

ORIGINAL

RECEIVED

'AUG 27 1992

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL
FILE

In the Matter of)
)
Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

REPLY COMMENTS

MCI TELECOMMUNICATIONS CORPORATION

Mary J. Sisak
Donald J. Elardo
1801 Pennsylvania Avenue N.W.
Washington, D.C. 20006
202/887-2605

Dated: August 27, 1992

Its Attorneys

No. of Copies rec'd
LISTASODE

078

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	ii
I. BPP IS IN THE PUBLIC INTEREST	1
II. THE ARGUMENTS AGAINST BPP ARE WITHOUT MERIT	5
A. The Costs of BPP Do Not Outweigh the Benefits	5
B. BPP Will Reduce the Risk of Fraud	14
C. BPP Will Not Inhibit the Development of New Services	15
D. BPP Will Not Degrade Service	16
E. The Commission Cannot Impede the Development of BPP To Guarantee Aggregator Commissions	18
III. BPP IMPLEMENTATION ISSUES	19
IV. CONCLUSION	25
ATTACHMENTS	

SUMMARY

The comments demonstrate that BPP is in the public interest because it will ensure equal access and enhance competition in the operator services market. Accordingly, MCI urges the Commission to require the implementation of BPP in the public network without delay.

MCI demonstrates that the costs of BPP do not outweigh the benefits and that although the actual costs associated with the deployment of BPP are significant, they are less than the estimates offered by the LECs. MCI calculates that the LECs' costs are inflated by at least \$251 million for set-up charges and at least \$39.7 million in ongoing charges. MCI urges the Commission to adopt a bifurcated cost recovery mechanism whereby the investments and software necessary to support BPP are accorded exogenous treatment under price caps, and recovered through a broadbased charge on switched access rates to all IXCs. The remaining costs could be recovered on a per-message charge.

MCI also demonstrates that BPP will reduce the risk of fraud and will not degrade service quality.

Finally, MCI addresses a number of BPP implementation issues.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
) CC Docket No. 92-77
Billed Party Preference)
for 0+ InterLATA Calls)

REPLY COMMENTS

MCI Telecommunications Corporation (MCI) hereby replies to the comments submitted in the above-captioned proceeding concerning billed party preference (BPP). Overall, there is consensus that BPP will benefit consumers and promote competition by providing equal access in the operator service market. Moreover, as demonstrated below, the arguments against BPP are without merit.

I. BPP IS IN THE PUBLIC INTEREST

The comments demonstrate that BPP, whereby calls dialed from phones on a 0+ basis would be routed to the carrier chosen by the customer to be billed for the call, will benefit consumers by achieving equal access for such calls and by enhancing competition in the operator services market.¹ In United States

¹ See, Comments of the Michigan Public Service Commission (Michigan PSC); Comments of the Public Utility Commission of Texas (Texas PUC); Comments of the Missouri Public Service Commission (Missouri PSC); Comments of the Indiana Office of Utility Consumer Counselor and the Pennsylvania Office of Consumer Advocate; Comments of the Pennsylvania Public Utility Commission; Comments of the Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Public Utilities Commission of Ohio, and the Public Service Commission of

(continued...)

v. Western Elec. Co., the District Court also concluded that BPP is the equal access architecture best suited to the pay telephone market.² According to the Court, with BPP, "access to all interexchange carriers would be equal, and it would be in the form most convenient to all callers...."³

Currently, consumers cannot always reach their carrier-of-choice in an easy, convenient manner. Rather, consumers must remember access codes to ensure that they reach their preferred carrier. With BPP, all consumers will be able to reach their preferred carrier by dialing 0+. This will eliminate widespread marketplace confusion by providing uniform 0+ dialing regardless of which operator service provider (OSP) the consumer has selected to be its presubscribed carrier; and, consumers will have the security of knowing that their calls will be carried and priced by their preferred carrier from any telephone.⁴ As stated

¹(...continued)
Wisconsin; Comments of the Florida Public Service Commission; Comments of GTE; Comments of Southwestern Bell Telephone Company (Southwestern Bell); Comments of Pacific Bell and Nevada Bell (Pacific Bell); Comments of Bell Atlantic; Comments of the Ameritech Operating Companies (Ameritech); Comments of the NYNEX Telephone Companies (NYNEX); and Comments of Sprint Corporation (Sprint).

