

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

R.H. DONNELLEY INC. d/b/a DEX ONE)
as agent for ILLINOIS BELL TELEPHONE)
COMPANY)
)
Petition for Variance of Section 735.180)
of the Illinois Administrative Code)

Docket No. 11-0668

Direct Testimony of
DAVID DAVIDSON

Senior Manager of Marketing
On behalf of Dex One

September 30, 2011

1 **Q. Please state your full name and business address.**

2 A. My name is David Davidson. My business address is 9380 Station Street, Lone Tree,
3 Colorado 80124.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Dex One as Senior Manager of Marketing.

6 **Q. What is Dex One's role in providing directories to AT&T Illinois' customers?**

7 A. On September 1, 2004, Dex One (f/k/a R.H. Donnelley) purchased the interest of Illinois
8 Bell Telephone Company ("AT&T Illinois") in a Dex One-AT&T Illinois partnership
9 that published AT&T Illinois' Yellow Pages and White Pages directories in Illinois and
10 Northwest Indiana. On the same date, Dex One entered into a 50-year directory services
11 license agreement with AT&T Illinois to publish AT&T Illinois' White Pages
12 directories and purchased AT&T's Yellow Pages publishing business in Illinois. The
13 agreement characterizes Dex One as the agent of AT&T Illinois for the purpose of
14 publishing White Pages directories. As a result of the agreement, Dex One handles all
15 aspects of publishing these AT&T-branded directories, including sales, marketing,
16 printing, and delivery. Furthermore, Dex One is contractually obligated to comply with
17 all of AT&T Illinois' legal obligations related to directories, including the applicable
18 regulations of the Illinois Commerce Commission ("Commission"). In effect, Dex One
19 discharges AT&T Illinois' legal obligations to provide directories in Illinois, and only
20 Dex One can publish an AT&T-branded telephone directory in this area.

21 **Q. Do you represent AT&T Illinois in this docket?**

22 A. No. My testimony is only on behalf of Dex One. Dex One is appearing as agent for
23 AT&T Illinois because the Commission's directory obligations are imposed on local
24 exchange carriers. Dex One is contractually obligated to meet the regulatory obligations
25 for directory distribution and is therefore the real party in interest seeking this relief.

26 **Q. Please briefly summarize your business experience.**

27 A. I have been employed by Dex One or a predecessor publisher in the Telephone
28 Directory Industry since 1998. I began my career with Dex One in the Paper, Print
29 and Delivery group, moving to Marketing in 2000. In 2006, I became Senior
30 Manager of Marketing for the Print Strategy and Management team. Prior to joining a
31 Dex One predecessor, I worked for a Marketing Research Consultancy. I earned my
32 MBA in Marketing from Missouri State University in 1997.

33 **Q. Please describe your current responsibilities with respect to residential White Pages**
34 **directories in Illinois?**

35 A. My responsibilities as Senior Manager on the Print Strategy and Management team
36 include making product decisions that fit the needs of consumers in markets in Illinois
37 and elsewhere. My team handles print yellow pages, white pages and other telephone
38 directory content across Dex One's 28-state footprint. Part of product management
39 includes monitoring and adjusting products to ensure relevancy in our markets. In
40 addition, my responsibilities include the assessment of how our product lines
41 complement, overlap or interfere with one another both on the print and digital fronts.

42 **Q. What is the purpose of your testimony?**

43 A. The purpose of my testimony is:

44 (1) to describe Dex One's current White Pages distribution practices within the City of
45 Chicago;

46 (2) to describe Dex One's White Pages distribution proposal for the City of Chicago;

47 (3) to describe Dex One's current White Pages distribution practices in AT&T Illinois
48 exchanges outside the City of Chicago;

49 (4) to describe Dex One's White Pages distribution proposal for AT&T Illinois
50 exchanges outside the City of Chicago; and

51 (5) to explain why a variance of the Commission's rules and partial relief from the
52 Commission's Order in 07-0434 are appropriate.

