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INTERNATIONAL TELECHARGE, INC.

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STATE OF WASH.
UTIL. & TRANSP
COMMISSION

October 25, 1990

VIA FAX AND FEDERAL EXPRESS

Mr. Paul Curl, Secretary
Washington Utilities and Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
Olympia, Washington

Dear Mr. Curl:

Please find enclosed a copy of ITI's Comments regarding draft rules WAC 480-120-021, -106, -138, and -141. ITI requests permission to late-file these comments and have them heard by the Commission. I mis-read the revised notices that called for comments on the enforcement and substantive rule revisions. I correctly determined that the comments for the enforcement rules was due October 19. Unfortunately, I did not also recognize that while the hearing dates had changed for the substantive rules, the comment date had not.

I apologize for any inconvenience. I do not believe any party will be substantively harmed by the late-filing of ITI's comments. All parties should have copies in time to file reply comments, and if they do not, they will assuredly have time to study ITI's comments before the hearings on the substantive rules.

These comments were prepared as swiftly as possible after I discovered my error, and I did not consult the filings of any other party.

Therefore, please accept these faxed comments for filing. I will send you a copy by Federal Express, and I will serve a copy on all other parties filing comments.

Sincerely,

Ed Pope

Ed Pope
General Regulatory Counsel

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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN RE WAC 480-120-021, -106, 138, AND -141
RELATING TO TELECOMMUNICATIONS COMPANIES

COMMENTS OF INTERNATIONAL TELECHARGE, INC.

International Telecharge, Inc. ("ITI") is a non-facilities based reseller of telecommunications services, including operator services. ITI has been certified in Washington since October 7, 1987. ITI provides services to hotels, hospitals, and pay telephones. As of August, ITI provided service to over 4,000 phones in Washington - mostly public pay telephones owned by US West. ITI provides enhanced operator services, including expanded billing options, multilingual operators, message forwarding, weather information, and enhanced emergency response capabilities. ITI was honored by the Washington Commission when ITI's proposed standards for emergency call handling were adopted virtually verbatim by the Commission. ITI has worked with the Commission and its staff in the past on reasonable and workable rules, and appreciates the opportunity to present comments to the proposed rules.

THE DEFINITION OF ALTERNATIVE OPERATOR SERVICES SHOULD NOT BE CHANGED

The draft rules propose to amend WAC 480-120-021 to exclude local exchange companies from the definition of an "alternative operator services company." ITI would contend that such an amendment is contrary both to Washington law and public policy.

The amendment is contrary to Washington law because it places into the Commission's rules an exception not approved by the Washington legislature. In fact, the exemption for local exchange companies was <u>considered</u>, and <u>rejected</u> by the Washington Legislature this past session. The Commission is a creature of statute, and cannot rewrite statutes.

As the Commission is aware, RCW 80.30.520 provides a definition of alternative operator services: "a person providing a connection to intrastate or interstate long-distance services from places including, but not limited to, hotels, motels, hospitals and customer-owned pay telephones." In February, the Washington Senate Committee on Energy and Utilities introduced Substitute Senate Bill No. 6770. That legislation, as drafted, would have exempted local exchange companies and affiliates, and facility based carriers from the definition of alternative operator service companies. Senate Bill No. 6770 was not passed.

The same Senate Committee also considered Senate Bill 2526. The language of the bill considered by the Committee was essentially the same as was finally adopted by the Legislature. U.S. West proposed an amendment to the Committee that would have exempted local exchange carriers and affiliates. That amendment was not adopted.

The Legislative intent to be derived from this history is clear. The Legislature had the opportunity to change the regulation of operator services provided to call aggregator locations by local exchange companies, and declined to do so. This Commission cannot come and second-guess the Legislature, and establish a statutory exemption that was considered and rejected by the Legislature.

In addition to being contrary to Washington law, such an exemption is contrary to sound public policy. When a caller goes up to a phone away from home, he or she should have the same rights to know with whom they are dealing, and that alternatives are available regardless of the carrier serving the phone. Thus, if a caller goes up to a US West public pay telephone and makes an intraLATA call, that caller should know that the call is handled by US West, and be able to utilize a preferred carrier if he or she decides to do so. To do otherwise is to insure by regulation that the caller will be "captive" for one class of calls - a result directly contrary to the intent of House Bill 2526.

