**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **March 4, 1993**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF COMMUNICATIONS [CHEEK]**

 **DIVISION OF LEGAL SERVICES [KURLIN]**

**RE : DOCKET NO. 921317-TL - REQUEST FOR APPROVAL OF PROPOSED TARIFF TO ADD DIRECTORY ASSISTANCE DATABASE SERVICE (DADS) AND DIRECTORY PUBLISHERS DATABASE SERVICE (DPDS) BY BELLSOUTH CORPORATION d/b/a SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY (T-92-927 filed OCTOBER 30, 1992)**

**AGENDA: MARCH 16, 1993 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: 60-DAY STATUTORY PERIOD EXPIRED DECEMBER 29, 1992**

 **COMPANY REQUESTED EFFECTIVE DATE MARCH 17, 1993**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\921317.RCM**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DISCUSSION OF ISSUES

**ISSUE 1:** Should BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company's proposed tariff filing to add Directory Assistance Database Service (DADS) and Directory Publishers Database Service (DPDS) be approved?

**RECOMMENDATION:** Yes. BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company's proposed tariff filing to add Directory Assistance Database service (DADS) and Directory Publishers Database Service (DPDS) should be approved. The effective date should be March 17, 1993.

**STAFF ANALYSIS:** On October 30, 1992, BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell) proposed revisions to its General Services Tariff to introduce two new service offerings: Directory Assistance Database Service (DADS) and Directory Publishers Database Service (DPDS). The services are described as follows:

Directory Assistance Data Base Service (DADS)

 DADS provides a base file of business and residence directory listings and a daily update file of directory listing changes. A typical subscriber of this service would be an interexchange carrier (IXC) which intends to provide alternative directory assistance service. Directory Assistance type services would include: 1) Voice Directory Assistance (DA Operator or DA Operator System assisted) and 2) Electronic Directory Assistance (Data Systems assisted).

 Southern Bell will provide these files by central office prefix (i.e., NNX) on magnetic tapes. The Company is unable to provide listings by geographical area due to the way the Company's data base is set up. Also, there are instances where Southern Bell may service part of a geographical area (such as a county) and another local exchange company may cover the remainder of the area. The information provided will be non-confidential white page subscriber listing information maintained by the Company (i.e., listed name, address, and telephone number fields). Non-Published and Non-Listed listings will not be included, however they will be identified as either Non-Published or Non-Listed.

 Southern Bell's proposed DADS tariff will allow customers to purchase an initial Base File. The subscribing customer is required to purchase DADS Daily Updates for a 12 month period. The rationale for the 12 month subscription period is twofold. First, the requirement ensures that the DA listings are current and up to date. Second, this will enable the Company to plan for operator adjustments (e.g., fewer operators or fewer operator hours required) due to the introduction of this service. The rates for DADS are shown on Table 1-A:

 Table 1-A

|  |
| --- |
|  DIRECTORY ASSISTANCE DATABASE (DADS) PROPOSED RATES |
|  Service |  Proposed Rates |
| Central Office Base File, per listing (Non-recurring Charge) |  $ .04 |
| Use Fee per Listing (Recurring Charge) |  $ .15 |
| Administrative Fee per month (min. 12 mos.) per Central Office Ordered  |  $13.59 |
| Cancellation Fee |  $\*\*.\*\* |

 \*The nonrecurring cancellation fee will be computed to allow the Company to recover all unrecovered costs incurred by the Company for work performed prior to cancellation.

 An example of DADS would be an interexchange carrier that requests DADS listing information for customers located in Miami which is served by ten physical Southern Bell central offices. The customer would request DADS listing information for all ten central offices in Miami which is a total of 100,000 listings. The Company would ship to the customer magnetic tapes containing the DADs Base File listing information. Each day, the Company would ship to the customer magnetic tapes containing DADs Daily Updates.

 The customer would be billed according to the rates and charges defined above. For example, for each base file, the customer would pay $.04 per listing; for a total non-recurring charge of $4,000 (i.e., 100,000 listings multiplied by $.04). For the daily updates, the customer would pay $13.59 per month per Central Office for a total of $135.90 per month. Each time that the customer uses a DADS listing to provide his directory assistance service, the customer would pay $.15. Assuming the customer uses each DADS listing once a month, the customer would pay $15,000 per month (i.e., 100,000 listings used multiplied by $.15).