53 **Q. Please describe the types of directories that are currently provided to AT&T Illinois**
54 **residential customers in the State of Illinois?**

55 A. Dex One publishes a number of different directories. To be clear, when I discuss
56 **"Yellow Pages,"** I am discussing business listings organized alphabetically by business
57 type rather than alphabetically by business subscriber, and normally printed on yellow
58 paper. By comparison, **"White Pages"** list numbers by the subscriber's name.
59 Although there can be business White Pages, where businesses only are listed
60 alphabetically by subscriber, where I use the unmodified term **"White Pages,"** I will be
61 referring to residential listings listed alphabetically by the subscriber's last name.

62 While distribution numbers change from year to year, in the State of Illinois, for directories
63 published in the 12 months ending April 2011, Dex One distributed a total of almost 11.5
64 million printed copies of its directories.

65 **Q. Does Dex One provide local information in Illinois other than through print**
66 **directories?**

67 A. Over the years, the ways in which consumers access local information have changed, and
68 Dex One has adapted its directory products accordingly. Dex One replicates its print
69 directories, including the look and feel of the directories, on DexPages.com. Local search
70 options, including for residential listings, are available online for exchanges throughout
71 Illinois (and in other states) through DexKnows.com and for mobile phones through Dex
72 Mobile. Dex One also provides CD-ROMs with White Pages and Yellow Pages
73 information. In addition, AT&T provides local information, including residential listings, in
74 Illinois and other states on yp.com.

75 **Q. Why do you separate the City of Chicago from the other AT&T Illinois exchanges**
76 **Dex One serves?**

77 A. The size and density of the Chicago market presents fundamentally different problems
78 and opportunities than AT&T Illinois' other smaller and less dense markets. While an
79 area like the Chicago suburbs may seem more like the City of Chicago in size and
80 density, Dex One and its predecessors have historically marked the change of approach
81 at the Chicago city limits.

82 Maps of Dex One's directory coverage area are attached as Dex One Exhibit 1.1.

83 **The City of Chicago**

84 **Q. Please explain the publications Dex One distributes in the City of Chicago.**

85 A. In the City of Chicago, Dex One publishes four types of directories: Chicago
86 Consumer, Chicago Plus, Chicago Citywide Residential White Pages, and
87 Neighborhood Directories. The “**Chicago Consumer**” includes the Yellow Pages and
88 the business White Pages for the entire city. The “**Chicago Plus**” is a smaller, more
89 convenient version of the Yellow Pages and business White Pages listings and much of
90 the other content found in the Chicago Consumer. Residential White Pages for the city
91 are published in a separate, stand-alone directory called the “**Chicago Citywide
92 Residential White Pages.**” In addition to these three citywide directories, Dex One
93 divides the city into 13 neighborhoods, each with its own directory, known as the
94 “**Neighborhood Directories.**” Each Neighborhood Directory includes residential
95 White Pages, business White Pages, and Yellow Pages for its specific neighborhood.

96 Dex One also publishes a specialty business directory. The “**Chicago Business-to-
97 Business Directory**” contains only industrial/commercial Yellow Pages and is published
98 only in the City of Chicago and its suburbs.

99 Unless otherwise stated, these defined terms refer only to the print versions of the
100 directories.

101 **Q. How does Dex One distribute residential White Pages to customers in the City
102 of Chicago?**

103 A. As I mentioned previously, in the City of Chicago Dex One publishes residential
104 White Pages in two directories – the Chicago Citywide Residential White Pages and

105 the Neighborhood Directories. The Chicago Citywide Residential White Pages contains
106 residential listings for the entire City of Chicago while each Neighborhood Directory
107 includes residential listings only for the specific neighborhood covered by the directory.
108 Every customer receives a Neighborhood Directory for his or her neighborhood, unless the
109 customer has requested not to receive the directory. As this Commission permitted in
110 Docket No. 07-0434, Dex One delivers the Chicago Citywide Residential White
111 Pages only upon a customer's request. In addition, everyone in Illinois can request up to
112 five directories in addition to the ones they receive automatically from Dex One, so
113 customers in Chicago can receive Neighborhood Directories for neighborhoods other than
114 their own. The result is that residents of Chicago receive residential White Pages for their
115 neighborhood without a request and can receive residential White Pages for the entire city,
116 as well as additional neighborhoods, by requesting them from Dex One.