Furthermore, establishing different rules of disclosure and service standards will place local exchange companies in the position of being able to "police" their competitors in an anti-competitive manner. For example, if a COCOT did not have the requisite information posted, a LEC employee could report the violation to the Commission. Under the draft rules, the COCOT could be disconnected - thus removing a competitor from the LEC's territory. However, even if the LEC phones had the exact same violation, the COCOT owner would have no ability to have any recourse.

Additionally, requiring the same rules to apply to all carriers serving call aggregator locations insures that the rules will be workable and fair. Local exchange companies make significant investments in maintaining good regulatory relations with the Commission. As a result, they can be persuasive in explaining a problem with a rule in a manner that a small firm 2000 miles away from the Commission could never match. If they are exempted from the rule, they will have no incentive to bring the difficulties with the rule to the Commission's attention. For example, in Kansas the Commission staff was proposing a rule establishing operator answer times for all carriers. ITI pointed out that the rule needed to be re-worded so that it made clear that the average answer time was measured from the carrier's switch, which is the industry standard. Since the rule was also to apply to Southwestern Bell, it filed comments agreeing with the ITI position. If the rule had exempted local exchange companies, Southwestern Bell would not have felt a need to clarify the rule. The Washington Commission can similarly assure that rules are fair by applying the rules to all carriers-including local exchange carriers.

THE RULES SHOULD REQUIRE IDENTIFICATION OF CARRIERS AND BILLING AGENTS WHERE TECHNICALLY FEASIBLE

The draft rules would require bills from local exchange carriers to identify both the carrier and the authorized billing agent. For the vast majority of bills in Washington, this rule will not affect ITI, since ITI has direct billing and collection contracts with all major carriers. However, some small local exchange companies have limited capacity to bill for multiple carriers. As a result, clearinghouses such as the National Exchange Carrier Association ("NECA") and US Intelco provide billing services to multiple carriers under the single clearinghouse name. This billing arrangement prevails not only for smaller carriers like ITI, but major carriers like US Sprint and MCI. It is ITI's understanding that local exchange companies utilizing NECA and US Intelco do not have the current capability to identify the underlying carrier that handled the call, e.g. MCI or ITI. ITI is aware that US Intelco is in the process of developing such a capability for its client local exchange companies, but has not yet implemented the capability.

Requiring that both the clearinghouse and the carrier be listed on the local exchange company's bill will impose some costs on the local exchange companies, and will take some time to implement across the board. The Commission's Small Business impact statement needs to be revised to reflect the costs to small local exchange companies. ITI would suggest that the rule be modified to state:

> Where technically feasible, the portion of a bill rendered by the local exchange company on behalf of itself and other companies shall clearly specify the provider of the service ((~~or~~)) and its authorized billing agent...

THE COMMISSION SHOULD EXPLORE LESS BURDENSOME COMPLIANCE PLANS THAN REQUIRING THE FILING OF MULTITUDES OF CONTRACTS

Draft rule 480-120-141 (1) would, in essence, require a written contract for every hotel, motel, hospital campus, and pay telephone in Washington. The draft rule would also require either that the contract itself be filed, or a master filed with a current list of customers, the effective date for each customer, and the locations served by that customer.

ITI does not pay commissions to a customer unless that customer has a contract with ITI. As a result, ITI has contracts with most of its subscribers. However, some subscribers have chosen ITI pursuant to telemarketing, and thus ITI may not have a written contract with those subscribers. Furthermore, virtually all carriers providing operator services (including ITI) have some public pay phones that have been allocated to them pursuant to the FCC's rules on balloting and allocation. It is not a current industry practice to have contracts with all allocated locations. Some allocated public pay telephone site owners are extremely difficult to identify and contact, and may have no incentive to sign a contract with <u>any</u> carrier.

Furthermore, even where ITI has contracts, it does not maintain the data on those contracts in the form requested by the Commission. ITI would have to develop a Washington-specific software package to deliver the data to the Commission. Since the files could be voluminous, ITI would suggest that the data be submitted in a computer-readable format (e.g. magnetic tape or disk). (ITI serves over 4,000 phones in Washington as of August data.) The Commission would then be required to establish the standards for this data, and create software (and potentially purchase hardware) for the maintenance of this data.

This data would be <u>extremely</u> sensitive, since it would be a carrier's subscriber list, with contract expiration dates. The Commission would have to devise means to insure that access to the data was only on a need-to-know basis, and could not reveal the data to any competitor.

