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Genevieve Morelli
Vice President & General Counsel**RECEIVED****MAY 10 1994**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

May 10, 1994

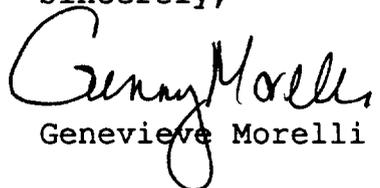
William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N.W.
Room 222
Washington, D.C. 20554Re: Ex Parte Communication
CC Docket No. 92-77

Dear Mr. Caton:

Yesterday Genevieve Morelli, James M. Smith, and Richard E. Wiley, representing the Competitive Telecommunications Association ("CompTel"), Larry James of U.S. Long Distance Corp., C. Alan Peyser of Cable & Wireless, Inc. and Pat Koch of Bell Atlantic met with Chairman Hundt and his assistant Karen Brinkmann to jointly discuss their opposition to Billed Party Preference. The attached materials were distributed during this meeting.

Please direct any questions concerning this letter to the undersigned.

Sincerely,


Genevieve Morellicc: Chairman Hundt
Karen BrinkmannNo. of Copies rec'd 241
List ABCDE

COMPTEL
May 9, 1994

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BILLED PARTY PREFERENCE:
AN IDEA WHOSE TIME HAS PASSED MAY 10 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

● **THE ENORMOUS COST OF BPP FAR OUTWEIGHS ANY PERCEIVED BENEFITS**

- CompTel estimates \$1.5 - \$2 billion plus annual operational costs
- LECS estimate \$1.2 - \$1.5 billion exclusive of IXC costs
- Frost & Sullivan Market Research estimates 63¢ additional cost per telephone call affected by BPP

● **THE ALLEGED BENEFITS OF BPP ARE EXTREMELY DUBIOUS AND SPECULATIVE, ESPECIALLY SINCE THE ENACTMENT OF TOCSIA**

- TOCSIA has mandated unblocking of access codes, branding, signage, and FCC enforcement action against unjust/unreasonable rates
- FCC Final Report to Congress (December 1992) found that TOCSIA has worked, and that access code dial-around has achieved wide consumer acceptance
- Consumer awareness is escalating with high-profile IXC efforts to encourage access code calling (calling cards, debit cards, 10XXX, 1-800-CALL-ATT, 1-800-COLLECT, 1-800-OPERATOR, etc.); BPP implementation would require a minimum of 3 years, during which marketing and consumer acceptance of dial-around and would increase even more... making BPP even more obsolete, unnecessary and wasteful
- Consumer savings extremely dubious (explaining lack of support for BPP by consumer groups). No consumer savings would be realized from abolition of commission payments, since premises and payphone owners will recover these revenues through other means

● WHO, THEN, SUPPORTS BPP?

- Primarily national IXCs who reason they can strip market share from AT&T and regional IXCs/OSPs
- Some LECs qualifiedly support BPP; but virtually no LEC unequivocally supports BPP (e.g., ex partes of SWBT, 1/27/94; GTE, 2/2/94; Ameritech, 9/3/93; Pac Bell, 12/3/93, p. 19)

● WHO OPPOSES BPP?

- Largest IXC and nearly all smaller IXCs. CompTel believes BPP would effectively preclude 0+ competition opportunity for regionally-based IXCs, and oligopolize 0+ long-distance calling among a handful (or less) of national IXCs
- Many Members of Congress, including the author of TOCSIA, Rep. Jim Cooper (letters dated 10/25/93, 11/4/93, 11/19/93)
- NYNEX, Bell Atlantic, BellSouth (NYNEX, 4/28/94; Bell Atlantic/BellSouth, 5/5/94)
- CAPs (ALTS, MFS, TCG 1/10/94)
- Private payphone owners
- Aggregators (hotels, universities, state agencies, prisons, airport authorities, etc.)

RECOMMENDED ACTION

- **BPP is an extremely expensive, unnecessary solution to a problem that no longer exists. Consumers can and do reach their carrier of choice with ease from anywhere, and competition in operator-assisted services is increasing. The Commission should terminate this proceeding.**
- **The Commission should not prolong this proceeding further, given the intervening developments that have rendered BPP unnecessary and ill-advised. Nevertheless, if the Commission deems it necessary to adopt a Further Notice to supplement the very stale record in this proceeding, CompTel would support inclusion of a request for comment on, inter alia, alternatives to BPP including the possibility of establishing guidelines or ceilings for what might constitute "just and reasonable" rates for 0+ calls.**

Bell Atlantic Network Services, Inc.
1133 Twentieth Street, N.W.
Suite 800
Washington, D.C. 20036
202 392-6990

Marie I. Breslin
Director
FCC Relations

May 5, 1994

EX PARTE

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C.

