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NOV 9 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 9, 2000

Ms. Magalie Roman Salas
Secretary, Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, DC 20554

Re: CC Dkt. 96-115, Telecommunications Carriers' Use of Customer Proprietary Network and Other Customer Information; CC Dkt. 96-98, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; CC Dkt. 99-273, Provision of Directory Listing Information Under the Telecommunications Act

Dear Ms. Salas:

On November 9, the attached letter and material was sent to Yog Varma, Deputy Chief of the Common Carrier Bureau on behalf of BellSouth, Verizon, Qwest, and SBC.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,

Mary L. Henze

Mary L. Henze

cc: A. Gomez
J. Goldstein
R. Benyon
K. Dixon
D. Shetler
Y. Varma

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. Yog Varma
Deputy Bureau Chief
Common Carrier Bureau
Federal Communications Commission
445 12th Street, NW
Washington, DC 20554

Re: CC Dkt. 96-115, Telecommunications Carriers' Use of Customer Proprietary Network and Other Customer Information; CC Dkt. 96-98, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; CC Dkt. 99-273, Provision of Directory Listing Information Under the Telecommunications Act

Dear Mr. Varma,

On Wednesday, November 1, 2000 representatives from BellSouth, Verizon, SBC, and Qwest met with you and your staff to discuss issues concerning DA Services and the pricing of Directory Listing Services. During that discussion you asked the companies for additional information on the state of competition in the DA listings market. In response to your request, the companies have prepared the attached paper with supporting documentation which clearly illustrates that directory assistance listings are a competitive wholesale service and should have market based pricing.

Please do not hesitate to contact me at (202) 463-4109 if you have questions regarding this submission.

Sincerely,

Mary L. Henze

Mary L. Henze

cc: A. Gomez
J. Goldstein
R. Benyon
K. Dixon
D. Shetler

THE COMPETITIVE MARKET FOR DIRECTORY ASSISTANCE LISTINGS

INTRODUCTION

In this paper, the Incumbent Local Exchange Carriers (ILECs)[1] will show that the marketplace for DA and DA listing services is highly competitive, with numerous successful third party providers of these services. The ILECs will also show that these providers often have competitive advantages over the ILECs. They differentiate themselves from the ILECs by offering services that are broader in scope and have more enhancements than the services provided by the ILECs. Furthermore, the ILECs will show that they have suffered substantial competitive losses to these third party DA and DA listing providers, thus validating the fact that competition is robust in these markets.

InfoNXX has shown nothing to challenge these basic competitive facts. The FCC should reaffirm its prior conclusions made in the UNE Remand Order that the market for DA and DA listing services continues to be competitive. No price regulation of ILEC DA listing inputs is necessary or advisable.

THE COMPETITIVE ADVANTAGES OF NON-REGULATED DA LISTING PROVIDERS

Services offered by listing providers that obtain some of their data from ILECs and from other sources are viable competitive alternatives to the wholesale DA listing services provided by the ILECs.

The services offered by independent, non-regulated DA listing providers can be more attractive than the services provided by the ILECs because ILEC DA listing services are usually limited in scope to company-specific and limited regional subscriber listing information while competing providers can offer comprehensive nationwide, or even worldwide, DA listing information. These competing providers are able to offer "one stop shopping" as a viable alternative, since many can and do offer a single national listing database which relieves the user's burden of obtaining listings from a multitude of ILECs.

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[1] BellSouth, SBC, Verizon, Qwest each provided input to this document

The national listing databases marketed by competing providers offers comparable, if not the same, accuracy and reliability as that marketed by the ILECs, since the listing information and the associated updates can be obtained directly from the incumbent. In fact, competing providers such as MasterFiles and LSSi often use the comparable accuracy and reliability of their listings to promote their national databases against those of the ILECs. As an example, MasterFiles' website promotes their Reach411 National DA as "accurate data at affordable prices".[2] InfoNXX's website says they "offer a true alternative to telephone company DA" and that their national offering "provides superior service and 100% data accuracy".[3] It could even be said that having a broad national scope with comparable listing information quality offers these competing providers a competitive edge over the ILECs.

The competitive edge these independent DA and DA listing providers enjoy because of their national footprint is further broadened by the enhanced service offerings that they are permitted to market. For example, traditional DA and DA listing service offerings have been supplemented with features such as concierge services, driving directions from a live operator, and even access to voice portals. Because these competing providers are not limited by the same regulatory constraints as the ILECs, they have aggressively marketed these enhancements to prospective customers as differentiators. This has resulted in companies such as Metro One, InfoNXX and Volt Delta significantly eroding the ILECs' customer base. In fact, Metro One promotes itself as serving one-half of the US population on a local basis.[4] InfoNXX claims that it " provides tremendous value". Volt Delta, in a November 1996 press release spoke to their "selection of Acxiom® Corporation as Prime Listing Source for National Directory Assistance Service". In this press release, "VoltDelta and Acxiom® Corporation announced an agreement wherein Acxiom would be the provider of listing data for use on VoltDelta's DirectoryExpress, a transaction-based national directory assistance solution".[5] Companies such as these are driving

[2] See Attachment 2 – www.masterfiles.com/reach411.asp
[3] See Attachment 2 – www.infonxx.com/national.html
[4] Reference - Metro One marketing brochure
[5] Reference - www. voltdelta.com/news.html

competitive intensity and taking a leadership position in an already robust market situation for DA and DA listing services.

