

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Rulemaking to Comply with the	:	
Competitive Classification of	:	
Telecommunication Retail Services Under	:	
66 Pa. C.S § 3016(a); General Review of	:	Docket No. L-2018-3001391
Regulations 52 Pa. Code, Chapter 63 and	:	
Chapter 64	:	
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INITIAL COMMENTS OF DEX MEDIA, INC.

INTRODUCTION

Pursuant the Commission’s Advanced Notice¹ in this docket Dex Media, Inc, d/b/a “DexYP” (hereafter “Dex Media”) submits these initial comments. Dex Media welcomes this opportunity to work with the Commission proactively to adapt to, and even anticipate, the rapid changes that are occurring in telecommunications and ancillary industries. This Commission has been a leader in adapting and streamlining regulations to the rapid changes driven both by new technology and massive shifts in consumer choices and behavior.² The last 10 to 20 years have seen a revolution is such things as fixed and wireless broadband and, of course, paper directories and competing online search engines of numerous types.

¹ Advanced Notice of Proposed Rulemaking adopted on July 12, 2018 (“Notice”).

² See, e.g., *Joint Petition and Notice of The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink, Verizon Pennsylvania LLC and Verizon North LLC and Dex Media, Inc. to Reduce Distribution of Print Telephone Directories and Transition to Digital Publication or, Alternatively, for Relief of 52 Pa. Code § 64.191(g)*, Docket No. P-2017-2610359 (Order entered August 31, 2017)(hereafter “Directory Waiver”).

Recognizing changes driven by technology, the Commission is taking a fresh look at both the utility of and the need for regulations that were adopted in the era when “POTS” (Plain Old Telephone Service) from an ILEC was the only option consumers had to communicate. Today, in the “PANS” (Pretty Amazing New Stuff) age, consumers have a plethora of choices for both voice and data using both fixed and mobile technologies. The public interest is generally better served by less regulation when there is a free market that can better meet consumer needs and demands.

As the Notice observed, in “competitive wire centers ... certain regulations may no longer be necessary” and noted that not all wire centers been designated as competitive. It is understandable that for POTS the decision to regulate or not might be different based on whether a wire center has been designated as competitive.³ But for an ancillary product, like directories, the market and consumer choices and behavior do not correlate with wire center boundaries. Accordingly, since Dex Media’s comments are limited to regulations affecting directories, it will not take a position on how Chapter 63 or 64 regulations *generally* should differ based on the status of a wire center.⁴ Rather, its comments will focus on how market choices and consumer behavior have impacted paper directories everywhere.⁵

³ Though not necessarily, as the lack of a formal regulatory designation could be for various reasons that do not reflect the current state of competition. The telecommunications market has continued to evolve, with competition provided by various unregulated players in all wire centers.

⁴ Comment was invited from any “interested parties,” not just regulated companies. For the reasons outlined in detail in Docket No. P-2017-2610359, Dex Media is an interested party as the publisher and provider of directories for both CenturyLink and Verizon throughout Pennsylvania.

⁵ This is consistent with the Commission’s conditional waiver of directory rules for Dex Media, CenturyLink, and Verizon, which was granted as to all wire centers regardless of classification. Directory Waiver, note 2, *supra*.

SUMMARY OF COMMENTS

As the Notice mentioned, the Commission granted a waiver last year that permitted Dex Media to cease automatic delivery of directories to all homes and businesses in the service areas of CenturyLink and Verizon (“saturation delivery”).⁶ Thus, today Dex delivers directories automatically to those homes and businesses which are likely to use them.⁷ Additionally, for a small number of customers who want a directory but do not get it automatically, directories are promptly mailed to them. The very positive experience of all stakeholders since the Directory Waiver supports serious consideration of further deregulation by rule changes. Responding to the questions posed in the notice, Dex Media respectfully submits:

- The Commission should consider a permanent rule change that streamlines or repeals directory regulations.⁸
- Directory regulations as crafted are likely outdated or obsolete.
- The Commission should not create a separate chapter for directory regulations by wire center, but should consider them statewide.
- The Commission could consider modified rule language or structures, but only if a strong case can be made that the free market has materially failed.

