

**BEFORE THE
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Re: Rulemaking to Consider Modifications to, or)	
Elimination of, the Requirement Related to)	
Distribution of Telephone Books in)	
WAC 480-120-251)	Docket UT-120451
)	
Notice of Opportunity to File Written)	COMMENTS OF DEX ONE
Comments)	CORPORATION
)	

COMMENTS OF DEX ONE CORPORATION

1 Dex One Corporation, through its subsidiaries (collectively, “Dex One”) appreciates this opportunity to comment on Washington’s rule regarding the distribution of telephone directories, an issue with which Dex One has a great deal of interest and experience. Dex One first will provide background on the company and its activities and history in Washington and will then provide specific responses to the questions contained in the Commission’s April 20, 2012, Notice of Opportunity to File Written Comments.

A. Background Re Dex One

2 Dex One and its predecessors have been in the business of publishing telephone directories since 1886. Dex One is a successor to the publishing arms of a number of local exchange companies. Through a series of sales, most larger ILECs have sold their directory publishing businesses to independent publishers such as Dex One. Dex One publishes directories for ILECs in 28 states, serving approximately 500 markets. In addition, as consumers have come to rely more on the Internet and less on print media for name and business searches, Dex One has supported evolving consumer needs by offering digital platforms such as

DexKnows.com and Dex Mobile.¹ Dex One also publishes its print directories in a digital format at www.DexPages.com. This site provides those who prefer the traditional layout of print White and Yellow Pages a way to access any of its directories from the convenience of their computer or smartphone, with the added benefit of keyword search, and live links to online business profiles and websites.

3 In Washington, Dex One acquired the publishing businesses of Qwest and Embarq, both of which are now part of CenturyLink, the nation’s third largest provider of telecommunication services behind AT&T and Verizon. Pursuant to contracts between Dex One and CenturyLink, Dex One publishes the “official” directories for the CenturyLink telephone operating companies in the legacy Qwest and Embarq ILEC areas. The contracts essentially outsource and delegate CenturyLink’s directory publishing and distribution obligations under WAC 480-120-251 to Dex One. Under the contracts, apart from reimbursement of certain minor costs, CenturyLink does not pay Dex One for publishing telephone directories on its behalf. Rather, Dex One earns revenues from business advertising in the business White Pages and Yellow Pages. Residential White Pages generate almost no revenues.

4 Dex One has adapted to both competition from independent directory publishers² and to increased consumer reliance on the Internet. But the Commission should realize that while Yellow Pages and business White Pages continue to be an important advertising medium for small businesses, the universal distribution of *residential* White Pages – a low-usage, low-utility

¹ One recent enhancement to print directories has been the introduction of Quick Response (“QR”) codes, which are two-dimensional matrix codes similar to product UPC codes, which advertisers can place in their print ads to offer consumers additional, updatable information about their products and services. Consumers with smart phones or tablet computers can easily scan these codes to instantly pull up additional information provided by the business including maps, driving directions, ratings & reviews, coupons, promotions, video, or whatever content the advertising business would like to make available.

² “Independent” directory publishers are those that do not have contractual obligations to ILECs to fulfill regulatory requirements, such as Yellowbook and LocalEdge.

product – continues in Washington due to regulatory requirements. The Commission should permit ILECs and their official publishers the necessary flexibility to adapt to cultural and market changes by eliminating WAC 480-120-251. There is simply no need to require saturation delivery of residential White Pages directories. Alternatively, the Commission should grant publishers the discretion to distribute print residential White Pages directories only to those who request them.

B. Background Re Telephone Directories And Usage Trends

5 For most of the more than 125 years that Dex One has been publishing telephone directories, changes were evolutionary; *i.e.*, very small and slow-paced. In the last decade, changes have been truly revolutionary. The impact of these changes on the utility and use of residential White Pages has been particularly profound. Thus, while over 70% of households make beneficial and valuable use of Yellow Pages today, Dex One estimates that less than 10% of households make any beneficial use of residential White Pages.