SUCCESS DRIVERS IN THE DIRECTORY ASSISTANCE MARKET

In the directory assistance market, how competing providers develop a quality service and price it to their customers is driven by more than just one service component. The importance of a national listing database to a competitive service offering was addressed above. Competing, independent providers have been successful in developing such database capabilities. However, as important as national listing information is to the DA service offering, it is not the only driver impacting how DA providers differentiate themselves from the ILECs. Pricing structures and service quality are also driven by operating systems and employees. Systems are integral to the service offering because the features, functions and level of automation may vary to differing degrees between providers. The technology infrastructure utilized by a DA provider will impact their ability to succeed. Specifically, leading edge technology enables companies to differentiate their service offerings and price competitively. Moreover, employees are also an integral component because individual providers serve user needs with workers of various employment lengths and levels of experience. For example, operators serve as the primary customer interface and have a direct impact on how customer's perceive a provider's service quality.

In any listing database, these three service elements each add value to the others and function jointly as DA "success drivers". Indeed, as outlined, national listings, operating systems and skilled employees all contribute to service quality and competitive pricing structures. It is the combination of these success drivers that justifies differences in price among the multiple alternatives/substitutes for DA listing information, although market-based pricing is not appreciably different for comparable service offerings. Ultimately, these service components all affect the ability of third party DA providers to secure marketshare.

THE SUCCESS OF COMPETING NON-REGULATED DA PROVIDERS

Within the last decade many new providers of DA services have entered the market. These companies have proven to be viable suppliers to customers, and they have experienced

significant growth in their businesses. They have proven that they know how to manage call centers, source listings, price their services, make money and deliver service to their customers.

Attachment 1 outlines briefly a number of these competing providers, describing the service offering(s), the listing source (if known), and a sampling of their customer bases. It is clear that the companies listed herein are succeeding in the competitive DA market.

Four of these competing providers - **MetroOne, Excell, Teltrust,** and **InfoNXX** have been especially successful at creating viable marketing plans, and they are each seeing success in the marketplace. The aforementioned companies are growing not only in call volumes but also in the number of major customers they serve. Each company is handling millions of calls and is thriving in the Directory Assistance market. Following is a brief overview of each company[6]:

- **MetroOne** is a prominent supplier of Directory Assistance that has seen impressive growth in recent years. MetroOne posted record revenues in 1998 of $45.1 million, 73% above 1997 revenues. "Revenues for the first six months of 2000 were $66,300,000 double the revenue from the same period the prior year. The company handled 126 million requests for DA/EDA during the first months of 2000 and 142 million requests in 1999"[7]. Major customers include AT&T, Sprint PCS, US Unwired and Nextel.
- **Excell** has experienced double-digit growth in the 1990's. In fact, they enjoyed annual sales in excess of $200 million in 1998. In 1997, Excell was handling more than 40 million DA calls per month and managing major call centers in Arizona and Florida. Major customers include AT&T, Frontier and Bell Canada.
- **TelTrust** has been a major player in the Directory Assistance business for a number of years. By 1999, Teltrust was serving several DA markets, including the wireless market where volumes exceeded two million calls per month. They have several large call centers located throughout the country, and they list US Cellular, Muchas Voces, Total Tel and G-5 as major customers.

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[6] Independent market research

[7] *The Operator Daily* - August 1, 2000

- **InfoNXX** has seen significant growth in their business. They have opened several new, large call centers in the last couple years to help keep up with their rapid growth. Much of their market focuses on cellular and wireless providers, and they have won contracts in recent years with companies like Cellular One, Verizon and AIRTOUCH.

PRIOR FCC DECISIONS SUPPORT A CONCLUSION THAT THE DA MARKET IS COMPETITIVE

In fact, the Commission correctly concluded in the UNE Remand Order that the provisioning of DA service and the provision of DA listings is competitive, and that other providers are flourishing in the marketplace (see Attachment 1 – Competing Providers). The fact that ILECs themselves subscribe to the services of competitors like LSSi and Volt Delta provides additional support for this conclusion that the market for DA listings is competitive and robust.

It is clear that demand for DA is growing and that the market is competitive and robust, and ILECs are losing market share to competing providers. ILECs are experiencing the effects of competitive erosion in both DA and DA listing services. Losses in DA call volumes have occurred over the last several years and range from 50-60%[8]. Recent losses in DA listings revenue range from 20-30%[9].