117 **Q. Describe the changes that Dex One proposes to make to the distribution of**
118 **directories in the City of Chicago.**

119 A. Throughout Illinois, Dex One proposes to make the delivery of residential White
120 Pages more progressive, more customer-focused, and more environmentally friendly
121 than the current saturation method of providing residential White Pages to all
122 customers, regardless of their interest in residential listings. In the City of Chicago,
123 Dex One is seeking the option to remove the residential White Pages from the
124 Neighborhood Directories. However, residents would continue to have the option of
125 requesting the Chicago Citywide Residential White Pages from Dex One. In addition,
126 Dex One is seeking a modification of the variance it received in Docket No. 07-0434.
127 In that docket, Dex One agreed to continue saturation delivery of the Neighborhood

128 Directories and the Chicago Consumer. With the removal of the residential White
129 Pages from the Neighborhood Directories, those directories would no longer provide
130 an alternative to the Chicago Citywide Residential White Pages for the residential
131 White Pages. Therefore, Dex One requests that it no longer be required to deliver the
132 Neighborhood Directories in a saturation manner.

133 **Outside the City of Chicago**

134 **Q. What directories does Dex One publish for AT&T Illinois outside the City of**
135 **Chicago?**

136 A. In AT&T Illinois exchanges outside the City of Chicago, e.g., in the Chicago
137 suburbs, Rockford, Peoria, Springfield, Metro East (in the east St. Louis metropolitan
138 area), Dex One publishes two types of directories. The “**Core Directory**” includes
139 residential White Pages, business White Pages, and Yellow Pages for the city or
140 other area covered by the directory. Every customer in these areas receives a Core
141 Directory, including the residential White Pages, for his or her area, unless the
142 customer has requested not to receive the directory. In all but the smallest markets, Dex
143 One also publishes the “**Plus Directory**,” a smaller, more convenient version of the
144 Core Directory, except that the Plus Directory includes only the Yellow Pages and in
145 many cases the business White Pages – but not the residential White Pages.

146 Again, unless otherwise stated, these defined terms refer only to the print versions of the
147 directories.

148 **Q. Describe the changes that Dex One proposes to make to the distribution of**
149 **directories outside the City of Chicago.**

150 A. Outside the City of Chicago, Dex One is seeking the option to remove the residential
151 White Pages from the Core Directories. If Dex One removed the residential White
152 Pages from a Core Directory, the residential White Pages would be published in a
153 stand-alone directory, apart from the Core Directory. Customers who received the
154 Core Directory would have the opportunity to request a copy of the residential White
155 Pages for their area. Initially, Dex One is planning to move to upon-request delivery
156 of the residential White Pages only in the Chicago suburbs and Metro East (in the east
157 St. Louis metropolitan area). Prior to expanding upon-request delivery in additional
158 markets, especially more-rural areas, Dex One would take into account customer
159 preferences, the size of the area and the directory, changes in search methods, and
160 other business factors. Before Dex One implemented upon-request delivery of
161 residential White Pages in these other areas, it would notify the Commission of its
162 intentions at least three months in advance.

163 **All Illinois Markets – Inside and Outside the City of Chicago**

164 **Q. If the Commission approves Dex One's variance request, will residential White**
165 **Pages be discontinued in Illinois?**

166 A. No. Dex One is not proposing to discontinue the publication of any directory in the
167 State. Rather it is proposing only to update the method of delivering residential White
168 Pages in response to changes in each marketplace. Residential White Pages listings will
169 continue to be available to all customers in AT&T Illinois' local service areas.

170 In areas outside the City of Chicago where Dex One implements upon-request delivery
171 of the residential White Pages, printed versions of the directories will be available upon
172 request and free-of-charge to all customers. Similarly, inside Chicago, printed versions
173 of the Chicago Citywide Residential White Pages will continue to be available upon
174 request and free-of-charge. In both cases, requests for a free printed copy of the local
175 residential white pages shall not be counted as one of the five free directories that
176 subscribers can request.