BACKGROUND

Because Dex Media submitted extensive facts and background information to the Commission in its waiver petition just last year, these comments will not repeat all those facts.

⁶ Directory Waiver, note 2, *supra*.

⁷ This change has worked very well for consumers, ILECs, Dex Media, and yellow pages advertisers in the first year and should work well for the foreseeable future. But because the interests of the Dex Media and the advertisers is inherently to deliver directories to people who want and use them, it is hard to make a case for continued regulation.

⁸ 52 Pa. Code § 63.21 and 52 Pa. Code § 64.191(g).

These comments will provide updated and new data, where available, and focus on the Commission's specific lines of inquiry.

Pursuant to contracts, Dex Media publishes directories for CenturyLink and Verizon in Pennsylvania in the areas served by each ILEC.⁹ In addition to Pennsylvania, Dex Media publishes 2,127 telephone directory titles for ILECs¹⁰ in 47 other states plus the District of Columbia, serving over 500 markets nationwide. Its market-leading search, display, and social products connect local businesses to the over 50 million monthly visitors of DexKnows.com®, Superpages.com®, and yellowpages.com search portals; and local print directories The Real Yellow Pages®.¹¹

As technology advances and customer usage and tastes continue to change, Petitioners have had to move away from paper directories including in CenturyLink's and Verizon's markets in Pennsylvania pursuant to Commission waivers.¹² As consumers have come to rely more on the Internet and less on print media for name and business searches, Dex Media has satisfied evolving consumer needs by offering digital platforms such as those listed above.

⁹ Dex Media performs the directory functions needed by the ILECs to fully comply with the Commission's regulations and the conditions of the Waiver.

¹⁰ Dex Media publishes directories on behalf of these telephone companies: CenturyLink, Verizon, AT&T, Frontier & Consolidated. A single directory is also published on behalf of Skyline Telephone Company in Boone, NC.

¹¹ Dex Media also provides all-in-one management software and marketing services to more than 500,000 small businesses across America that enable them to compete and win in today's on-demand economy. Its flagship product—ThryvSM—provides small business owners with an all-in-one software that allows them to modernize essential business functions. For more information about the company, visit dexyp.com.

¹² In the last few years Dex Media has curtailed the distribution of print directories in 39 states and hundreds of markets across the country for CenturyLink, Verizon, AT&T and Frontier, including: Arizona, Colorado, Connecticut, Delaware, District of Columbia, Florida, Idaho, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming. In many states there were minimal or no directory regulations. Where necessary, Dex Media obtained waivers from state commissions. In every market, the transition has been seamless, with literally not a single complaint generally.

As in 39 other states, the experience of Dex Media and the public in Pennsylvania since the changes beginning last year has been overwhelmingly positive. Consumers who are very likely not to ever use a directory no longer burden the waste stream with needless paper. Advertisers—who continue to fully support directories financially—still get their message out to consumers who do use the book. Dex Media saves money by not printing directories that won't be used, which will prolong the life of paper directories. The targeting process Dex Media employs has proven extremely accurate in Pennsylvania. Only about 6,700 customers have had to request print, which is just 0.15% of the market.¹³ Dex Media is not aware that a single complaint against the transition away from saturation delivery has been conveyed to it, the Commission, the Office of Consumer Advocate, Office of Small Business Advocate, CenturyLink or Verizon.

DISCUSSION

A. The Commission should consider a permanent rule change that streamlines or repeals directory regulations.

As was established a number of years ago in waiver dockets in a number of states, essentially no customers still use residential white pages in Pennsylvania or any other state.¹⁴ When Dex Media switched all residential white pages to print upon request only, initial print request rates were in the low single digits. Even that miniscule number quickly dropped to

¹³ Based on the total previous distribution as saturation delivery.