 Prior to receipt of the Base File, the customer must provide Southern Bell with a written plan outlining the method used to record and accumulate the amount of usage to be reported to the Company. The customer is required to remit to Southern Bell a monthly itemized statement by Central Office. The customer is also required to make available to the Company, the records to allow Southern Bell to audit the number of times a listing has been used.

 Directory Publishers Database Service (DPDS)

 DPDS provides an extract of directory listings by requested central office. It also provides optional weekly reports of central office business activity. With DPDS, a customer who is interested in providing Directory Assistance-type services is able to compile, produce, publish, and distribute in printed booklet form an alphabetical and/or classified telephone directory for general telephone number service. DPDS provides an optional Weekly Business Activity Report to be used by the customer solely for the sale and/or solicitation of advertising to be contained in a future customer published directory. The proposed rates for DPDS are summarized on Table 1-B.

 Table 1-B

|  |
| --- |
|  DIRECTORY PUBLISHERS DATABASE SERVICE (DPDS) PROPOSED RATES  |
|  Service |  Proposed Rate |
| Each Central Office Listing File Requested, per listing (Non-recurring Charge) |  $ .04 |
| Weekly Business Activity Report Per Central Office Listing (for all listings in the Central Office requested) (Recurring charge) |  $ .006 |
| Cancellation Fee  |  $\*\*.\*\* |

 \*The nonrecurring cancellation fee will be computed to allow the Company to recover all unrecovered costs incurred by the Company for work performed prior to cancellation.

 DPDS is provided by requested central office. With the purchase of a Central Office Base File, the customer such as a telephone publishing company like Donnelly, may purchase a Weekly Business Activity Report, which lists business change activity.

 The Company will provide an extract of the white page listing information that will contain the listed name, address, and telephone number. Non-Published and Non-Listed listings will not be included, however, they will be identified as either Non-Published or Non-Listed. The customer must do the following:

1.Allow sufficient time (approximately 2 weeks) for Southern Bell to prepare the Base File.

2Publish a directory within ninety (90) days of receipt of the latest requested DPDS Base File, which must be requested within 12 months of the first requested Base File. This ensures Southern Bell that the subscriber will be using the data to publish directories.

3.Furnish without charge to Southern Bell, within one month of directory publication, a copy of the published directory.

4.Not use DPDS to publish and/or distribute in any form lists of new or changed telephone subscribers.

5.Not represent in any way that its Directory is in any way connected with Southern Bell.

6.Not publish a listing in more than one Directory.

7.Obtain and maintain, during the life of its Directories, public liability and contractual insurance in the minimum amount of three hundred thousand dollars ($300,000), insuring by endorsement the foregoing undertakings, and shall provide the Telephone Company with a certificate of insurance evidencing such coverage. This coverage will ensure that the publishing company has adequate liability coverage of its own, thereby reducing Southern Bell's liability.

 Applying the same parameters to DPDS as defined in the DADS example, a directory publisher subscribing to DPDS for the same jurisdiction as the DADs subscriber above would pay $.04 per listing per Central Office for his Base File; a total non-recurring charge of $4,000 (i.e., 100,000 listings multiplied by $.04). This customer may opt to receive the Weekly Business Activity Report. Assuming that there would be 500 updates to the listings in a month, the customer would pay $3 per month (i.e., 500 multiplied by $.006).

 The main difference between DADS and DPDS is the way the service would be used. The format of the listing information provided via DADS and DPDS are not the same. The DADS and DPDS databases are created via extractions from the same source, but differ in several ways. First, DADS provides the following: Listed name, Listed Address, Telephone Number, Account NPA, Account NXX, Exchange Code, Date of Extract, Directory Indicator, Directory Name, Unique Bus/Res/Gov Indicator, and Phrase Codes. DADS is updated daily in order to keep the DA listings current; there is no update for DPDS. DPDS has an optional Business Weekly Activity Report. With DPDS, the publishing company is required to provide a directory within 90 days. This ensures that the service is being used for purposes of providing directories.