² United States v. Western Elec. Co., 698 F.Supp. 348, 361 (D.D.C. 1988).

³ Id.

⁴ Michigan PSC Comments at 2.

by the Texas Public Utility Commission, BPP will make operator service calls "user-friendly."⁵

In addition, BPP will enhance true competition in the operator services market. In today's environment, the premise owner, not the consumer, selects the presubscribed OSP based on the amount of commissions the OSP will pay rather than other factors, such as the quality of the OSP's service. As a result, today's environment does not promote "competition" among OSPs that offers consumers "choices regarding quality of services and prices."⁶ With BPP, OSPs will have to compete for the consumer's, not the aggregator's, business and thereby consider the needs of the consumer paying for the call. Thus, OSPs should be incented to offer unique, high quality services at competitive prices.

Similarly, payphone providers will need to compete to provide phones at aggregator locations based on the quality of their services rather than the amount of commission payments they are willing to make. Accordingly, BPP will lead to more quality services in both the operator services and payphone markets, which will both increase consumer choice and promote competition.

In addition, BPP will reduce the American Telephone and Telegraph's (AT&T's) historic, unearned and unjustified dominance in this market segment. Currently, AT&T issues proprietary

⁵ Texas PUC Comments at 3. See also, Bell Atlantic Comments and GTE Comments.

⁶ Id. See also, Missouri PSC Comments at 1-2.

calling cards with instructions to its customers to dial 0+, knowing that these cards are not accepted on a 0+ basis at many locations because AT&T refuses to make available validation and billing data for these cards. Rather, these cards are accepted on a 0+ basis only when the access line serving the location is presubscribed to AT&T.

AT&T's use of 0+ dialing for its cards and its refusal to allow other carriers to validate its cards has permitted AT&T to begin to remonopolize the operator services market. AT&T advises premise owners that, because it has a dominant share of the card market and 0+ service, it can accept most of the calling cards in circulation, whereas its competitors cannot accept calls using AT&T's 0+ card. It then informs premise owners that it is in a position to pay a greater amount of commissions overall by virtue of its dominance, and that selection of another carrier would only result in a diminution of the amount of commissions paid to them. AT&T's marketing strategy coerces premise owners into selecting AT&T as their presubscribed OSP because other carriers cannot validate and bill AT&T's proprietary card. This results in fewer revenues for the premise owner if it selects a competitor of AT&T. The result is that AT&T is able to retain a dominant share of this business by extinguishing the insubstantial competition that followed payphone presubscription. AT&T's unfair advantage would be substantially reduced if BPP were implemented and all 0+ calls were routed to the carrier

chosen by the customer to be billed because then, "all OSPs will have an equal opportunity to compete for an end user's calls."⁷

Thus, the comments demonstrate that BPP is in the public interest because it will ensure equal access and enhance competition in the operator services market. Accordingly, MCI urges the Commission to require the implementation of BPP in the public network without delay.

II. THE ARGUMENTS AGAINST BPP ARE WITHOUT MERIT

Some of parties oppose BPP because they contend that: 1) the benefits of BPP do not justify the costs; 2) BPP will increase the risk of fraud from prisons; 3) BPP will frustrate the development of new services; 4) BPP will degrade the quality of the network; and 5) BPP will eliminate commission payments to aggregators and thus, economically harm them. As demonstrated below, these arguments are without merit.

A. The Costs of BPP Do Not Outweigh the Benefits

A number of parties argue that BPP will be extremely costly to implement and that it is not necessary in light of the requirements imposed by the Telephone Operator Consumer Services Improvement Act (TOCSIA) and the Commission's rules adopted in response thereto.⁸ According to these parties, consumers can

⁷ See, Texas PUC Comments at 4.

⁸ See, Comments of US West Communications, Inc. concerning Billed Party Preference (US West); Comments of
(continued...)

reach their carrier-of-choice since TOCSIA and the Commission's rules require aggregators to unblock 800, 950 and 10XXX access and require all OSPs to establish 800 or 950 access. However, under the Commission's rules, 10XXX will not be unblocked at all locations until 1996, and, even then, 10XXX is not available in non-equal access areas. In any event, although these measures are an important step toward ensuring consumer access to his or her carrier-of-choice, full equal access has not been achieved because, without universally available 0+ access, a consumer is hindered in the use of the public network.