177 Inside and outside Chicago, customers will also have the option of establishing a
178 standing order, whereby the print residential White Pages will be delivered to them for
179 three years without the need for additional requests. At the end of the three-year period,
180 customers can renew their order for an additional three-year period. In addition,
181 residential listings will continue to be available in non-print formats, which currently
182 include DexPages.com, DexKnows.com, Dex Mobile, yp.com, Dex's CD-ROMs, and/or
183 other online or mobile formats.

184 **Q. Why is Dex One making this proposal?**

185 A. In recent years, several external factors have brought into question whether consumers
186 use or want printed residential White Pages content. Telephone directory use has
187 changed for residential White Pages due to increasing access to technology, including
188 computer databases and the Internet, as well as telephones that store contact lists and
189 greater use of specialty directories, such as those provided by schools and neighborhood
190 associations.

191 The increase in the number of unlisted residential consumers has also reduced the utility
192 of printed residential White Pages. More and more consumers are choosing to drop their
193 landline at home in favor of other telecommunications platforms, such as mobile phones
194 and voice over Internet protocol (VoIP). In many cases, these consumers are not listed
195 in the residential White Pages. In fact, most consumers do not want their cell numbers in
196 the residential White Pages and decline to purchase a listing for their cell numbers in any
197 widely published directory.

198 The result of fast-paced technological change and increased privacy concerns is a less
199 complete set of listings for residential White Pages than what was available in years past.
200 Finally, there is increasing environmental sensitivity in more and more markets. That
201 sensitivity translates into a low value for printed residential White Pages listings that
202 provide no more than marginal utility to consumers in those markets.

203 **Q. Has the Illinois Commerce Commission taken any prior action on this matter?**

204 A. In 2007, the Commission granted a variance to Dex One, permitting Dex One to deliver
205 the Chicago Citywide Residential White Pages to only those customers who requested it.
206 In support of its variance request in 2007, Dex One testified that consumer searching
207 methods had changed, thereby making unnecessary the delivery of Chicago Citywide
208 Residential White Pages to all customers in the City of Chicago.

209 **Q. What has been Dex One's experience after ending the saturation delivery of the**
210 **Chicago Citywide Residential White Pages?**

211 A. There has been an extremely low request rate for the Chicago Citywide Residential
212 White Pages, which supports Dex One's understanding that there is a very low demand

213 for that directory. For the 2009 issue, only 0.65% of customers requested a Chicago
214 Citywide Residential White Pages; for the 2010 issue, the request rate was 0.37%. To
215 my knowledge, no customer in Chicago has complained about having to request print
216 Chicago Citywide Residential White Pages listings.

217 **Q. Is Dex One aware of the experience of other publishers or local exchange carriers**
218 **implementing similar plans in other jurisdictions?**

219 A. Yes. AT&T Advertising Solutions, which publishes AT&T's telephone directories
220 outside of Illinois and Northwest Indiana, has moved delivery of print residential White
221 Pages to an upon-request basis in numerous markets across 14 states. In these markets,
222 AT&T Advertising Solutions has experienced very low request rates from consumers.
223 For instance, when upon-request delivery began in Austin, Texas and Atlanta, Georgia,
224 in 2008, AT&T needed just 2.06% and 2.50%, respectively, of the copies of the print
225 residential White Pages it had to print the previous year in those markets. AT&T's
226 product set and market dynamics are very similar to those of Dex One, so I expect the
227 experience of AT&T Advertising Solutions will be very similar to what Dex One will
228 experience if our variance is granted.

229 **Q. Have other states implemented upon-request delivery of residential White Pages?**

230 A. Many states have updated their approaches to the provision of residential telephone
231 listings and now allow some version of upon-request delivery of print residential White
232 Pages. As I mentioned previously, AT&T Advertising Solutions has markets in 14 states
233 that have moved to upon-request delivery. The request rates in these markets have been
234 very low. Likewise, SuperMedia, the official publisher of Verizon's telephone

235 directories, has implemented, or is planning to implement, upon-request delivery for print
236 residential White Pages in markets in several states.

237 There are few better predictors of how a market will respond to a change in directory
238 content distribution than the results in similar markets where the change has already
239 been deployed. The experiences of AT&T, SuperMedia, and Dex One provide strong
240 evidence that Dex One's current request is consistent with consumer needs and an
241 appropriate step to address changes in the marketplace.

