

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

SOUTHWESTERN BELL TELEPHONE L.P., D/B/A SBC MISSOURI

CASE NO. TO-2005-0035

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Barbara A. Meisenheimer, Chief Economist, Office of the Public Counsel, P. O. Box 2230,
3 Jefferson City, Missouri 65102. I am also employed as an adjunct Economics Instructor for
4 William Woods University.

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. I filed rebuttal testimony on December 17, 2004.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my surrebuttal testimony is to respond to portions of the rebuttal testimony of Staff
9 witnesses Walter Cecil, Adam McKinnie and Bill Peters.

10 **Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU**
11 **REVIEW?**

12 A. I have reviewed the rebuttal testimony of the other parties. In addition, I have reviewed
13 portions of the Annual Reports and tariffs filed with the Missouri Public Service
14 Commission by competitive local exchange carriers and additional information obtained
15 from Staff regarding the certification status and standing of CLECs.

16 **Q. HAVE YOU REVISED ANY OF THE SCHEDULES CONTAINED IN YOUR**
17 **REBUTTAL TESTIMONY?**

1 A. Yes, I have revised the Schedule BAM-2. A copy of the revised schedule is attached to this
2 testimony. The majority of changes shown in the revised schedule are related to further
3 clarifying the certification status of many of the listed companies that I previously found did
4 not have current tariffs or current Annual Reports on file with the Commission. I obtained
5 the additional information through EFIS, discussions with the Commission Staff and in
6 some cases in discussions with CLEC representatives. In addition, the revisions correct
7 some errors I found in the previous schedule and identify additional relationships that I
8 found between companies. Finally, I added information on Charter Fiberlink which I
9 believe is relevant to include.

10 **Q. ON PAGE 3 THROUGH 9, STAFF WITNESS WALTER CECIL DISCUSSES THE**
11 **STAFF'S POSITION REGARDING THE COMPETITIVE STATUS OF**
12 **DIRECTORY ASSISTANCE. DO YOU HAVE ANY CONCERNS REGARDING HIS**
13 **ANALYSIS AND CONCLUSIONS?**

14 A. Yes, I have a number of concerns with the Staff's position. A significant concern is that
15 despite identifying what he considers to be three deficiencies related to SBC's DA survey
16 and stating that the survey information "is not persuasive in and of itself," Mr. Cecil
17 recommends that SBC be granted a competitive classification for DA on a statewide basis.
18 Mr. Cecil's evaluation of the SBC survey results as well as his own research do not appear
19 to consider a number of other factors that may be observed from the data presented in his
20 testimony. For example, based on the statistics he presents in line 5 through 12 on page 7 of
21 his testimony, a substantial proportion of Americans do not have either broadband or dial-

1 up access to the internet from their homes. These customers do not have immediate access
2 to the search engines and websites he finds to constitute competitors for SBC's DA.

3 There are also geographic factors he does not appear to consider in his evaluation. For
4 example, due to network limitations, broadband and higher speeds of dial-up access are less
5 prevalent in areas further from the central offices so accessing internet DA maybe less
6 convenient for rural consumers. These same customers may have far few fewer options for
7 locally available contacts obtainable from a printed directory. Rural areas also tend to be
8 sparsely populated and in turn less attractive in terms of facilities based competition.
9 Granting statewide competitive status for DA disproportionately subjects less technology
10 savvy and customers in rural areas to the potential abuse of price increases following receipt
11 of a competitive classification. Cases of inadequate substitutes are not limited to rural areas
12 or unsophisticated telecommunications users. For example, travelers that do not have
13 portable PC's or ready access to printed directories would also be more vulnerable to a lack
14 of adequate substitutes if price caps were eliminated. Where DA is allowed as a component
15 of prepaid service or a CLEC offers a resold product of the incumbent, customer local DA
16 calls may be defaulted to the incumbent provider on a mandatory basis.

17 Another concern I have with Mr. Cecil's evaluation relates to his comparison of carrier DA
18 rates. In Schedule WCI, he provides a comparison of Local DA and National DA rates
19 available from alternative carriers. The "macro" comparison he provides is not
20 representative of the actual availability of alternatives to consumers within a particular

1 exchange. For example, when comparing his list with the advertised local alternative
2 carriers shown for Booneville Missouri in Schedule BAM REB-1.A HC of my rebuttal
3 testimony, there is a stark contrast in the number of apparent substitutes.

4 The requirement that SBC demonstrate effective competition on an exchange-by- exchange
5 basis offers protection to those consumers less likely to have good substitutes and sufficient
6 substitutes for SBC's incumbent DA services. In my opinion, the Commission was correct
7 in finding in TO-2001-467 for SBC and in IO-2003-0281 for Sprint that the
8 competitiveness of DA is closely linked to the competitiveness of basic service. I do not
9 believe that Mr. Cecil's or SBC's evidence in this case justifies overturning the
10 Commission's previous finding and granting a blanket competitive classification for DA
11 services.

12 **Q. PLEASE COMMENT ON THE TESTIMONY OF STAFF WITNESS MR.**
13 **MCKINNIE.**

14 **A.** I agree with Mr. McKinnie's discussion of the degree of substitutability that exists between
15 wireless and wireline offerings as well as between traditional voice and VoIP. I also agree
16 with his conclusion that the current relationships between these services can best be
17 characterized as complementary in an economic sense. In addition to considering the
18 complementary nature of wireline with wireless technologies and VoIP as "stand alone"
19 products, bundles of complementary goods that carriers can provide affect competition.
20 SBC is a major player in both wireless and evolving internet technologies. SBC owns

1 approximately 60% of Cingular wireless¹ and has with the acquisition of AT&T Wireless
2 avoided some degree of potential competition from alternative wireless providers. SBC
3 has also formed strategic alliances with companies including Yahoo and Dish Network and
4 appears poised to introduce a package of internet protocol based services called U-verse one
5 component of which is expected to be VoIP.² The ability of SBC to offer one-stop shopping
6 in the future for a package of high speed services may prove to be a significant competitive
7 advantage.

8 **Q. PLEASE COMMENT ON THE TESTIMONY OF STAFF WITNESS BILL PETERS.**

9 A. As with Staff witness McKinnie, I agree with much of Mr. Peter's testimony. In particular,
10 I believe that Mr. Peter's testimony correctly points out that SBC relies heavily on
11 speculation regarding the potential for competition, aggregate data, and unreliable sources
12 such as the alternative providers listed in the SBC directories as opposed to quantifying the
13 actual level of competition that exists on an exchange-by exchange basis. As I demonstrate
14 in Schedule BAM REB 1A, Schedule BAM REB 1B and Revised Schedule BAM-2, many
15 of the carriers listed in the directory do not actually provide service in the relevant area.

16

¹ <http://www.sbc.com/gen/press-room?pid=4800&cdvn=news&newsarticleid=21266>

² http://www.infoworld.com/article/05/01/06/HNwhitacreipservices_1.html?source=rss&url=http://www.infoworld.com/article/05/01/06/HNwhitacreipservices_1.html

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1 || Q DOES THIS CONCLUDE YOUR TESTIMONY?
2 || A Yes, it does.