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Robert H. Castellano
Director
Federal Regulation

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March 22, 1994

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington DC 20554

Re: CC Docket 92-77 (Phase II), Billed Party Preference

Dear Mr. Caton:

Much ex parte material has been filed in this proceeding since last summer. Several of those filings show that Billed Party Preference ("BPP") would cause an unnecessary and extremely expensive restructuring of the operator services business. Even the filings made by the dwindling number of BPP proponents reveal serious disagreements among these companies on important cost and the service design issues.

Ex parte presentations made by many parties show that BPP is a concept whose time has passed.[1] The unblocking and dial-around options codified in the Commission's rules, together with the Commission's right to monitor OSP rates, now make BPP unnecessary. In addition, BPP would increase prices for consumers, strengthen the LECs' grasp on intraLATA traffic and reduce the number of competitors in the operator services marketplace. Moreover, consistent with the Commission's earlier prediction,[2] customers have become familiar with OSP access codes and use them with increasing frequency.

MCI, in contrast, has made recent ex parte filings that attempt to portray customer confusion and blocking as widespread problems which can only be

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1 See, e.g., joint ex parte presentation by CompTel, AT&T, MFS, TCG and ALTS dated January 10, 1994.

2 See the NPRM in this proceeding, released May 8, 1992, ¶ 18.

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solved by adoption of BPP.[3] These filings are not persuasive, and, if anything, they demonstrate that BPP is not necessary to cure the problems cited by MCI.

The anecdotal experiences referenced in MCI's January 28 letter describe only an immeasurably small percentage of operator services calls, the vast majority of which are now successfully completed every day because of the Commission's unblocking rules. The Gallop Poll commissioned by MCI and attached to its February 14 letter fails to place any of the survey questions into a reasonable perspective. In particular, the survey fails to introduce any customer price increase information into any of the questions.

In all events, even if call blocking and high OSP rates continue to be problems, the Commission already has at its disposal the means to correct those problems without imposing billions of dollars in costs upon the industry to serve the business interests of the few remaining BPP proponents.[4]

Cost issues raise further concerns. Notwithstanding MCI's assertion that the cost of BPP would be substantially less than the amounts submitted by the LECs,[5] several recent ex parte filings indicate that the costs would be even greater. For example, on December 2, 1993, Ameritech stated that the costs it previously placed on the record "did not include any overhead loading," and stated that it would use a loading factor of 30% in developing its BPP costs. It is not clear whether other LECs have made similar oversights. In addition, APCC's December 7, 1993 filing points out that MCI's proposed restructuring of prison fraud control systems in connection with BPP would require additional costs that "are at present unknown and have not been included in the already enormous cost of implementing BPP." Even if the LECs do not offer any further revisions to their BPP cost estimates (an unlikely event considering the lack of a final service design, technical standards and firm costs for required equipment upgrades), inclusion of the costs identified above could drive the cost of BPP over $2 billion.

Furthermore, even the proponents of BPP disagree on several key service design issues. Several RBOCs and GTE adamantly oppose the implementation of 14 digit

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3 See ex parte letters from MCI dated January 28, February 4 and February 14, 1994.

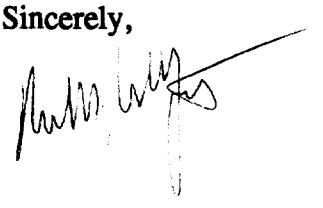
4 To the extent that MCI believes the availability of 0+ dialing is important to its customers, MCI can currently issue CIID or 891 cards that will work on a 0+ basis. Even if BPP were adopted as MCI proposes, Southwestern Bell correctly notes (ex parte letter dated January 27, 1994) that all IXC proprietary cards will have to be issued in CIID or 891 format.

5 See MCI ex parte, dated June 8, 1993.

screening.[6] Southwestern Bell has gone so far as to state that it would oppose BPP if 14-digit screening is mandated as part of the service design. Sprint, on the other hand, supports BPP but lists as a "major issue" its concern that "no carrier group [i.e. LECs] should monopolize any numbering format."[7] Pacific and Southwestern Bell offer the possibility of "shared card" programs with IXCs as a solution to this problem,[8] but GTE opposes the use of such mandated joint cards.[9] In addition, the only service design upon which several BPP supporters have been able to agree acknowledges that there are numerous issues to be resolved before the service design can be finalized.[10]

In summary, the comments continue to demonstrate that existing rules, properly enforced, can solve virtually all of the problems for which BPP is advanced as the "solution." Moreover, any minimal benefits of BPP are far outweighed by its extraordinary costs and the remaining difficulties in defining and implementing this capability. In addition, BPP will solidify the LECs' bottleneck on 0+ services and effectively eliminate the possibility of competition for intraLATA 0+ calls.

Sincerely,



cc: Gary Phillips
Mark Nadel

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6 Fourteen digit screening would enable all participants in a BPP environment to issue line number based cards that would work on a 0+ basis for all types of calls. In the current BPP design, only LECs could issue such cards. As a result all 0+ intraLATA traffic billed to such cards would be routed over the LEC networks, foreclosing even the possibility of intraLATA competition for 0+ calls.

7 SPRINT ex parte, dated January 24, 1994.

8 Southwestern Bell ex parte, dated January 27, 1994; Pacific Bell ex parte dated December 2, 1993.

9 GTE ex parte, dated February 9, 1994.

10 Joint ex parte dated December 23, 1993, submitted by MCI, GTE, Southwestern Bell and Pacific Bell.