¹⁴ E.g., Docket No. P-2010-2198820, letter re Verizon's White Pages Directory Distribution Process (Penn. PUC, 2010) (2%); DOCKET NO. D2016.8.64, *IN THE MATTER OF Qwest Corporation dba CenturyLink QC and DEX Media, Inc. Petition for Full or Partial Waiver of Commission Directory Rules* (Mont. PSC, 2016) (average of 0.5%).

nearly zero.¹⁵ Fortunately for Dex Media, advertisers, and a segment of the public, yellow pages are still valued and used by a number of consumers and businesses.¹⁶

According to the most recent Local Search Association (“LSA”) study, 33% of U.S. adults reference print yellow pages at least one time per year, while 20% refer to them in an average month.¹⁷ These numbers are small compared to just a few years ago. But response rates by print yellow pages users are strong. About 73% of users make a contact or purchase after their yellow pages search. The purchase rate is about 52%. The number of ongoing print users and their tendency to follow up continues to attract advertising dollars. In turn, that means printed directories can still be provided at no charge to consumers and with no subsidy from the ILEC (and its ratepayers) or government.

Unlike the days when those 30 or so states that regulate directories passed their regulations, both advertisers and consumers have many options today other than print yellow pages, including: Internet yellow (and white) pages, search engines, rating/review sites, social networks, company websites, government websites, and mobile apps. Search engines are far and away the most likely of these to be used for any purpose, with 91% of adults using one at least one time per year. About 86% of adults use a search engine once in an average month and 79% once a week. So more than twice as many consumers are likely to use a search engine in a week than are likely to use a printed yellow pages in a whole year. And search engine follow-up, while lagging yellow pages a bit, is high. The follow up rate is 58% and the purchase rate is 43% after a search.

¹⁵ *See, e.g., id.*

¹⁶ And the yellow pages are where the regulatory content requirements of the Commission are placed.

¹⁷ Burke Local Media Tracking Study, National Results (2017)(“Burke”).

These statistics, which are but the tip of the iceberg, convey two important messages. First, the advertisers continue to have good reasons to financially support paper directories. Because publication of directories is how a directory publisher profits, Dex Media also has continued motivation to distribute directories as widely as feasible. Second, consumers have numerous alternatives to traditional print phone books today to get all of their information, including names and numbers, businesses by name and category, legal, social, and public interest.

The telecommunications marketplace, while distinctly different from information search markets, has likewise undergone radical changes. Today there is a proliferation of providers almost everywhere.¹⁸ In roughly the last 20 years FCC reports show a decline in regulated ILEC and CLEC lines from almost 9 million to less than 3 million in Pennsylvania.¹⁹ In a similar period mobile and VoIP subscriptions in Pennsylvania have grown to about 13 million and 3 million, respectively.²⁰ The key message conveyed by these statistics is that about 85% percent of Pennsylvania homes and businesses have exercised a free market choice to opt for a telecommunication service that does not have any directory regulations.

When unregulated markets are serving the needs of nearly all consumers for access to all of the information contained in directories, while at the same time directory regulations have

¹⁸ Indeed, if one counts satellite, there is at least one voice and one data provider on about every square inch of the Commonwealth of Pennsylvania. And nearly all homes and businesses also have one or more of the following as well: ILEC, CLEC, Cable Internet, cellular, wire Internet service provider.

¹⁹ See FCC Wireline Competition Bureau, Local Telephone Competition at the New Millennium, Data as of December 31, 1999 (Rel. 8/00 (available at https://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/lcom0800.pdf).

²⁰ See FCC Wireline Competition Bureau, Voice Telephone Subscriptions as of 12/31/16 (Rel. 2/18) (available at <https://www.fcc.gov/voice-telephone-services-report>) (Mobile 13,389, Switched access ILEC 2,172, Switched access other 586, Total Switched 2,758, VoIP 2,827).

been left behind by consumers choosing unregulated service providers, it is time to seriously consider deregulation.

B. Directory regulations are likely outdated or obsolete.

The discussion in the preceding section is also a strong indicator that directory regulations may be obsolete and not needed. If consumers not only have options to regulated products and services but are choosing them, then clearly something other than regulations is controlling the markets. For directories, consumers are not just choosing products that are not subject to Commission regulations, they are preferring them. That fact is true across all salient demographics, as this chart comparing usage of print yellow pages to search engines shows:²¹

		Percent of Weekly Reach	
DEMOGRAPHIC		Print Yellow Pages	Internet Search Engines
GENDER			
	Male	17%	77%
	Female	13%	81%
AGE			
	18-24	10%	88%
	25-34	17%	86%
	35-44	14%	84%
	45-54	9%	77%
	55-64	14%	77%
	65+	21%	71%
EDUCATION			
	< H.S.	14%	76%
	H.S. Grad	13%	74%
	Some College	14%	79%
	College Grad +	16%	81%
RACE			
	Caucasian	16%	76%
	African American	13%	82%
	Hispanic	14%	88%
	Other	12%	85%
INCOME			
	<\$10K	14%	70%
	\$10K - <25K	16%	74%
	\$25K - < \$40K	15%	80%
	\$40K - <\$60K	15%	79%
	\$60K - <\$100K	16%	84%
	\$100K +	14%	81%

²¹ Based in the LSA Burke study.