 Customer Effect

 DADS is targeted toward IXCs who want to offer directory assistance, while DPDS is targeted towards publishing companies who want to sell their own directories of telephone number listings. Since DADS is a new service offering, therefore, the customer effect is merely the new rates. However, in the past, customers who wanted to obtain listing information from Southern Bell for publishing purposes could do so only through a contractual agreement. The publishing company would pay $.04 per listing plus a processing fee. For such a customer under the proposed tariff, the customer effect would be the increase in the non-recurring charge based on the number of listings requested and any Weekly Business Activity Reports ordered. The charge per listing is the same. In addition, these customers will now purchase listings from the General Services Tariff.

 Initially, staff was concerned that a DPDS customer may use DPDS data to provide DA-type service, which is reserved to customers who subscribe to DADS. Staff was concerned that if a DPDS customer uses DPDS data to provide DA type services, this DA service would be inferior to the DA service provided by Southern Bell, or a DADS subscriber because DPDS data is not updated on a daily basis. However, Southern Bell has included restrictive measures in its tariff so that a customer would be in violation of the tariff if they provided directory assistance type services using the DPDS data, and thus Southern Bell could discontinue the service.

 Cost Information

 An incremental cost methodology was used to develop costs for DADS and DPDS. Attachment A is the Work papers used to arrive at the costs for DADS and DPDS. The cost for the services results directly from providing additional units of service. Traditionally, prices for discretionary services should be set at a level which at least covers the direct cost incurred. Staff believes that an incremental cost methodology provides the proper test for pricing decisions. The costs for DADS and DPDS are summarized on Table 1-C.

 TABLE 1-C

|  |
| --- |
|  DIRECTORY ASSISTANCE DATABASE SERVICE (DADS) AND DIRECTORY PUBLISHERS DATABASE SERVICE (DPDS) COSTS |
|  | Proposed Rates |  Cost |
| DADS Service  |
|  Base File Cost Per Listing | $ 0.04 | $ 0.001 |
|  File Updates Cost per CO per Month | $13.59 | $11.81 |
| DPDS Service |
|  Central Office Extract Cost per Listing | $ 0.04 | $ 0.003 |
|  Business Activity Report Cost Per Listing | $ 0.006 | $ 0.004 |

 The cost of providing DADS and DPDS includes the labor cost for the computer program development and maintenance; Central Processing Unit (CPU) hours required for each extract; and material, packaging and shipping expense for the magnetic tapes. Incremental costs associated with the Directory Assistance Access Service demand that is cross elastic with DADS includes operator labor and investment associated with operator positions.

 The estimated programmer analyst's hours for program development was divided by the number of requests over the initial three years to develop the average hours per file extract. Similarly, the annual maintenance hours were divided by the average annual requests. The respective software development and maintenance costs were produced by multiplying these results by the appropriate directly assigned labor cost. The CPU hours required for the extracts were multiplied by the CPU cost per hour to develop the data processing costs.

 Material cost for the magnetic tapes and the paper output, along with delivery, were added to the software development and maintenance and data processing costs. This result was divided by the average number of listings that will be billed each month to produce the cost per listing for each service.

 For the Weekly Business Reports, the CPU hours were negligible. Additional administrative costs include the provision of the Daily Updates. The costs associated with providing the Daily Updates are auditing costs, program maintenance, data processing, tape packaging and delivery and gross receipts tax. Staff has reviewed Southern Bell's cost study and we believe it appears reasonable.

 Demand and Revenue Information

 Table 1-D

|  |
| --- |
|  DADS USE FEE DEMAND |
|  |  Year 1 |  Year 2 |  Year 3 |
| Interstate DA Usage |  34,500,029 |  36,915,031 |  39,499,083 |
| Intrastate DA Usage |  19,617,327 |  20,990,540 |  22,459,878 |
| Total Demand |  54,117,356 |  57,905,571 |  61,958,961 |

 Table 1-D and Table 1-E summarizes the three year (first 36 months period) projected demand for DADS. Southern Bell projects demand for DADS during Year 1 (first 12 months period) to be one customer displacing 54,117,356 interstate and intrastate DA access calls. Since, local DA (i.e., 411 and 555-1212) is reserved for the local exchange company, there is zero DADS contribution from these DA services; and therefore no cross elastic effect. The gross revenue for Year 1 is projected to be $8,311,327. The projected net contribution for the same period, including expenses, cost savings and cross elastic impacts is $3,920,191.