In addition, although the cost estimates of BPP filed by the local exchange carriers (LECs) are significant, they are exaggerated. Moreover, there will be a number of cost offsets as the result of BPP deployment, such that the rates for operator services should not change significantly, if at all.

The total estimated set-up costs for BPP filed by the major LECs⁹ is \$870 million. As an initial matter, the LECs have not provided the detail necessary to verify the appropriateness of these cost estimates. In addition, the LEC cost estimates for BPP deployment vary quite widely from LEC to LEC. As Table 1 indicates, Ameritech has filed the lowest cost estimates for

⁸(...continued)
BellSouth Telecommunications, Inc. (BellSouth); and AT&T
Comments.

⁹ This number is derived from the comments filed by Ameritech, Bell Atlantic, BellSouth, NYNEX, Pacific Telesis, Southwestern Bell Telephone, US West, GTE and Sprint for the United Telephone Companies.

provisioning BPP for all 0+ and 0- traffic from all phones, and US West has proposed the highest expense level, nearly three times greater than Ameritech's estimate.

The LECs' estimates for specific cost elements also vary widely. As Table 2 illustrates, balloting estimates range from \$0.09 per access line by US West to \$1.28 per access line for NYNEX. The estimated operator expense increase due to BPP ranges from \$0.32 per access line for BellSouth to \$1.69 per line for US West. For Automated Alternative Billing Service (AABS) implementation, estimates range from \$0.94 per line for BellSouth to \$12.63 for United. The sheer disparity of the cost estimates draws into question their validity.¹⁰

A few carriers also provided detail concerning the operating costs of BPP on an ongoing basis. In all cases, however, it was not necessarily clear what the LEC meant by "ongoing" -- whether it was solely the recurring costs associated with an increased level of operators, or whether it included the operator expense

¹⁰ In an attempt to make the data more comparable, MCI has broken down each estimate of the set-up costs (those costs identified as one-time set-up costs exclusive of any ongoing charges) in relation to the number of switched access lines and exchange central offices that each carrier operated as of December 1990. As Table 1 indicates, the average per-access-line implementation cost is \$7.92. Ameritech, Bell Atlantic, NYNEX, GTE, and BellSouth all have cost estimates, on a per line basis, below the industry average. Southwestern Bell and US West have per-line estimates that are significantly higher than the industry average.

as well as the recovery of the set-up investments over time.¹¹ A breakdown of the LECs' ongoing costs appears in Table 3 attached hereto.

In spite of the failings of the data, MCI has attempted to evaluate the appropriateness of cost items, and has determined that certain LECs have inflated their estimates of BPP deployment and ongoing costs with elements that are inappropriate for the cost calculations the Commission has requested in its Notice of Proposed Rulemaking. MCI calculates that these excessive costs have inflated the costs of BPP by at least \$251 million for set-up charges and at least \$39.7 million in ongoing charges.

For example, both NYNEX and US West propose to recover, within the rates for BPP, the costs of operator switches that they claim are necessary to provide this service.¹² In total these items add \$31.7 million to the cost estimates. However, the inclusion of these costs is inappropriate because the investments are not solely attributable to BPP. NYNEX's operator switches, for example, are currently at or near capacity, and, therefore, normal growth in message volumes would cause NYNEX to

¹¹ For example, Ameritech includes all costs including operator and investment recovery; Bell Atlantic provides no detail on what is included; Bell South includes all annual costs, as well as nearly \$40 million due to lost revenue from LIDB and Operator Transfer Service cross-impacts; NYNEX includes both operator and investment recovery; Pacific Bell includes both investment and operator expense; SWBT provides no ongoing expense estimates; US West separately identifies operator costs only; GTE seems to include investment and operators; and United provides no ongoing expense estimates.

¹² See, NYNEX Comments at 6-7; US West Comments at 6.

add capacity. The cost of operator switches necessary to expand the network to handle additional traffic volumes, which is nothing more than normal infrastructure growth and which costs are already covered within the price cap scheme, should not be included in the BPP cost estimates.

US West includes in its BPP estimate \$10 million associated with two new Signal Control Points (SCPs). However, these SCPs will be used by US West for other signalling-based services in addition to BPP. Thus, these investments should not be included in determining the incremental costs of providing BPP.