CONCLUSION

In summary, the information provided clearly shows that there is a robust competitive marketplace for DA listing services. Many of these third party DA listing providers have competitive advantages over the ILECs in terms of the national scope of their available listings, and "one-stop-shopping". These providers solicit customers by offering accurate data at affordable prices. They also have been very successful in taking business away from the ILECs. Many third party DA providers now obtain their DA listing information from third party non-ILEC providers. This healthy competition in the DA listings market has led to a proliferation of new and successful DA service providers. Consequently, ILECs have suffered market share erosion which validates the existence of true competition.

[8] BellSouth, SBC, Qwest, and Verizon
[9] BellSouth, SBC, and Qwest

Finally, the FCC has already correctly concluded in the UNE Remand Order, that DA and DA listings services are competitive and that alternative providers are flourishing in the marketplace. Thus, the FCC found no need to regulate prices in these areas. InfoNXX has provided absolutely no basis for the FCC to disturb its well reasoned decision set forth in the UNE Remand proceeding. InfoNXX wrongly asserts that access to and pricing of ILEC DA listings is the only driver impeding their ability to compete. Nothing presented by InfoNXX proves otherwise. There is no reason to believe that InfoNXX would either subscribe or continue to subscribe to individual ILEC listing services even if the Commission took action leading to price standardization. Simply stated, if InfoNXX gets its intended result from this proceeding, it is not likely that the purchasing behavior either of itself or other competing providers will be altered. The FCC should either close this phase of the proceeding or should issue an order that reaffirms their conclusion that the marketplace is indeed competitive.

Attachment 1

Non-regulated DA and DA Listing Providers	**Listing Source**	**Customers**
Volt Delta NDA Directory Express (NDA) Info Express (EDA)	Acxiom/Go2TM (for wireless listings)	(DA Vendor for Cincinnati Bell)
LSSi	Known source: Carriers -- self-maintained database	Sprint Local, Verizon, McLeodUSA, Consolidated Comms, Telegate, British Telecom, France Telecom Resells access into their database to others --
Master Files Reach Dir. Asst. (Nat'l EDA) Reach411.com (NDA)	Known source: Carriers	Resells access into the databases of carriers. Also resells listings in a batch process mode.
Teltrust	Dips LSSi database	Cox Comm's, Verizon, Salient, RCN, U S Cellular, CellularOne, Centennial Cellular, Omnipoint Comm's, Ameritech (CC only), Bell So. (CC only), Kansas Cellular/ Alltel, Little Three Comm's, Nevada Bell, NextLink, Total Tel, Vartech Comm's, Telefonos Publicos, The Travelers group, J. C. Penney, Time, Inc., The San Antonio Spurs, Bally's Hotel, Nordstrom, Flying J, Four Seasons, USAA, Las Vegas Hilton (started in payphone market)
MetroOne	Known source: Carriers and list compilers -- self-maintained database	AT&T wireless, Airgate PCS, Alamosa PCS, Alltel Ent., GST, Georgia PCS, Horizon PC, Illinois PCS, Integra, Iowa Wireless, Louisiana Unwired, Meretel Comms, Midwest Wireless, Nevada Bell Wireless, Nextel, Northern PCS, Pac Bell Wireless, Poka Lambo PCS, Roberts Wireless, Rural Cellular, Southwest PCS, Sprint PCS, SwifTel Comms, Telecorp Comms, Triton PCS, US Unwired, Ubiqui Tel, Vangaurd, Verizon Wireless, Via (Central) Wireless, Washington/Oregon Wireless, AirTouch, Indus, Inc.
InfoNXX	Unknown -- only obtain minimal data from some carriers	Verizon, Alltel, AirTouch, CellularOne, PrimeCo., Mobile Comm's, Mobile Commerce Partner, Quixi

Non-regulated DA and DA Listing Providers	**Listing Source**	**Customers**
Excell Agent Services	Experian-based/multiple sources	AT&T(?), Frontier LD Bell Canada, Telstra (Stellar)
DirectoryNet.com	including some carrier data	Reuses information in Web-based services such as DirectoryNet.
MCI	Known source: Carriers -- self-maintained database	MCI local, PIC'd and dial-around toll, Web-based services.
AT&T -- Local & National DA	Unknown -- formerly purchased from list compilers and carriers -- current source is unknown	AT&T local, PIC'd and dial-around toll users, and web-based services.
555-1212.com and AnyWho.com		Web-based services
InfoUSA	InfoUSA -- compiles information from a variety of sources	Web-based service -- Resells directory lists (msn.com, Switchboard.com, Zip2.com, 411Locate.com, Boston Medical Center)
411Locate.com	InfoUSA -- users can update on-line	Web-based service
msn.com	InfoUSA -- users can update on-line	Web-based service
Zip2.com	InfoUSA -- users can update on-line	Web-based service
Boston Medical Center	InfoUSA -- users can update on-line	Accesses web-based service
Switchboard.com	InfoUSA -- users can update on-line	Web-based service
	Other Known Listing Sources	
	Experian (Metromail)/LSSi	
	FDR	
	Qwest Dex - Data Products Group	