 Assuming that demand for DADS will grow at the rate of 7% annually (same rate as that forecast for DA Access), Southern Bell projects demand for DADS during Year 2 (second 12 months period) to be 57,905,571 calls. The gross revenue for Year 2 is projected to be $8,893,120. The projected net contribution for the same period is $4,194,605, accounting for the cross elastic effect between DADS and DA Access, the DA revenue lost and the cost savings gained. The cross elastic effect is the difference between the revenue lost per use of listing and the cost savings gained per use of listing.

 Assuming that demand for DADS will grow at the rate of 7% annually (same rate as that forecast for DA Access), Southern Bell projects demand for DADS during Year 3 (third 12 months period) to be 61,958,961 displaced calls. The gross revenue for Year 3 is projected to be $9,515,638. The projected net contribution for the same period is $4,488,226, accounting for the cross elastic effect between DADS and DA Access, the DA revenue lost and the cost savings gained.

 Table 1-E

|  |
| --- |
|  DADS NET CONTRIBUTION |
|  |  Year 1 |  Year 2 |  Year 3 |
| Gross Revenue1 | $ 8,311,327 | $ 8,893,120 | $ 9,515,638 |
| Expenses | $ (64,629) | $ (69,153) | $ (73,994) |
| Interstate DA2  Revenue LossIntrastate DA3 Revenue Loss | $(9,736,943)$(4,904,332) | $(10,418,529) $ (5,247,635) | $(11,147,826) $ (5,614,970) |
| 411 and 555-12124 Revenue Loss |  0 |  0 |  0 |
| Cost Savings5 | $10,314,768 | $11,036,802 | $ 11,809,378 |
| Net Contribution  | $ 3,920,191 | $ 4,194,605 | $ 4,488,226 |

 1Gross revenue includes the revenue from the Base File, Use Fee per listing. and Administrative Fee per month.

 2Interstate DA revenue loss for year 1 is calculated by multiplying the interstate DA usage of 34,500,029 by the interstate access rate of $.28223, which yields $9,736,943.

 3Intrastate DA revenue loss for year one is calculated by multiplying the intrastate DA usage of 19,617,327 by the intrastate access rate of $.25, which yields $4,904,332.

 4Local DA (i.e., 411 and 555-1212) is reserved for the local exchange company, therefore, there is no cross elastic effect with DADS.

 5Cost Savings is the DADS demand (i.e., displaced demand) multiplied by the cost per DA message (i.e., $.1906) which for Year 1 is 54,117,356 multiplied by $.1906 equals $10,314,768.

 Table 1-E summarizes the three year (first 36 months period) projected net contribution for DADS. The gross revenue includes the Base File revenue, the Use Fee, per listing revenue and the Administrative Fee, per Central Office listed revenue. The Base File revenue is calculated by multiplying the total number of listings in Florida by the Base File per listing rate for each customer. The Use Fee per listing revenue is calculated by multiplying the annual Use Fee demand by the Use Fee per listing rate. The Administrative Fee revenue is calculated by multiplying the number of Central Offices multiplied by the Administrative Fee monthly rate.

 As previously discussed, DADS will displace DA Access Service demand and revenue. The per use DADS rate element ($.15 per use of a listing) recovers the DA Access Service revenue lost, considers the cost savings gained as a result of no longer serving access calls displaced, and includes contribution.

 The interstate and intrastate revenue loss is calculated by multiplying the usage by the rate. For example, for year one, the interstate DA revenue loss is calculated by multiplying the interstate DA usage of 34,500,029 by the interstate access rate of $.28223 which is $9,736,943. Likewise, the intrastate DA revenue loss for year one is calculated by multiplying the intrastate DA usage of 19,617,327 by the intrastate access rate of $.25 which is $4,904,332.