6 There are several powerful and accelerating trends that have reduced both the use and usefulness of residential White Pages. First, more and more consumers are choosing to drop their landline at home in favor of other telecommunications platforms, such as cell phones and voice over Internet protocol (VoIP). For example, according to federal government statistics, approximately 30% of households have no landline phone whatsoever and rely exclusively on cell phones (*See Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July–December 2010*, Centers for Disease Control and Prevention (2011)).³ Cell phone numbers ordinarily do not appear in residential White Pages directories.

³ Available at: <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201106.pdf>

7 Second, while many households still have a landline, nearly every household has a cell phone. Indeed, there are more cell phones in the U.S. than *people*. Those same cell phones can store large volumes of phone numbers, serving as a substitute for print residential White Pages directories. Even the most basic voice-only phones have this capability, not just smartphones. Many people automatically pick up their cell phone even when a landline is nearby because the call can be so easily completed with a touch of an icon or the called party's picture, or simply saying the name to be dialed. Also, with caller ID, cell phones and some landline phones have large capacities to store called and calling numbers, leading consumers to just redial numbers in their phone's call history records.

8 Third, consumers looking for residential telephone numbers can now find them easily on the Internet. For example, Dex One publishes replicas of its traditional print directories (including residential White Pages) on DexPages.com. Users of DexPages.com can view and "flip through" the online replicas of print directories as well as run searches by name or category and even download directories to their computers, tablets, and other devices. In addition, consumers can search for residential listings on DexKnows.com and Dex Mobile (available for download at DexKnows.com/Mobile). All of these websites and applications are available for download and use at no charge to users.

9 Other factors are not as overwhelming as the foregoing, but are nevertheless significant and add to the lower usage trend. For example, people rely more on specialty and organizational directories, such as those provided by schools and neighborhood associations both in print and online. Also, even before these trends, Washington State had a large number of unlisted and non-published residential numbers.

10 The overall result of technological change and increased privacy concerns is a much less complete set of listings for residential White Pages than in years past. This fact, coupled with the rise of alternative means to look up numbers, has led to a steep decline in usage. In its waiver request at the New York Public Service Commission, Verizon cited a Gallup study showing that only 11% of households used stand-alone residential White Pages in 2008.⁴ And AT&T, which has been the most aggressive publisher in switching to “upon request” delivery, has experienced extremely low request rates – sometimes less than one percent – for residential White Pages in markets where it has moved to upon-request delivery.⁵ The request rates in upon-request markets reflect that despite the low usage numbers the Gallup surveys are probably overstating the use of residential White Pages.

C. Responses by States and the Directory Industry

11 In response to these powerful and undisputed technological changes and usage trends many states have relaxed or repealed their White Pages directory delivery requirements. Some states have or had a rule similar to Washington’s that required delivery of a residential White Pages directory to each telephone subscriber roughly annually. This is referred to as “saturation” delivery. Some states do not have a regulation or statute that requires the annual delivery of White Pages telephone directories to all landline subscribers. And in recent years several states that required “saturation” delivery, including Oklahoma, Indiana, Michigan, Texas, Florida, Georgia, and North Carolina, have repealed or relaxed the requirement to deliver print directories. Typically, the trend has been to move from “saturation” delivery to “upon-request” delivery for White Pages—also called “opt-in.”

⁴ Based on a trend line between the 2005 and 2008 Gallup studies and requests for residential White Pages in “upon-request” markets, Dex One believes that the percentage of households utilizing print residential White Pages directories is substantially below 10%.

⁵ See AT&T’s November 9, 2011 filing with the Alabama Public Service Commission (Docket No. 15957).

12 Many other states in recent years have allowed waivers from state regulations that require the delivery of print residential White Pages directories to all customers. AT&T has pursued, or is pursuing, waiver requests at public utilities commissions in many states, including Wisconsin (Docket No. 6720-GF-108), Missouri (Docket No. IE-2009-0357), Ohio (Docket No. 09-0042-TP-WVR), Kentucky (Docket No. 2009-00480), Florida (Docket No. 090082-TL), North Carolina (Docket No. P-55, Sub 1767), Kansas (Docket No. 11-SWBT-270-MIS), and Alabama (Docket No. 15957). Likewise, Verizon has pursued, or is pursuing, waiver requests in several states, including California (Resolution T-17302), New York (Case No. 10-C-0215), Virginia (Case No. PUC 2010-00046), and New Jersey (Docket No. TO10040255).