Several LECs inappropriately include generic software upgrades of operator signalling system 7 (OSS7) as a "cost" of performing BPP. For example, the cost estimates of US West, BellSouth and Pacific Bell include \$68 million, \$72.3 million and \$69 million, respectively, for this upgrade. While some elements of this generic software are required to perform BPP, the software upgrades should not be allocated to BPP because they represent a generic upgrade of the SS7 software that will support both interexchange and intraexchange services. Accordingly, this upgrade should receive the same treatment as SS7 signalling received over the past several years; namely, it must be treated as a generic network upgrade that will support a variety of exchange and interexchange services. Several LECs correctly consider these generic software upgrades as normal network upgrades and only include the cost of accelerating the deployment

of this signalling software upgrade into their end offices in their estimates of the cost of deploying BPP.

In addition, BellSouth includes \$39.7 million in lost revenue from Operator Transfer Service (OTS) and Line Information Data Base (LIDB) service in its ongoing cost estimates for BPP¹³ because BellSouth assumes that LIDB and OTS would be subsumed under BPP. While it is true that OTS would no longer function in the same manner under BPP, the costs of providing OTS would be phased out as well, placing BellSouth in a comparable position. As for LIDB, BPP will increase the number of LIDB queries, such that there will be more LIDB queries than exists today. Therefore, the \$39.7 million should be deducted from the BellSouth estimate.

Thus, it is clear that although the actual costs associated with the deployment of BPP are significant, they are less than the estimates offered by the LECs. Moreover, with an appropriate cost recovery mechanism, these costs can be absorbed without imposing an undue burden on any party.

MCI urges the Commission to adopt a bifurcated cost recovery mechanism to recover the costs of BPP. BPP will provide equal access to the 0+ marketplace, and, therefore, the investments and software necessary to support BPP represent the continuation of the structural changes to the telecommunications industry started with 1+ presubscription and equal access. Accordingly, these costs should be accorded exogenous treatment under price caps,

¹³ See, BellSouth Comments at Exhibit 2.

and recovered through a broadbased charge on switched access rates to all interexchange carriers (IXCs).

Several parties argue that such a charge is not appropriate because it would fall on IXCs that do not provide operator services. However, this argument fails because the provision of equal access to the 0+ marketplace is a broad-based change in the industry structure, which will benefit all end users.

Consequently, all carriers should contribute to the set-up costs of BPP. MCI proposes that the total amount of these set-up costs be recovered over a period of several years similar to the equal access recovery charge that is in place today. Once the amount is fully recovered, this charge would transition to zero.

The benefits of such a charge are evident from the comments of the LECs. For example, many of these parties argue that BPP costs are fixed relative to changes in the level of demand. This lack of cost sensitivity relative to the level of message traffic indicates that a broad-based charge for the recovery of the set-up costs is appropriate. Also, several LECs indicate that they will not be able to recover the costs associated with BPP through a per-message charge on calls using the BPP system. Under a per-message charge cost recovery mechanism, these LECs correctly point out that some OSPs would attempt to avoid the cost of BPP by adopting dialing schemes that avoid BPP charges. This would, of course, have negative consequences on cost recovery and could negatively impact the ability of the general public to enjoy the

benefits of BPP. This can be prevented if the bulk of the investments and expenses are recovered from a broad-based charge.

Once the set-up costs of deploying BPP have been associated with some broad-based recovery charge, the remaining costs, predominantly the increased operator expenses and LIDB-related expenses associated with storing the information concerning the consumer's 0+ primary interexchange carrier (PIC), could be recovered on a per-message charge similar to the one proposed by Ameritech. Such a per-message charge could be considered a new service under price caps and would reflect the above-mentioned ongoing costs of routing BPP calls, once the underlying infrastructure is in place.

Using the figures proposed by NYNEX,¹⁴ MCI estimates that the set-up cost recovery would entail a charge of approximately \$0.0005 to \$0.0006 per access minute, assuming a three year recovery period.¹⁵ A five year recovery period would lower this estimate to approximately \$0.0003 per access minute. The ongoing

¹⁴ MCI has removed from the NYNEX estimate the costs of the two additional operator switches proposed by NYNEX. Such costs, as discussed above by MCI, are normal business growth expenses, and should not be entirely allocated to BPP.