Given all of the difficulties with the establishment and maintenance of this data, ITI would suggest that the Commission focus on the <u>precise</u> regulatory objective that the draft rule is intended to achieve, and determine whether less burdensome methods to achieve that goal could not be devised. For example, if the Commission's objective is to have a list of locations served by a carrier, so that compliance can be checked, the carriers could simply be required to provide a printout of subscriber locations. While such a document still requires special protection, ITI at least can provide such a printout without extraordinary difficulty. If the regulatory objective is to determine whether ITI has a contract with a given subscriber that meets the Commission's rules, the staff can simply pick out sample subscribers and request copies of their specific contracts. ITI cannot identify a regulatory need that would require <u>all</u> of the data identified in the draft rule.

THE COMMISSION SHOULD NOT IMPOSE VICARIOUS LIABILITY ON ANY PARTY

The draft rule imposes upon the long distance carrier serving a telephone a requirement to have that telephone in compliance with all of the specified rules of the Commission. This is an unworkable and unfair rule, and should not be adopted by the Commission.

The rule is unworkable because there are requirements imposed by the rules on subscribers that the long distance carrier cannot immediately detect a violation. For example, the Commission rules require posting of a specified notice. ITI supplies each of its subscribers (except, of course, LEC-owned phones) in Washington with stickers that comply with the Commission's requirements. If a subscriber does not post the supplied sticker, or somehow the sticker is removed, ITI cannot know of that violation. If the problem is brought to ITI's attention, we will require the subscriber to demonstrate compliance with the Commission rules or receive no commissions or be terminated from the ITI network.

Even if ITI established a squadron of "phone police," there would be no assurance that some phone somewhere in Washington would not have a sticker removed and be in violation for a set period of time. The only practical solution is for the Commission to directly regulate all call aggregators in the requirements that apply to call aggregators, and only impose on the long distance carrier the obligations associated with that carrier.

For example, ITI believes it is the responsibility of the carrier to produce and supply identification materials that comply with a given state's requirements, and to brand in accordance with the state's law. Conversely, it is the subscriber's responsibility to post the identification materials, and to program the phone so that callers are not intentionally prohibited from reaching their long distance carrier of choice. The aggregator should not be punished for the sins of the carrier, and the carrier should not be punished for the sins of the aggregator.

THE COMMISSION SHOULD REVIEW ITS POSTING REQUIREMENTS IN LIGHT OF NEW FEDERAL LAW ON THE SUBJECT

The Congress of the United States has passed, and the President has signed, a new law relating to operator services. That law prescribes certain information to be posted on or near the phone. For example, the law requires the posting of the address of the FCC's Enforcement Division. The law does recognize compliance if the message posted is in compliance with a state regulation. It is ITI's intent to comply with both the federal law and any specific state laws or regulations to the extent possible. However, the space on a sticker is limited. Reproduced below is ITI's current sticker for Washington:

Operator services for this phone are provided by:

INTERNATIONAL TELECHARGE, INC. ITI *We listen.*™

P.O. Box 50579, Dallas, Texas 75250-0579
For ITI Customer Service, dial 1-800-999-5152.

To select a different long distance company, dial the company's access code before your call.

For rate information, dial toll free 0-214-761-9101.

Charges on this call may be higher than, equal to or lower than normal rates. You have the right to contact the operator for rate information before placing a call. Instructions for transfer to the local phone company are available from the operator.

BUSY SIGNAL OR NO ANSWER?

To leave a message follow recorded instructions
or dial **0-214-MESSAGE (637-7243)**

As the Commission can see, there is not a great deal of room to add the new federal requirements, and meet all of the state requirements. The Commission should re-evaluate all of the messages being sent to the consumer, and design a practical message that can fit on all phones.

In that regard, the Commission should clarify that its rules on posting apply to LEC owned public pay telephones. Most of the phones ITI serves in Washington are public pay telephones. The local exchange companies own those phones, and do not allow anyone to post foreign material on their phones. Since everyone who serves a public phone is by statutory definition an AOS provider, every public phone should have the identification prescribed by the Commission.

ITI would also request that the Commission delete the newly added phrase, "You have the right to request that the operator connect you with the carrier of your choice at no charge." As discussed below, no carrier in America has the capability of providing a transfer service to all other carriers.