 The revenue lost per use of listing due to the cross elastic effects is determined by a weighted average of the interstate DA and transport access rate per message (i.e., $.28223) and the intrastate access rate per message (i.e., $.25). The cost savings gained per use of listing is the current cost of providing DA (i.e., $.19060). Therefore, the cross elastic effect per use of listing will be the difference between the revenue lost per use of listing and the cost savings gained per use of listing. Table 1-F shows the cross-elastic effect for DADS.

 Table 1-F

|  |
| --- |
| Cross-Elastic Effects |
| Revenue lost per use of listing | $ .270546 |
| Cost Savings Gained per use of Listing | $ .190600 |
| Cross Elastic Effect per use of listing | $ .079946 |

 The above demand and revenue analysis considers the interstate and the intrastate DA revenue loss and cost savings for DADS. By including both interstate and intrastate DA demand, we are able to more accurately review the impact of the service as a whole. However, if we were to segregate the intrastate impact to show what the contribution of the service would be in the state of Florida, we would have to subtract the interstate revenue loss and offset the cost savings associated with the interstate demand. Since there are approximately twice as many interstate DA calls as intrastate DA calls, the intrastate net contribution for DADS would be higher than the net contribution illustrated on Table 1-E.

 Table 1-G summarizes the DPDS demand and Table 1-H summarizes the DPDS revenue.

 Table 1-G

|  |
| --- |
|  DPDS DEMAND |
|  |  Year 1 |  Year 2 |  Year 3 |
| Base File Listing |  2,208,116 |  2,649,826 |  2,914,679 |
| Weekly Business Activity Report Listings |  8,797,905 |  10,542,040 |  11,610,490 |

 Table 1-H

|  |
| --- |
|  DPDS NET CONTRIBUTION |
|  |  Year 1 |  Year 2 |  Year 3 |
| Gross Revenue |  $141,112 |  $169,245 |  $186,250 |
| Cost |  $(41,816) |  $(50,121) |  $(55,186) |
| Net Contribution |  $ 99,296 |  $119,124 |  $131,064 |

 Southern Bell projects demand for DPDS during Year 1 (first 12 months period) to be 2,208,116 Base File listings and 8,797,905 listings billed for the Weekly Business Activity Report. The gross revenue for Year 1 is projected to be $141,112. The projected net revenue for the same period is $99,296.

 Southern Bell projects demand for DPDS during Year 2 (second 12 months period) to be 2,649,826 Base File listings and 10,542,040 listings billed for the Weekly Business Activity Report. The gross revenue for Year 2 is projected to be $169,245. The projected net revenue for the same period is $119,124.

 Southern Bell projects demand for DPDS during Year 3 (third 12 months period) to be 2,914,679 Base File listings and 11,610,490 listings billed for the Weekly Business Activity Report. The gross revenue for Year 3 is projected to be $186,250. The projected net revenue for the same period is $131,064.

 Summary

 In summary, Southern Bell's proposed DADS offering allows customers the ability to obtain directory listings for each central office while DPDS allows customers the ability to produce printed directories. The basic difference between the two services is who uses it and how it is being used.

 Southern Bell believes, and staff agrees, that there are other sources for providing DA like services in some jurisdictions. Various telephone listing services are available from means other than the local exchange company through which competitors may potentially displace the local exchange company's DA demand and revenues (for example, physician locator services and carrier provided electronic locator services). DADS and DPDS are additional services which may increase competition in this arena.

 Overall, these services provide an alternative to traditional directory assistance services. Therefore, customers who want to offer DA type services will be able to provide listing information to their end user customers similar to that offered by Southern Bell. Since the information provided will include only non-confidential subscriber listing information maintained by the Company, staff has no concerns with the information being used *only* for the purpose of directory assistance type services. We believe that Southern Bell has implemented adequate restrictions in its tariff to ensure that the listings are not resold or used for purposes of solicitation. This proposed tariff filing will allow any customer to subscribe to directory listing information, providing they adhere to the regulations set forth in the tariff. Therefore, based on the information presented in this docket, staff recommends that the tariff be approved.

**ISSUE 2:** Should the docket be closed?

**RECOMMENDATION:** Yes. If Issue 1 is approved, this tariff should become effective on March 17, 1992. If a timely protest is filed, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed.

921317.MHC