¹⁵ This is based on NYNEX's estimated set-up costs of \$82.6 million, less the operator switch investment of \$18.6 million, divided by 40,461.616 million access minutes filed by NYNEX in its 1992 Annual Access Filing for 1991 demand. It assumes the charge is a three year charge. NYNEX Comments, Attachment B, page 2, Line 9A.

costs, in this case operator costs, would result in a per call charge of \$0.0464.¹⁶

In addition, the implementation of BPP will eliminate or reduce certain existing costs associated with the provision of operator services, such as commission payments, that will offset the costs of BPP. For example, MCI estimates that total industry commission payments are approximately \$1.1 billion annually.¹⁷ This is much greater than the LECs' total cost estimates for deploying BPP. In addition, on a per-call basis, Ameritech estimates that approximately \$0.45 per call is paid to the premise owner in the form of commissions.¹⁸ This amount is much higher than the BPP cost estimates calculated by MCI above. Indeed, this figure is almost three times higher than the per-call cost estimates for BPP of Ameritech and other LECs.¹⁹ Thus, a reduction in commissions would offset the cost of BPP. In

¹⁶ NYNEX Comments, Attachment H, Line 3. This per call charge is based on NYNEX's cost estimates, however, it appears that NYNEX used assumptions which overstated the cost. For example, it appears that NYNEX's increase in operator costs is based on the amount of operator intervention associated with local and intraLATA calls. However, there should be less operator intervention for interLATA calls. Therefore, NYNEX's operator expense should be less, which results in a lower per call charge

¹⁷ MCI estimates that approximately \$4 billion in operator services and card revenue is subject to commission payments at an average commission rate of 28%.

¹⁸ Ameritech Comments, p. 19.

¹⁹ For example, Ameritech estimates a per call cost of \$0.16 [Ameritech Comments, p. 16]; NYNEX estimates a per call cost of \$0.1636 [NYNEX comments, Attachment H, Line 7]; and BellSouth estimates a per call cost of \$0.11 [BellSouth Comments, p. 12].

addition, the LECs and IXCs may experience additional cost savings in the BPP environment as the result of automating operator services systems with OSS7 and AABS.

B. BPP Will Reduce the Risk of Fraud

Correctional facility commentators oppose BPP because they contend that BPP will increase the risk of fraudulent calls from prisons. For example, the Arizona Department of Corrections (ADC) states that BPP will degrade the investigation process and hinder ADC's efforts to prevent fraud. The American Jail Association also states that BPP will increase the risk of fraud and the American Public Communications Council states that BPP would inhibit existing screening features used to identify and restrict prison traffic.

On the contrary, BPP significantly enhances fraud prevention and detection over today's industry experience. With BPP, the LEC and IXC will have complete visibility into all traffic billed to a particular line number, unlike today's scenario where multiple carriers only have visibility into the traffic they handle. Thus, although OSP "A" may detect fraud on a specific line number and block it in its internal database, other OSPs do not have access to this information, and, therefore, each OSP will experience fraud over its network before the line number is blocked. With BPP, all traffic billed to a specific line number will be carried by one carrier which will give the carrier a

complete picture of the traffic and will allow the carrier to detect any fraud earlier.

BPP also would not reduce or inhibit existing screening features currently available. Rather, OSPs providing service to correctional facilities will still be able to perform special screening and monitoring and apply restrictions prior to transmitting the call to the public network.

C. BPP Will Not Inhibit the Development of New Services

AT&T contends that BPP could affect an IXC's ability to develop and offer new services. For example, AT&T states that BPP could limit its ability to implement voice recognition technology in its network because the LECs' operator systems would provide "front end" processing on all 0+ interLATA calls and would not pass the caller's voice to AT&T's operator systems. AT&T also states that the use of voice PINs for calling cards could be impacted by BPP if the LECs' systems could not collect and forward the customer's voice information to the IXC.

AT&T's arguments are without merit. With respect to voice recognition technology, AT&T uses voice recognition to automate the process of the caller selecting a billing method, such as collect, billed to third party, or card call. The BOCs use a functionally similar process, but require the customer to enter data via the key pad rather than by voice. However, the BOCs could elect to use the same technology as AT&T for obtaining customer-provided information (except the calling party name) and

pass the information to the IXC in the signaling. Voice recognition technology in the IXC network then could be used to obtain customer information (such as calling party name) once the voice path was completed to the IXC. Therefore, there is no validity to the proposition that this technology will be frustrated due to the inherent characteristics of BPP.