THE COMMISSION SHOULD NOT REQUIRE THE POSTING OF BILLING AGENT NAMES IF A CARRIER ONLY OCCASIONALLY USES SUCH AGENTS

The draft rules require the posting of a billing agent's name "if the AOS company uses a billing agent." As explained above, ITI normally does not utilize a billing agent, but is required to use clearinghouses like NECA and US Intelco to bill with smaller independent local exchange companies. ITI believes the intent of the draft rules is to have billing agents identified if they are the exclusive or primary means by which a carrier's calls are billed. If that is the intent, ITI would suggest that the rule be revised to read:

> ...if the AOS company uses a billing agent for most of its calls,...

TARIFFED AND CAPPED SUBSCRIBER SURCHARGES SHOULD BE ALLOWED BY THE COMMISSION

Draft rule 141(4)(e) prohibits the implementation of a surcharge. However 141(9)(c) allows a location surcharge of twenty-five cents. The Commission should alter rule (4)(e) to state: "Except as provided in these rules, shall not impose, implement, or allow..."

Rule 9(c) contemplates the collection of a twenty-five cent subscriber surcharge for calls. ITI strongly supports the concept of a subscriber surcharge for several reasons.

First, subscriber surcharges have existed for years in the hotel/motel environment. Travelers have become accustomed to paying the surcharge for the opportunity to make calls in their hotel rooms. The nature and acceptance of the surcharge should not change simply because the billing method changes.

Second, subscriber surcharges help promote universal service. There are a number of significant costs associated with the provisioning of a hotel PBX or a private pay telephone. These phones are provided as a convenience to the public that is away from home. These phones help provide needed connections, and rules which encourage their proliferation also aid universal service.

Subscriber surcharges also provide a means of compensation to telephone owners for regulatory requirements that impose costs without corresponding revenue. For example, the Commission requires call aggregator phones to provide access to other carriers at no cost to the end user. Following such a regulation imposes a direct cost on the phone owner, as only modern, sophisticated equipment even has the technology to comply with the rules. Furthermore, allowing access to other carriers increases the possibility of fraud from the phone, which is charged back to the phone owner. While the Commission's rules relating to 10XXX1 have lowered this risk, no system devised by humans is proof against a determined thief. The requirement for access also imposes lost opportunity costs, as the caller may make a series of phone calls for which no revenue goes to the phone owner, where another user might have made revenue producing calls. There are a cluster of similar regulatory requirements in the rules that require costs without corresponding revenues.

The surcharge is a method by which the Commission can legitimately compensate phone owners for the public policy requirements established by the rules. Since the general body of ratepayers benefits from the operation of the rules, it is appropriate for the general body of ratepayers to pay for the costs associated with the rules. The only way the phone owners can recover these costs, however, is to impose them on the persons who make revenue-producing calls.

ITI collects subscriber surcharges on behalf of its subscribers. The amount of the surcharge is established by the subscriber, within limits imposed by ITI. ITI believes the appropriate regulation regarding surcharges is to authorize their collection within a Commission-set cap, and require the maximum surcharge to be tariffed by the carrier. For example, the Florida Public Service Commission authorizes a surcharge of up to $1.00 a call for private pay telephones. This surcharge limit has encouraged the proliferation of pay telephone competition in the State of Florida. As a result of that competition, some pay telephone vendors are offering rates to end users that are <u>below</u> those offered by the local exchange company or AT&T. This Commission should follow the example of the Florida Commission, and authorize surcharge collection of up to a $1.00, if included in the tariff of the carrier.

THE COMMISSION SHOULD MIRROR THE DOUBLE BRANDING REQUIREMENTS OF THE NEW FEDERAL LEGISLATION

Draft rule 141(5)(a)(ii) provides specific oral identification scripts for use by carriers. ITI agrees with the apparent intent of the draft rules, which is to require double branding on every call. ITI provides double branding on every call now, and also announces itself to the billed party on a collect call. However, the systems utilized for branding do not currently allow for a state-specific branding pattern. As mentioned before, new federal legislation was recently adopted. As a part of that legislation, all carriers are required to identify themselves at the beginning and end of every operator transaction. ITI only has the capability of complying with the federal standard at this time.

Rather than specifying the exact script a carrier should use, the Commission should review the scripts currently utilized by the carriers. In ITI's case, the automated system provides a tone (different from the AT&T "bong" and "chime") and a voice saying "ITI." On live calls, the operator generally answers, "ITI operator, this is (name). How would you like to pay for your call?" On both automated and live calls, the operator transaction ends with "Thank you for using ITI."