While there are differences in raw numbers, the trend to favor search engines over printed directories is uniform. And it is important to note that usage rates by demographic do not correlate to access to digital media for various reasons. For example, consumers aged 25 to 45 will be forming households, starting families, and buying and furnishing first and second homes, while the elderly are downsizing and empty nesters. So, buying habits and needs are vastly different.²² And even the elderly use search engines at a high rate, over 70% on a weekly basis. That is more than three times as many who use print yellow pages.

The most recent Census Bureau data shows that about 87% of Pennsylvania households had a computer²³ and about 81% have Internet access.²⁴ To the limited extent a household lacks any Internet access but still has an ILEC phone, there are still alternative, competitive options to print directories. For example, using their telephones, they can call toll-free information services. The current market leader, is 1-800-FREE-411.²⁵

An unregulated market does not address every consumer's needs perfectly, but neither does a one-size-fits-all regulation. When a market is as robustly competitive as directories and their digital counterparts, it is quite possible that regulations adopted when there were few options have become obsolete and may even be hindering the market.

²² As another example, only 13% of 18-24 year-old adults use Internet yellow pages compared to 22% of 25-34 year-olds. Burke. Since the 18-24 age group is the most likely to use a search engine, access cannot account for their lower usage. Consumer preference/need is the likely driver.

²³ U.S. Department of Commerce, Census Bureau, 2016 American Community Survey (ACS) Public Use Microdata Sample (PUMS) data. (March 2018)(includes smartphones and tablets).

²⁴ *Id.* This likely understates access to online directories, as the LSA Burke study showed that 91% of households accessed a search engine at least once within the last year. Moreover, since only about 15% of Pennsylvania households have phone service that is subject to the Commission's directory regulations, that means that it is likely only about 3% or fewer of the Pennsylvania households that are subject to the rules also cannot access online directories.

²⁵ (<https://en.wikipedia.org/wiki/1-800-FREE-411>) This third-party service is not affiliated with Dex Media, CenturyLink or Verizon. CenturyLink and Verizon each also offer directory assistance for a small charge per call.

- C. The Commission should not create a separate chapter for directory regulations by wire centers, but should consider them statewide.

Briefly, the options and competition for information sources and services bear no known relationship to wire center boundaries. Wire centers themselves are a legacy of copper loops attached to telephone company central offices where calls were switched by hand, then later by mechanical and finally digital switches. Given the broad reach today of cellular service, DSL, WISPs, and satellite, the Internet can be accessed nearly anywhere. And to the extent Internet adoption lags in suburban and rural areas, once again market forces will address consumer needs. Some of Dex Media's strongest markets are in those rural areas because directory usage is higher and advertisers respond accordingly.

- D. The Commission could consider modified rule language or structures, but only if a strong case can be made that the free market has materially failed.

Dex Media operates in a number of states that have never had directory regulations, have repealed former directory regulations, or have waived or relaxed their regulations. In every such state the only impact of regulations has been to drive up Dex Media's costs. The real business drivers come from the market, not from the regulations. Accordingly, the Commission may wish to consider modifications, but should instead opt for deregulation absent a compelling need for a regulation, however minor it may seem. Advertising revenues from paper directories continue to decline. Regulations may only serve to hasten the day when the Commission will have to look to another revenue source besides advertisers if paper directories are to be continued indefinitely.

CONCLUSION

Dex Media looks forward to working with the Commission to modernize its rules as the world evolves from POTS to PANS. In this new world paper directories are one valuable tool

among many. Dex Media encourages a corresponding evolution of the regulatory environment that will preserve and prolong directories.

Respectfully submitted this 3rd day of October, 2018.



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