Similarly, voice pins could be implemented by the BOCs. The conversion of the voice information would have to be done in the BOC network and the information passed in the signaling path. Again, there is nothing inherent in the technological characteristics of BPP which would prevent the development of this service feature.

D. BPP Will Not Degrade Service

Some parties argue that BPP will degrade service quality by increasing access times and by requiring two operators to handle a call. The comments of the LECs, however, refute these arguments. According to Ameritech and Southwestern Bell, the implementation of AABS and OSS7 will reduce the need for double operator intervention. For example, the LECs' AABS system should be able to collect the calling number, the called number, the type of call and the billed number. After completing the LIDB query, the call would be sent with the collected data to the OSP.²⁰

²⁰ The LECs should be required to encode and pass all of the information obtained from the LIDB dip to the IXC.

The OSP would only have to verify the called party in the case of person-to-person and collect calling situations.

In addition, as stated by Ameritech, Bell Atlantic, Pacific Bell and Southwestern Bell, BPP access times should not increase significantly because of the implementation of SS7 technology. With BPP, there will be a negligible change in access time for LEC calling card calls, and, in fact, there could be a decrease in access time.²¹ (It should be noted that the majority of calls are card calls and, therefore, the majority of calls will not experience an increase in access time.) For collect and third party calls, there could be an increase in access time of no more than 1 to 3 seconds if the IXC chooses to prompt the calling party for their name instead of using the LEC's AABS. If, however, the IXC arranges with the LEC to do all of the prompting, the calling party will not experience the 1-3 second delay.

US West is simply incorrect that BPP will increase LEC processing time to more than offset the reduction in access time that will result from consumers dialing 0+ instead of access codes.²² According to US West, a LIDB query takes up to five

²¹ The BPP call processing time for LEC card calls will slightly increase (by a maximum of 0.5 to 1 seconds) because routing information has to be added to the LIDB message. However, the total access time will not increase because the consumer will not have to dial access codes. (It takes approximately 2.5 seconds to dial 10XXX; 3.5 seconds to dial 940-XXXX; and 5.5 seconds to dial 1-800-XXX-XXXX.)

²² According to US West, processing time will increase 6 to 30 seconds with BPP. This estimate, however, includes
(continued...)

seconds²³ and AABS selection can add two seconds for LEC calling card calls up to 20 seconds for billed-to-third party calls. However, US West fails to recognize that the same query is performed in today's environment and, therefore, overall access time will only increase slightly. Furthermore, US West did not consider that customers today experience significant delay when they have to place a second call after they learn that the telephone is not PIC'ed to their preferred carrier.

E. The Commission Cannot Impede the Development of BPP to Guarantee Aggregator Commissions

A number of aggregators oppose BPP because they do not want to lose the commission payments that they currently receive. This argument should be summarily rejected because it erroneously confuses the public interest with the financial interest of aggregators. As an initial matter, the presubscription process, which created the commission payment opportunity for aggregators, was implemented by the District Court as an interim measure until true equal access could be developed for the 0+ market. Accordingly, aggregators should reasonably have anticipated that the presubscription process and resultant commission payments was only a temporary benefit. Moreover, the Commission cannot impede

²²(...continued)
processing time associated with AABS, which is common to both BPP and non-BPP calls. In addition, US West assumes a worst case scenario that will rarely be experienced.

²³ This 5 seconds is a "time out" parameter and the LEC can choose any time - usually 3 seconds. In any event, the vast majority of calls are not "time out" calls.

the development of a truly competitive operator services market in order to guarantee profits to aggregators. To do so clearly would be contrary to the public interest in promoting the development of new technologies and competition.

III. BPP IMPLEMENTATION ISSUES

The comments demonstrate that in order to be effective, BPP must apply to all 0+ and 0- collect calls, calls billed to a third party, and calls billed to a LEC calling card.²⁴ In addition, the comments demonstrate that consumers should be able to select a carrier for their 1+ calls and a different carrier for their 0+ calls.²⁵ Clearly, these two access methods are used to provide different services. Therefore, tying a consumer's 0+ carrier to his or her 1+ carrier would unnecessarily limit consumer choice. Allowing separate PICs for 0+ and 1+ also will promote competition in the operator services market by encouraging OSPs to offer value-added 0+ services to attract consumers who have selected a different 1+ carrier.