13 AT&T has moved to upon-request delivery for residential White Pages in approximately 62 markets across at least 13 states, including Wisconsin (Milwaukee, Madison, Green Bay, Racine, Kenosha, Waukesha), Ohio (Columbus, Cleveland, Dayton, Akron), Indiana (Indianapolis, Evansville), Missouri (Kansas City, St. Louis), Oklahoma (Tulsa, Oklahoma City), Michigan (Grand Rapids), Kentucky (Louisville), North Carolina (Charlotte, Raleigh, Greensboro, Winston-Salem), Florida (Miami, Orlando, Jacksonville, Pensacola, Gainesville, Daytona), Texas (Austin, Ft. Worth, San Antonio, Dallas, Houston), Georgia (Atlanta), Tennessee (Chattanooga, Memphis), and Alabama (Mobile). *See* AT&T's November 9, 2011 filing with the Alabama Public Service Commission (Docket No. 15957) and AT&T online replicas of its print directories at www.realpageslive.com. In those AT&T markets, demand for residential White Pages has been very low, with request rates of less than five percent in most markets and less than one percent for many markets.⁶

⁶ For instance, when upon-request delivery began in Austin, Texas and Atlanta, Georgia, in 2008, AT&T needed just 2.06% and 2.50%, respectively, of the copies of the print residential White Pages it had to print the previous year in those markets.

14 Similarly, SuperMedia, the official publisher for Verizon, has made similar changes to residential White Pages directories in recent years. According to its website (www.supermedia.com/social-responsibility), SuperMedia has moved or will move to upon-request delivery for residential White Pages of some directories in California, Connecticut, the District of Columbia, Delaware, Florida, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Texas and Virginia.

15 Dex One also has experience with moving to upon-request for residential White Pages. The Illinois Commerce Commission (“ICC”) permitted Dex One to switch to “partial” upon-request delivery in Chicago in 2007 (Docket No. 07-0434). Since then, Dex One has continued to deliver Neighborhood White Pages on a saturation basis while delivering city-wide residential White Pages only to customers who request it. The request rate for the city-wide residential White Pages has been less than one percent.⁷ In Portland, Salt Lake City, Phoenix, Denver, and Minneapolis/St. Paul, Dex One has implemented a similar, limited approach to upon-request delivery of residential White Pages as it has in Chicago. In these five markets the metropolitan-wide residential White Pages are delivered only upon-request in the sections of these markets that are served by a smaller, community residential White Pages directory, which continues to be delivered to all households regardless of a request.

16 As to all the above-described directory distribution changes, to Dex One’s knowledge, they have been welcomed, with few complaints and no organized opposition from consumers or consumer groups. Moreover, demand for residential White Pages in upon-request markets has been very low in all cases.

⁷ Dex One now has a pending waiver request at the ICC to move to full upon-request delivery of the residential White Pages in the Chicago area (Docket No. 11-0668).

D. Public Pressure For Upon-Request White Pages Distribution

17 The public’s environmental sensitivities toward print telephone directories have increased significantly in recent years. Although Dex One’s directories are fully recyclable and are produced with recycled and waste wood content, many consumers are increasingly concerned about receiving a hefty book every year that they may not use or want. The directory industry has faced legislative or regulatory pressure in many states and cities, including Washington, to limit the distribution of directories. While Yellow Pages and *business* White Pages continue to be an important advertising medium for small businesses and relied upon by consumers, the saturation distribution of *residential* White Pages – a low-usage, low-utility product – continues in Washington due to regulatory requirements, despite changes in consumers’ desire to receive or use them.

E. Responses To Commission’s Questions In Notice

18 The foregoing background is essential to understanding the strong basis for Dex One’s responses to the questions the Commission posed in the notice. As discussed above, Dex One has a great deal of experience in directories generally, plus specific experience dealing with the issues raised in this docket: transition from traditional saturation delivery of *residential* White Pages to upon-request. Accordingly, Dex One urges to Commission to consider the foregoing background and discussion of market forces and responses across the country as it evaluates Dex One’s recommendations below for the state of Washington.