ITI believes that these verbal transactions satisfy the intent of the Commission, which is to make sure the consumer knows that he or she may be dealing with a carrier other than their presubscribed carrier. The Commission should not write rules with such specificity that they would impose needless costs without further advancing the Commission's true intent.

The draft rules also require oral branding of a billing agent's name at the beginning of the call. The Commission defines the beginning of the call as prior to the prompt to enter billing information. ITI would be totally unable to comply with the rule as written. As mentioned elsewhere in these comments, ITI only uses billing agents on a few calls. ITI does not <u>know</u> that a billing agent would be used until <u>after</u> the billing information is given. Thus, if the caller is billing a call to a local exchange company served by US Intelco, ITI will not know that a billing agent would be used until after the billing method is selected. ITI is not sure that the Commission should require billing agent branding at all, since consumer confusion would undoubtably be increased by this requirement. However, if the Commission does adopt a version of agent branding, it should modify the rule to read:

> when the charges for the call will <u>normally</u> appear on the consumer's bill from a different company...

THE COMMISSION SHOULD NOT REQUIRE RE-ORIGINATION OF CALLS TO OTHER CARRIERS, SINCE THERE IS NO TECHNICAL MEANS TO RE-ORIGINATE CALLS TO ALL CARRIERS

The draft rules provide the operator service provider must "re-originate calls to another carrier upon request by the caller and without charge." However, current rule 141(3) (renumbered as

(6) in the draft rules) prohibits transferring to another carrier "which cannot or will not complete the call unless" the call can be rated from the point of origination to the point of termination.

ITI believes there is current technology which would allow a carrier to "splash" a call to virtually any other carrier, upon request of a caller. However, that "splashed" call would be rated as if originating from the splashing carrier's switch or toll center, not the originating point of the call. ITI also utilizes a method of transfer to other carriers which allows the ITI operator to send a tone down the line, which instructs specialized CPE to release the call and re-direct it to the local exchange company network. That system of "tone repeat" allows the call to be rated from its point of origin - but it does not allow transfer to more than the local exchange company and the IXC to which the phone is presubscribed. Furthermore, the "tone repeat" methodology does not work from public pay telephones, which constitute the bulk of phones ITI serves in Washington. ITI is not aware of any current technology which would allow a call to be transfered to any carrier requested by the caller without mis-rating.

The Commission may have envisioned regulations that would mandate the establishment of "billed party preference." "Billed party preference" is a network arrangement that would give the local exchange company operator the ability to transfer calls to interexchange carriers that subscribed to the transfer service.

Billed party preference cannot be implemented by the Bell Operating Companies without approval by Judge Greene, the Federal Communications Commission, and the expenditure of hundreds of millions of dollars. Implementation of billed party preference with current technology would result in significant call processing delays and would require callers to deal with both the LEC operator and the IXC operator on virtually every call. There is no reliable cost estimate or implementation schedule for the introduction of such a system. There are dockets currently pending at the Federal Communications Commission relating to billed party preference. The Commission should wait for the FCC to resolve all of the difficult issues relating to billed party preference before it attempts to mandate it on a state basis.

If the Commission keeps this rule, it should be applied to the local exchange companies, even if no other rule is applied by the Commission to local exchange companies. For one thing, the local exchange companies may come closer to being able to transfer calls without "splashing" than interexchange carriers. Furthermore, consumers should have the right to use their preferred carrier on intraLATA calls in the same manner as they have on interLATA calls.

For all of the foregoing, ITI suggests the rule be revised to read:

> <u>Where transfers can be accomplished in accordance with these rules,</u> re-originate calls to another carrier...

IF THE COMMISSION ADOPTS SERVICE STANDARDS, IT SHOULD MATCH THE MEASURING SYSTEMS ALREADY IN PLACE IN THE INDUSTRY

ITI does not believe rules regarding average answer time or blockage rates need to be regulated by this Commission for any carrier (except possibly local exchange monopolies). Competition between carriers for the business of call aggregators is sufficiently fierce to guarantee that if a carrier drops below industry standards, the carrier will lose subscribers.