242 **Q. Does Dex One's proposal require a variance from the Illinois Administrative**
243 **Code?**

244 A. Although I am not a lawyer, I understand that Section 735.180 of the Illinois
245 Administrative Code subjects AT&T Illinois to a directory publication obligation.
246 Subsection 735.180(a)(1) states in relevant part:

247 Primary telephone directories of all exchanges shall be revised,
248 printed and distributed to customers at least once a year. Each
249 directory shall list the name, address and telephone number of
250 all customers, except public telephones.

251 In addition, subsection 735.180(d) states:

252 Upon issuance, one copy of each directory shall be distributed to
253 each customer served by that directory and two copies of each
254 directory shall be furnished to the Commission.

255 Dex One is also subject to the obligation imposed by the Commission's Order in
256 Docket No. 07-0434 to deliver Neighborhood Directories to all customers in the City
257 of Chicago on a saturation basis. Dex One is seeking a modification of that obligation
258 in this docket.

259 **Q. Is the Commission authorized to provide the variances being requested by Dex?**

260 A. I understand that, according to the Commission's rules (83 Ill. Adm. Code § 735.50),
261 the Commission may grant a temporary or permanent variance from its directory rules
262 if the Commission finds that:

- 263 a) The provision from which the variance is granted is not statutorily mandated;
264 b) No party will be injured by the granting of the variance; and
265 c) The rule from which the variance is granted would, in the particular case, be
266 unreasonable or unnecessarily burdensome.

267 **Q. Are the directory rules statutorily mandated?**

268 A. In Docket No. 07-0434, the Commission found that there was no statutory mandate
269 prohibiting the variance requested to reduce Dex One's delivery obligations.

270 **Q. Will anyone be injured by the granting of the variance Dex One requests?**

271 A. First and foremost, no customer will be harmed by the Commission's grant of the
272 variance Dex One is seeking. In areas outside the City of Chicago where Dex One
273 removes the residential White Pages from the Core Directories, the printed version of
274 the residential White Pages will be available upon request and free-of-charge to every
275 customer who requests it. Inside the City of Chicago, the printed version of the Chicago
276 Citywide White Pages will continue to be available upon request and free-of-charge to
277 every customer who requests it. In addition, residential listings will continue to be
278 available inside and outside of Chicago in a non-print format, such as DexPages.com,
279 DexKnows.com, Dex Mobile, yp.com, Dex's CD-ROMs, and/or other online or mobile
280 formats.

281 **Q. How is the rule from which Dex One seeks a variance unreasonable or**
282 **unnecessarily burdensome?**

283 A. As included in Dex One's testimony in Docket No. 07-0434 (a copy of which I am
284 attaching as Dex One Exhibit 1.2), the directory rule has become unnecessarily
285 burdensome, in part, because it reflects an outdated view of most customers' need for
286 and use of residential White Pages directories. Many customers looking for listing
287 information utilize alternative methods such as the Internet and mobile devices. Printing
288 and delivering unwanted directory content is also burdensome on the environment, a
289 point that is not lost on customers. Implementation of Dex One's proposed variance
290 could result in a significant reduction in paper waste each year. For example, upon-
291 request delivery for the Chicago Citywide Residential White Pages has resulted in the
292 printing and delivery of almost 3.5 million fewer directories since the program began in
293 2008. Dex One believes that such a reduction in waste is consistent with the City of
294 Chicago's and other municipalities' efforts in this State to drastically reduce waste
295 disposal in landfills.

296 As a result of all of this, I believe that a Commission grant of the proposed variance
297 would be in the public interest, and on behalf of Dex One, I would encourage the
298 Commission to grant the variance.

299 **Q. In Docket No. 07-0434, Dex One made some commitments to advise telephone**
300 **subscribers about their ability to obtain printed residential White Pages**
301 **directories. What proposals would Dex One make here?**

302 A. In that docket, Dex One committed to notify telephone subscribers of their ability to
303 request the Chicago Citywide Residential White Pages within the table of contents and

304 the phone service/directory assistance section of the Chicago Consumer and
305 Neighborhood Directories. In addition, Dex One committed to notify subscribers within
306 the table of contents of the Chicago Plus.