1. *Do all telephone company customers need printed directories of telephone numbers? If not, which types of customers continue to need such directories?*

19 The answer unquestionably is, “no.” As an initial matter, Dex One understands that Yellow Pages are not within the scope of the current rule or the Commission’s CR-101 notice, which does not mention them. This is appropriate because Yellow Pages are not within the

scope of WAC 480-120-251. Yellow Pages are categorically different from White Pages. In contrast to White Pages, Yellow Pages are used by more than 70% of residential household and are very valuable to businesses and consumers.

20 Given, however, that the Commission’s questions are phrased in a more generic fashion that do not reflect the fundamental differences between White and Yellow Pages, Dex One will touch briefly on Yellow Pages. The bottom line is that the market is addressing Yellow Pages issues and the Commission should not consider expanding the issues in this docket to consider any rule relating Yellow Pages. Consistent with the Notice, it should only consider relaxing the current regulation of White Pages.

21 While more than 70% of households make beneficial use of Yellow Pages, Dex One seeks to accommodate those consumers who desire the opportunity to elect not to receive such directories. Since most states—including Washington—do not currently regulate any aspect of Yellow Pages publication or distribution, Dex One has been able to take an individualized market-based approach to the changing market environment and demands. Specifically, throughout its 28-state footprint, including Washington, Dex One has a consumer choice program, whereby customers that do not want Yellow Pages can easily “opt-out” and not receive them. This has worked very well in reducing the number of unused directories in the waste stream and increasing customer satisfaction, while preserving Yellow Pages as the most valuable source of customers for many small businesses and thereby benefiting local economies.

22 As to White Pages, the Commission’s rule should be modified to allow LECs and their directory publishers much greater flexibility regarding distribution of print White Pages in light of the drastic declines in demand and usage of residential White Pages, plus consumer backlash against perceived waste of natural resources. Dex One does not object to a “safety net” of some

sort to ensure that customers who may lack access to the Internet can still receive a traditional printed copy of the White Pages, which would be consistent with Dex One's practices in states that have no rule.

23 The Commission asks "which types" of customers still need print versions. It is difficult to categorize or define a set of customers (*e.g.* elderly, disabled, low income) who still need directories. Any rule that attempted to create such categories would be both over-inclusive and under-inclusive. With the removal of the requirement to distribute print White Pages to all LEC customers, customers who need print White Pages can easily self-identify by requesting copies of White Pages directories that Dex One and other publishers offer upon-request.

2. *If all customers do not need printed directories, should the Commission continue to require telephone companies to provide them?*

24 Again, Dex One's answer is "no." Many states have never had a rule comparable to Washington's, and others have recently eliminated such rules. Washington's rule is outdated, and it is time to repeal it or scale it back significantly, especially given the changes in the utility and usage of residential White Pages discussed above. In states that have repealed or relaxed directory delivery requirements or that never had such requirements, Dex One is unaware of any problems associated with the repeal or relaxation of directory delivery regulations – or with the absence of such regulations in states that never had them. Despite numerous markets transitioning to upon-request delivery, not a single affected state has opened a docket or commenced an investigation into the practice—let alone re-regulated residential White Pages distribution.

25 This Commission can rely on substantial precedent and experience from other states in repealing WAC 480-120-251.

3. ***Should telephone companies give their customers the option to receive a printed directory?***

26 Dex One encourages the Commission simply to repeal its directory rule. As mentioned above, there have been no problems in states that have taken such action or never had a directory rule. While Dex One does not object to the upon-request (or opt-in) approach for residential White Pages directories, and is implementing it in other states, the market is not static. Dex One doubts the Commission can keep its regulations up-to-date with changes in the market for information services, which is evolving at an incredibly rapid pace.

a. ***If so, should customers be given the option not to receive a printed directory (opt out) or should customers be required to affirmatively request a directory (opt in)?***

27 As discussed above, the Commission's rules should remain silent as to Yellow Pages. Yellow Pages publishing is a profitable business with a competitive market that is working. If consumers ever stop using Yellow Pages, advertisers will stop purchasing ads and the publishers will stop publishing. Dex One and other Yellow Pages publishers are already successfully addressing changing consumer demands through carefully crafted opt-out programs which are constantly adapting to a dynamic market. The current rule does not regulate Yellow Pages directories, and there is no need for the Commission to expand this inquiry or extend regulation to Yellow Pages.⁸ The Commission cannot possibly adapt regulations to a competitive market as rapidly as competitive forces work.