Re: CC Docket 92-77

Dear Mr. Caton:

Please be advised that on May 5, 1994 Whit Jordan of BellSouth, Ellen White and the undersigned of Bell Atlantic met with Richard Metzger, Kathy Levitz, Roxanne McElvane, and Mark Nadel of the Common Carrier Bureau. The purpose of the meeting was to jointly discuss our opposition to Billed Party Preference.

Attached is a copy of the handout distributed at the meeting. Please include this correspondence in the public record of the above-captioned proceeding.

Marie Breslin

Attachment

cc: A. R. Metzger
K. Levitz
R. McElvane
M. Nadel

BILLED PARTY PREFERENCE

CONSUMER NEED FOR BILLED PARTY PREFERENCE IS DIMINISHING

- **Telephone Operator Consumer Services Improvement Act (TOCSIA)**
 - **Industry has spent millions to implement TOCSIA**
 - **Unblocking of Access Codes**
 - **Call Branding**
 - **Payphone Signage**
 - **FCC's 1992 Report to Congress says TOCSIA working**
- **Operator Transfer Service gives consumers carrier of choice**
- **Growth of dial-around services (1800 COLLECT, 1800 CALL ATT)**
 - **No longer confusing access codes to remember**
 - **IC efforts have been successful in educating consumer**
 - **FCC's requirements in CC Docket 92-77 regarding AT&T's education of its cardholders**
 - **Estimates of losses to dial-around**
 - **Debit Cards**
- **Increasing alternatives to 0+ dialing**
 - **PCS, Cellular**
- **Marketplace will have further evolved beyond need for BPP given three year implementation time frame**

MARGINAL BENEFITS OF BPP DO NOT OUTWEIGH SUBSTANTIAL COSTS

- **Cost estimates of \$1.2B will drive up cost of every interLATA call**
- **\$1.2B Estimate does not include IXC costs**
- **Any net savings for consumers from reduced commission payments will not be realized because proprietors will make up for lost commission revenue through other increases**
 - **Commission will also need to address private payphone needs, i.e., compensation**
 - **Letters from Congress recognize that BPP is of value only to consumers who routinely use payphones or hotel phones, yet ALL CONSUMERS must pay to recover substantial cost of BPP**
- **Bell Atlantic and BellSouth applaud Commission's efforts to simplify and expand consumer choice, but not at any price**

ABILITY TO RECOVER COSTS OF BPP ARE QUESTIONABLE

- **Access code bypass will increase to avoid expense of BPP**
- **Calling card studies and focus groups reveal consumers will dial-around to get discounts**
- **Operator call volumes will decline over time due to alternatives, i.e., PCs and Cellular**
- **Educating consumers and creating economic incentives to dial-around prior to BPP deployment, will make retraining consumers to dial 0+ more difficult and make cost recovery risky**
- **Majority of BPP costs will be apportioned to intrastate jurisdiction making cost recovery more difficult**
 - **Concern over buy in from state Commissions where 75% of costs are recovered**
- **All rate payers will be asked to subsidize a service designed to benefit a small segment of the population**
- **Local exchange carriers should not be expected to incur such a substantial investment based on such marginal benefits**

PURPORTED BENEFITS OF BPP ARE UNFOUNDED

- **BPP will not improve fraud control**
 - **Fraud perpetrators will continue to use dial-around to avoid detection**
 - **No improvement over the fraud procedures LECs have in place today**
 - **Inmate fraud will rise – without commissions penal institutions cannot pay for call control/fraud control technology**

- **BPP will not refocus competition on end user**
 - **Focus already on end user with unblocking, 1-800, and proprietary calling cards**
 - **Presubscribed carrier will lose business to dial-around if they don't meet end user needs**

- **BPP will not solve the problem of FCC TOCSIA violations**
 - **Texas PUC survey on blocked payphones**
 - **No reason to expect violators to comply with BPP either**
 - **Answer is enforcement of existing Federal and state regulations**

- **BPP will result in consumer confusion**
 - **Selecting 0 + PICs**
 - **Reemergence of "slamming"**
 - **Balloting of customers no matter how it is done, results in low response rate (less than 20%). Thus, BPP results in "big three" retaining the traffic by defaulting to 1 + PIC**
 - **Application of BPP to non-equal access offices will be more confusing to customers who do not have the same choices for 1 + calls**