ITI also recognizes that this is a new industry, and commissions are not yet comfortable with the concept of competition instead of regulation. However, if the Commission feels it must regulate quality of service standards, it should measure those standards utilizing common industry guidelines. For example, the draft rules provide for ninety percent of all calls be answered by the operator within ten seconds from the time the caller dials "0." ITI does not measure its average answer time in this manner, nor does it know of any carrier that does. ITI is not even sure that it would be possible to establish technology that would start timing from all phones after the caller dialed "0."

ITI (and, ITI believes, the rest of the industry) measures average answer seconds from the time the call <u>reaches the ITI switch</u>. Measured from that point - which is the first point that ITI can reliably capture the data - ITI significantly exceeds the level of ninety percent of all calls being answered within 10 seconds. ITI could supply to the Commission staff, on request and on a confidential basis, reports which demonstrate that this is a key indicator of service quality for ITI, and that ITI consistently meets or exceeds the service quality of other carriers.

Attempting to measure from the time the caller dials "0" would present several problems. First, a caller could dial "0," wait five seconds, and dial another digit. The local exchange or ITI switch would "pause," to allow the caller to enter more digits. If the caller kept entering digits before being "timed out," the caller could cause the time between dialing "0" and reaching a live operator to significantly exceed 10 seconds. Furthermore, in order for a carrier to routinely determine whether it was meeting the Commission standard, it would have to coordinate its call records with the call records of the local exchange company and even those of the phone itself (if the phone was a "smart" phone.) ITI is not aware of any existing systems that would allow for the coordination of this data in the manner required.

For the foregoing reasons, ITI suggests the rule be revised to say:

> ...shall be answered by the operator within ten seconds from the time the **call reaches the carrier's switch.**

With regard to call blockage, ITI engineers its network to meet or exceed a P.01 grade of service, which is one call in one hundred blocked during the busy hour. As such, ITI should exceed the requirement provided in draft rule 141(4)(d).

THE COMMISSION SHOULD ESTABLISH RULES THAT ALLOW FOR EASY ENTRY BY NEW COMPETITORS

As an already certified carrier, ITI logically would be expected to favor "raising the ladder behind it," by the establishment of rules which would make it difficult for new competitors to enter the marketplace. If that were ITI's position, it could support proposed rule 141(9)(a). That rule establishes a standard that will make it difficult, if not impossible, for new carriers to be certified in Washington.

However, ITI is committed to the proposition that competition in the marketplace drives <u>all</u> competitors to improve their products, to the benefit of consumers. For example, since the initiation of competition in the operator service marketplace by ITI, AT&T has begun accepting major credit cards; has introduced bi-lingual operators and a foreign language translation service; has improved the availability and responsiveness of its conference calling system; and has begun testing a nation-wide message forwarding service. MCI and Sprint have introduced operator services to their network, and have designed new enhancements for the calling public. ITI is convinced that those improvements would not have come about without the introduction of competition in operator services.

If the draft rule had been in place earlier in Washington, ITI questions whether MCI, Sprint or ITI could have been certified. In the early days of an enterprise, it is difficult to match the standards established by an entrenched competitor.

That was especially true in the telecommunications marketplace, where the competitors had almost a hundred years of government-sponsored monopoly. ITI does not believe many people would advocate turning the clock back to the dark days when all that was available was a black rotary phone from the only phone company in town. The Commission should maintain the current standards it has on certifying competing carriers, and not adopt draft rule 141(9)(a).

THE COMMISSION SHOULD CAP RATES AT LEVELS THAT WILL PROTECT CONSUMERS AND ALLOW COMPETITION TO FLOURISH

The draft rules essentially adopt US West/AT&T rates as the benchmark standard for operator services rates. ITI does not believe any rate regulation is necessary, because the forces of competition will drive rates to costs. However, ITI also recognizes that commissions do not yet have the same faith that ITI has in the operation of the competitive marketplace.

ITI would suggest that the appropriate benchmark should be the highest tariffed operator service rates of any interexchange carrier. It is inappropriate to use AT&T and US West as the benchmarks, because those carriers do not share the same costs as the rest of their competitors.

There is a great disparity between the rates paid by AT&T and its competitors for certain essential services provided by the LECs. A carrier's ability to validate caller telephone numbers and subscriber account numbers and to bill and collect through the LECs are essential to the provision of operator services. As a result of agreements reached as a part of divestiture, AT&T pays significantly less for these services than its competitors.