28 For White Pages, Dex One's preferred approach would be simply to deregulate and repeal the rule. This does not mean that White Pages will be eliminated, as experience in dozens of other markets shows. But if the Commission feels a "safety net" is needed in the regulations,

⁸ Moreover, extending regulation to what is essentially an advertising business, now operated largely by companies that are not utilities, could raise jurisdictional questions.

then the best approach would be an upon-request (*i.e.*, opt-in) rule, as many publishers have implemented successfully in dozens of markets across the country.

29 Given that roughly 90 to 99 percent of customers no longer need or want printed *residential* White Pages, it is much easier to administer an upon-request program for the tiny fraction of the public that wants the books than to administer an opt-out program for the overwhelming super-majority that do not want them.

b. What costs would a telephone company incur to implement optional distribution of printed directories?

30 Dex One can only address CenturyLink’s costs specifically. Under Dex One’s publishing agreement with CenturyLink, CenturyLink probably would incur no direct costs for Dex One to move to an upon-request program for distribution of the official CenturyLink White Pages.

31 If the Commission does not repeal its rule altogether, it should not *prohibit* publishers from distributing directories. This is because, for example, in some small markets, usage of residential White Pages may be higher than in large markets. Also, it could be considerably more expensive to administer “opt-in” programs in these smaller markets, requiring specialized print and a second distribution, rather than continuing to deliver the directory with other existing distributions.

c. If any such costs would be significant, how should the company recover those costs?

32 If the rule is repealed or made optional at the discretion of the publisher, there should be no need for cost recovery. However, were the Commission to mandate upon-request delivery of White Pages, that could add costs in many markets by requiring creation of separate directories and distribution schemes for White Pages and Yellow Pages where it is not economical to do so.

33 Again, a light regulatory touch is called for. Dex One never adopts a “one size fits all” approach to its directories in a state, recognizing that each state has numerous markets, with various demographics and business and consumer demand. The Commission should take care to preserve the flexibility of publishers to adapt their products to each individual market within Washington.

4. *Should the rule explicitly allow a telephone company to seek an exemption from the rule to relieve it of the obligation to print and/or deliver printed directories to customers? If so, what standard should the Commission consider?*

34 The Commission already has an applicable exemption rule, WAC 480-07-110. The standard is the public interest, which is appropriate for exemptions to the directory rule. To Dex One’s knowledge, no telephone company has taken advantage of the exemption rule. The rule allows independent publishers, such as Dex One, to petition for exemption (“a person” may file a petition), but Dex One is unaware of any precedent that confirms the standing of independent publishers. And since the largest telephone companies in the state have outsourced their White Pages obligations under WAC 480-120-251, they have no incentive to incur the costs of seeking an exemption.

35 The usage and demand data make an overwhelming case in support of the elimination of the requirement of saturation delivery of *residential* White Pages. Requiring case-by-case exemption applications does not make any sense when the exception swallows the rule. The Commission’s White Pages rule is outdated. Adding an exemption provision would not bring it close to addressing current market conditions and consumer behavior and demands.

5. *Should the Commission give telephone companies the option to provide online directories of telephone numbers instead of printed directories?*

36 Dex One agrees that such a provision could be part of a rule that relaxes regulation of White Pages. But again, such a rule also would be outdated. There are dozens of online White Pages directory publishers, including Dex One, plus social media and online search engines that not only find listings, but find people who have asked their phone companies for “unlisted” or “unpublished” numbers. Online directories are not a service that requires regulatory intervention or promotion. The market stepped in long ago to provide such services.

F. **Conclusion**

37 We look forward to working with the Commission to update or eliminate its directory rule to promote the public interest in light of significant changes driven by technology and changed consumer habits and needs.

Respectfully submitted,



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