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May 13, 2005

Via Electronic Filing

Ms. Michelle Carey
Legal Advisor
Office of Chairman Martin
445 12th Street, S.W.
Washington, D.C. 20554

Re: Retail Directory Assistance, CC Docket No. 99-273

Dear Michelle:

Thank you for time last week to discuss issues relating to competition in the retail wireline directory assistance (DA) market. We are writing to provide additional information in response to questions concerning the U.K.'s experience with deregulation and competition, and also provide information on the type of companies that likely would enter a competitive retail DA market in the U.S.

Deregulation in the U.K.

As you know, the U.K.'s National Audit Office (NAO) recently released a report (the "Report") evaluating the effects of opening the U.K. retail DA market to competition. The Report listed several positive consequences of deregulation. First, it confirmed that U.K. consumers enjoy a much wider choice of increasingly diverse DA services. For instance, consumers may now choose DA services that provide call completion, number text, location of services, cinema listings, and even train times. In addition, several new retail DA providers have entered the market to provide niche specialty services, focusing on language or social communities. The Report also confirmed that a wider, more competitive range of prices is now available. According to the Report, roughly one quarter of the services available are cheaper than BT's old 192 service.

The NAO lacked the data necessary to assess improvements in accuracy, since there was no benchmark. It bears emphasis, though, that data accuracy in the U.S. already is superior to the U.K., largely due to the efforts of the Commission. As the Paisley Group recently reported on the U.S. market, "Directory Assistance providers maintained a high degree of accuracy over the past six months with 93% of calls handled correctly according to the National Directory

Assistance Performance Index(sm) ...." The report found that "InfoNXX and Verizon [were] tied in the category of Customer Care(sm) with ratings of 93.4%. InfoNXX led not only the 3rd Party Providers in Passed Calls with a rating of 88.3%, but all providers measured for this issue." The full release from the Paisley Group is attached.

You also inquired about the NAO Report's conclusion that the average U.K. customer was now paying more for DA services following deregulation. The primary goal of deregulation is to create a competitive market in which consumers have the freedom to choose among a wide range of diverse services. The Report confirmed that U.K. deregulation has been very successful in achieving that fundamental goal.

- Lower prices are available to consumers. As the Report found, cheaper DA services options are now available for customers who prefer basic DA service. That is one hallmark of a successful migration from monopoly service to multiple providers.

- Services with more features and higher prices also are available. The U.K. experience further shows that if customers prefer to pay higher prices for enhanced services, those options are also available. That is another hallmark of a deregulated market: providers innovate and give consumers a range of features at different price points.

The fact that U.K. consumers have a range of prices and features and many freely choose to pay more for enhanced DA services is a powerful sign that deregulation successfully created a robust, competitive market. As Judge Posner has observed, "when dealing with a heterogeneous product or service, . . . [one] cannot infer monopoly power [i.e., lack of competition] just from higher prices. . . . Generally you must pay more for higher quality."[1] Similarly, the Fifth Circuit has noted that, "it must be remembered, a provider's higher prices are not necessarily indicative of a less competitive market; they may correlate with better services or more experienced providers."[2] And in a market in which consumers can easily switch providers, as is true in the U.K., this outcome shows that consumers desire more advanced services and are willing to pay for them.

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[1] *See, e.g., Blue Cross & Blue Shield v. Marshfield Clinic*, 65 F.3d 1406, 1411-12 (7th Cir. 1995).

[2] *See, e.g., Doctor's Hosp. of Jefferson, Inc. v. Southeast Med. Alliance, Inc.*, 123 F.3d 301, 310 (5th Cir. 1997).

The offering of diverse products at various price points may have even a more profound effect on prices in the U.S. market because DA prices are significantly more expensive here than they were prior to deregulation in the U.K. For instance, before deregulation, BT charged its customers 40 pence for DA service. This is roughly equivalent to \$0.75. In the United States, by contrast, *ILECs in twenty-seven states charge their customers \$1.25 or higher* for local DA. Unfortunately for consumers, these prices continue to rise. Just in the past two months, Verizon significantly increased its DA prices in four different states and the District of Columbia. The ability of ILECs to use their monopoly market power to continue raising DA prices is a further indication of the need for prompt action to promote competition in this market.