307 As part of the current proposal, within the City of Chicago Dex One will continue to
308 provide the same notices in the Chicago Consumer, Chicago Plus, and Neighborhood
309 Directories.

310 In areas outside the City of Chicago where Dex One moves to upon-request delivery
311 of the residential White Pages, the Core Directories will contain notices of a
312 subscriber's ability to request a printed copy of the residential White Pages. These
313 notices would appear within the table of contents and the phone service/directory
314 assistance section of the Core Directory.

315 The notices, both inside and outside the City of Chicago, will be substantially the same as
316 those currently contained in the Chicago Consumer. See the attached Dex One Exhibit
317 1.3 and 1.4 for notices on the table of contents page and in phone service/directory
318 assistance section notices, respectively.

319 **Q. Does Part 735 of the Illinois Administrative Code contain other provisions**
320 **affecting the content or format of telephone directories?**

321 A Yes. Sections 735.180(e), (f), and (g) specify information about emergency services,
322 complaint procedures, and other information that must appear in directories. Similarly,
323 Sections 757.110(b) and 757.410(a)(2) mandate, for inclusion in directories, information
324 on telephone assistance programs. And Section 732.50 prescribes information about
325 customer credits.

326 Dex One's proposal would not affect its provision of this information to residents of
327 Illinois, both inside and outside Chicago.

328 Dex One would continue to deliver this information to all customers in the City of
329 Chicago, without a request. Within the City of Chicago, Dex One currently provides
330 this information in the front pages of the Chicago Consumer, Neighborhood
331 Directories, and Chicago Citywide Residential White Pages. Dex One would continue
332 to provide that information in those same directories.

333 Similarly, in areas outside the City of Chicago, this information is included in the front
334 pages of the Core Directories. The information would continue to appear in the Core
335 Directories without regard to the omission of the residential White Pages.

336 **Q. For the purpose of making changes to the delivery of the residential White**
337 **Pages, is Dex One seeking variances of these other sections of the Illinois**
338 **Administrative Code?**

339 **A.** No. As I mentioned, within the City of Chicago the information mandated by those
340 provisions will continue to appear in Chicago Consumer, Neighborhood Directories,
341 and Chicago Citywide Residential White Pages. In areas outside the City of Chicago,
342 the required information will continue to be included in the Core Directories.

343 Q. **Within the City of Chicago, the Chicago Consumer, Neighborhood Directories,**
344 **and Chicago Citywide Residential White Pages also contain governmental**
345 **listings. Outside of Chicago, the Core Directories also contain governmental**
346 **listings. If the Commission approves Dex One's variance request, will that**
347 **change?**

348 A. No. Within the City of Chicago, governmental listings will continue to be available
349 in the Chicago Consumer, Neighborhood Directories, and Chicago Citywide
350 Residential White Pages. Outside the City of Chicago, governmental listings will
351 continue to be published in Core Directories. Therefore, Dex One will continue to
352 deliver governmental listings to all of AT&T Illinois' customers, without a request.

353 Q. **Will customers in Illinois continue to be able to receive other directories in addition**
354 **to the directory or directories for their local area?**

355 A. Yes. Consistent with Dex One's current practice and 83 Ill. Adm. Code 735.180(1),
356 subscribers throughout Illinois, both inside and outside the City of Chicago, will continue
357 to receive up to five additional print directories free-of-charge upon request to Dex One.

358 Q. **Does Dex One have any other requests that should be noted in this proceeding?**

359 A. Yes. Time is of the essence in granting this relief. Dex One requests resolution of
360 this petition at the Commission's earliest opportunity. While Dex One publishes
361 directories throughout most of the year, a resolution of the Petition by early
362 November will allow the company the opportunity to move to upon-request delivery
363 of residential listings in most, if not all, of its suburban Chicago markets in 2012.
364 The Company needs to begin making decisions by early November 2011 about
365 printing and delivering directories, including where to print and how to deliver

366 residential White Pages listings. If there is no decision on the variance request by
367 that time, Dex One will need to assume that it must continue distribution of print
368 copies of the residential listings in markets that will be published early in 2012.

369 **Q Does this conclude your testimony?**

370 **A Yes.**