United States. Also, the research from Frost and
15 Sullivan and NTIA clearly demonstrates the growth of the Internet and Internet Directory
16 Assistance.

17
18 **Q.** Does this conclude your testimony?

19 A. Yes, it does.

Moore Schedule 1

This Schedule is Highly Confidential in its entirety.