The billing and validation process is one example of why ITI's costs exceed AT&T's. Billing and validation is a major cost component of the final rate ITI charges customers. Billing entails the invoicing and collection of charges for collect, third party, and calling card calls. Validation is the process ITI uses to check the billing mechanism selected by the caller and to ensure that the payment method is not fraudulent. While specific prices often are proprietary or difficult to compute, ITI has determined ranges of costs faced by ITI, AT&T and the BOCs:

	ITI	AT&T	BOCs
Billing and Collection	Up to $.90	$ .05 - $.10	$.01-$.02
Validation Cost	$.085	$ .005 - $.015	$.00177

ITI believes this disparity in costs is unlawfully discriminatory, but, as has been the case with all changes in the telecommunications market, a legal determination of such unlawfulness takes time and has been resisted vigorously by AT&T and the LECs. Still, as ITI's experience has shown, charges by the BOCs to interexchange carriers for billing and collection have varied from $.02 per message by one BOC to approximately $.35 by another; bill processing charges range between $.29 and $.82. The prices charged to ITI by the LECs are not cost-based and operate unfairly to inflate the cost of doing business for AT&T's operator service competitors. For example, some LECs are earning as much as a 300% rate of return on their intrastate billing and collection services at the expense of companies such as ITI and to the detriment of the calling public.

Collection cost for some calls billed by ITI to certain LECs can exceed $.90. In addition, validation costs range between $.085 and $.125 per query and can average up to $.23 per billed call. Thus, it can cost a competitive carrier as much as $1.13 to validate and bill a call. Additional costs such as operator time, capital investment, and administrative expense have not entered the equation, and, under this scenario, could not be recouped by the company through its charges for operator assistance.

Companies other than AT&T face other cost differences that arise from the advantages enjoyed by AT&T as a result of divestiture. One example is the need by carriers other than AT&T to rely on 800 access when AT&T has a nationwide access network through LECs.

Much controversy surrounds whether or not the LECs are providing equal interconnection services for AT&T's competitors.

Many of these inequities affect both 1+ and dial 0 services. But other differences materially affect the ability of companies, other than AT&T, to compete in the operator services market. For example, AT&T submits its billings to a single central location for dissemination to and billing by all LECs. ITI, and other competitors, may use this central location only to bill to BOC accounts. Separate billing and collection agreements must be secured and separate files provided for billing through independent telephone companies. Even within the Bell System, AT&T bills are processed differently from those of other carriers.

As a result of intensive efforts over three years, ITI has secured several different sources through which it now can bill to the accounts of 584 independent telephone companies. This capability probably exceeds any interexchange carrier other than AT&T. Still, ITI has been unable to obtain validation or billing agreements at all from many small independent local telephone companies, and has secured others only by offering to pay outrageous charges, such as $.90 per message for billing and collection. Certain independent local telephone companies continue to oppose efforts before the FCC to require that services be made available on an equal basis to all interexchange carriers.

In effect, AT&T (on an interLATA basis) and the BOCs (on an intraLATA basis) are charging one operator assistance rate for automated service which only AT&T and the BOCs may furnish, while charging a significantly lower operator assistance rate for services which are provided competitively by other carriers, even though, in the latter instance, substantial validation and billing and collection costs exist that are not present for the sent-paid 1+ calls. ITI believes that this pricing disparity reflects a cross subsidization between a monopoly service and a competitive one.

ITI has also found that many of the BOCs and all the independent telephone companies route 0- interLATA calls to AT&T automatically, without regard for the carrier serving the telephone. This practice is anticompetitive and inconsistent with the policies of the FCC and the principles of divestiture which are intended to promote, not impede competition. Local operators should encourage consumers to avoid the added cost ($.75) of using local operators by advising 0- callers to dial calls on a 0+ basis. The direct transfer of calls to AT&T perpetuates AT&T's monopoly of services.

Because of these inherent cost disparities, it is inappropriate for the Commission to establish AT&T or US West as the benchmark. The appropriate standard should be that no carrier can charge any rates higher than the highest tariffed daytime rates of a certified interexchange carrier. As noted above, subscriber surcharges should be placed in a carriers tariff, and capped at $1.00. Such a structure will allow competitors to build competitive networks, provide new services and new locations, while also protecting the consumer from unlimited rates.

Once again, ITI appreciates the opportunity to comment on the Commission's proposed rules. ITI believes that regulations can be shaped which simultaneously promote competition and protect the consumer.

Respectfully submitted,

Eddie M. Pope

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