<u>Possible Entrants</u>

You also asked about what type of companies likely would enter a competitive retail DA market in the U.S. As you know, several foreign countries have taken steps to promote competition in the DA market. Their experience suggests that a large number of companies can be expected to enter a competition DA market in the U.S.

Attachment 1 identifies the twenty-one (21) companies operating in the deregulated retail DA market in the U.K. Attachment 2 identifies the thirty-nine (39) companies that have announced their intention to apply for national DA numbers in France. Attachment 3 identifies the twelve (12) companies that have already secured national DA numbers in the Italian market.

Thus, over seventy (70) companies from various countries have entered the competitive DA business in the European Union. As they have in Europe, we fully expect that a high number of companies also would enter a competitive retail DA market in the U.S. In addition to these potential E.U. competitors, a large number of U.S. companies also are equipped to enter a competitive market. Based on their resources, infrastructure, and past experience in the DA market, here is a list of companies that possibly could enter a competitive DA market in the U.S.:

- SBC
- Verizon
- Qwest
- BellSouth
- IDT
- Sprint
- BT
- Metro One
- Cablevision
- Cox
- Comcast
- T-Mobile

Because many of these companies currently enjoy a lucrative DA business, it is unlikely that they will advocate competition or regulatory change. However, if the Commission took action to promote competition in the retail DA market, we fully expect that many of these companies would enter a competitive DA market.

Sincerely,

Gerry

Gerard J. Waldron
Counsel to InfoNXX, Inc.

Attachments

cc: Marlene Dortch
Thomas Navin
Anna Gomez
Claudia Fox
William Dever
Rodney McDonald

Attachment 1

COMPANIES OPERATING IN U.K. MARKET

- Telegate
- BT
- Conduit
- Telewest
- Directory Enquiries UK
- Cable & Wireless
- One.tel
- UK Directory Assistance
- Tesco
- Kingston
- Opal Telecom
- Share Charity
- 118 GAY
- NTL
- British Gas
- Telco Global
- Orange
- 192.com
- Yell
- The Number
- Simunix

Attachment 2

COMPANIES INTENDING TO ENTER FRENCH MARKET

- 118 118 Teledis SARL
- 11883 Telecom GmbH
- 118866 Ltd.
- 123Multimédia SA
- ADP Télécom
- Allo Bottin
- Atento Maroc
- Belgacom SA
- Bouygues Telecom
- Cambio SA
- Com Medias
- Conduit Enterprises Ltd.
- European Directory Assistance France
- Groupe France Télécom (France Télécom, PagesJaunes, Orange, Orange Caraïbe, Orange Réunion)
- Groupe Free (Free SAS, OneTel SAS, Kertel SA)
- HM Renseignements
- Ingénierie de Communications Pédagogique "ICP" SARL
- Intra Call Center
- Jonas Technology SAS
- Kabtel Renseignements
- Kelnuméro SARL
- L'Annuaire Universel SAS
- Le Numéro France
- Le Service Universel de Renseignements Téléphoniques
- Nouveaux Médias et Tele Consulting
- NRJ Mobile
- NRT
- Octava Marketing
- PCCI UK
- Pictures on Line
- Pixtel
- Renseignement Téléphonique Français
- Scoot France
- Services de renseignements téléphoniques SAS
- Services France Renseignements
- Groupe SFR (Société Française du Radiotéléphone, Société Réunionnaise du Radiotéléphone)
- Sogedev
- Telegate France
- Telemedia SA
- Telenet Hosting
- TZ tel

Attachment 3

COMPANIES ENTERING ITALIAN MARKET

- Telegate Italia s.r.l.
- Infocall s.p.a
- TIM Italia s.p.a
- 11888 Servicio Consulta Telefonica S.A.
- Telecom Italia s.p.a
- Wind Telecomunicazioni s.p.a
- Prontoseat s.r.l.
- Concierge Company s.r.l.
- DA Directory Assistance Company s.r.l.
- Servizio di Consultazione Telefonica s.r.l.
- Vodafone Omnitel N.V.
- ES Enhanced Services Company