MCI also concurs with the majority of the LECs that the carrier selected by the consumer to be his or her primary 0+ carrier should select the secondary 0+ carrier. As noted by Ameritech, the primary carrier will have the direct business

²⁴ BPP should apply to 0+ and 0- collect calls and calls billed to a third party which are billed to a domestic number. BPP also should apply to international dialed 01+ operator-assisted calls which are billed to a domestic number.

²⁵ See, Comments of Pacific Bell, Southwestern Bell, US West and Sprint.

relationship with the consumer and will ensure that he or she receives high quality service at competitive prices from the secondary carrier. Moreover, to limit customer confusion and to minimize complex technical requirements, MCI opposes the concept of allowing multiple secondary 0+ carriers and different carriers for 0+ domestic calls and 0+ international calls.

The comments demonstrate that BPP should not apply to foreign-issued calling card calls and operator-assisted calls billed to foreign numbers because it is technically impractical.²⁶ In order for BPP to apply to foreign-billed 0+ calls, there would need to be either a "PIC" in LIDB for every foreign telephone number or a specific PIC covering each foreign telephone company. It is administratively impractical to implement foreign end user selection in the BPP environment. Also, a single PIC per telephone company, whereby the telephone company selects the U.S. carrier is not in keeping with the spirit of "billed party" selection. Therefore, continuation of premise presubscription is the only practical solution for handling these types of calls.

Furthermore, from a foreign customer's perspective, where the foreign customer is the billed party, selection of a U.S. carrier is of little value because the foreign telephone companies price collect calls and foreign-issued card calls that terminate in the respective countries. Thus, from a pricing standpoint, the customer does not benefit from a U.S. carrier

²⁶ See Comments of BellSouth, Pacific Bell and Sprint.

selection. Also, with the introduction of "home country direct services," foreign travelers to the U.S. can contact operators in their respective countries via 800 numbers. Since foreign travelers can place outbound card and collect calls in this manner, BPP screening of these calls will not benefit consumers. Rather, it would only add to the development and administrative costs of BPP.

MCI supports Sprint's proposition that BPP should include 14-digit LIDB look-ups in order to allow both the LEC and IXCs to issue line-numbered calling cards. Line-numbered cards are preferred by consumers because they are easier to remember than CIID card numbers. Thus, if the IXCs are not able to issue line-numbered cards, the LECs would have an unfair competitive advantage. This would prevent consumers from enjoying the improved prices and volume discounts currently offered by the IXCs.

The comments also demonstrate that, with the implementation of BPP, provision must be made for the recognition and routing of proprietary IXC cards such as those conforming to the 891 and CIID format in the first phase of BPP implementation. As stated by Ameritech and Pacific Bell, the operator service switch should have the capability to recognize the preferred IXC by the card's first six digits and, therefore, a LIDB look-up should not be required for these types of cards. Routing the call directly from the LEC switch to the preferred IXC will maintain a high

quality of service and will reduce LEC and IXC costs associated with LIDB look-ups.

Commercial credit cards should not be included in BPP because market demand is not sufficient to justify the incremental development cost that would be required to accept such cards as a payment option in the BPP environment. MCI has seen little demand for a combined credit/calling card which uses the credit card number rather than a traditional telephone numbering format as a billing option for long distance calling. In fact, a study performed by the Synergistics Research Corporation²⁷ indicates that 67% of consumers have little or no interest in a combined credit/calling card.²⁸

The apparent success of AT&T's Universal Card does not indicate such demand because it appears to be attributable to the market appeal of the "free for life" credit card offer rather than the ability to bill long distance calls on the card. In fact, 48% of the Universal cardholders surveyed did not even know that it is a combined credit/calling card.²⁹ In addition, the credit card number is not the billing vehicle for telephone calls; rather the card contains a second number, a CIID number,

²⁷ See, "The Credit Card/Calling Card Connection," Synergistics Research Corporation, June 1991 at 23.

²⁸ When credit card users who did not already have a combined credit/calling card were asked how valuable they felt a combined card would be, only 7% rated the card as "very" valuable; 26% rated the card as "somewhat" valuable; 23% rated it as "not too" valuable and 44% rated it as "not valuable at all".

²⁹ Id. at 21.