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PACIFIC TELESIS
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FEDERAL COMMUNICATIONS COMMISSION
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July 17, 1996

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

Dear Mr. Caton:

Re: *CC Docket No. 92-77 - Billed Party Preference for 0+ InterLATA Calls*

On behalf of Pacific Telesis Group, please find enclosed an original and six copies and one diskette of its *"Comments"* in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Alan F. Ciamporcero

Enclosure

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

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

COMMENTS OF PACIFIC TELESIS GROUP

Pacific Telesis Group ("Pacific Telesis") files these comments responding to the Second Further Notice of Proposed Rulemaking released June 6, 1996. The Commission seeks comment on its proposal to set benchmark rates for interLATA operator service calls in order to protect consumers' expectations, require disclosures of applicable charges for calls from companies that exceed the benchmark, change rules with respect to the filing of information tariffs, and whether forbearance from tariffing should be adopted. These actions are in lieu of imposing a billed party preference requirement since the Commission has found that the costs of BPP outweigh its benefits at the present time. Pacific agrees that, with the changes that

have taken place in the industry, BPP is not the appropriate solution today that it may have been years ago.[1]

We believe that the Commission should take action, however, to curb the high prices charged by some operator service providers. We support the imposition of a benchmark as explained in our comments below.

Summary

We support the Commission's proposal for a benchmark based on the weighted average of the rates for MCI, AT&T, and Sprint. We believe the benchmark should be based on some percentage of that average (probably 110% or 115%). The Commission should set the benchmark in as simple a way as possible. To that end, we propose that the Commission collapse some of its categories so that the benchmark is easy to understand and easy to administer We do not believe that mileage banding is necessary or appropriate. The appropriate categories are keyed to the type of call being made (i.e. station-to-station, collect, and person-to-person).

The disclosure that must occur for a carrier to exceed the benchmark should be based on the actual costs about to be incurred by the consumer, and should not be based on an average rate for the carrier Disclosure should not be required for

[1] The Commission notes that BPP may become more economical as long term number portability is implemented. (para. 4) We caution that the database being developed for long term number portability could not accommodate the information necessary to perform the BPP function

all 0+ calls, only those that exceed the benchmark. We also support the Commission's proposal to forbear from tariffing various operator service functions.

Price Disclosure on all Calls is Unnecessary

The Commission first asks for comment on whether price disclosure on all 0+ calls is appropriate (para. 15) and whether the benefits of disclosure exceed the costs of such disclosures. We strongly believe that the costs of such a rule strongly outweigh the benefits. The vast majority of operator service calls are not at prices that surprise consumers. It is only those calls whose price exceeds consumer expectations that should be subjected to additional regulation. As is no surprise, price disclosure on each call is extremely costly, and would subject the caller to unnecessary delay and inconvenience. Subjecting each caller to this delay and inconvenience is not appropriate. In addition, inserting such disclosures prior to each call will cause real costs for the carrier. It is not fair to impose such costs on those whose rates are not offensive or excessive.

A Benchmark is Appropriate Based on the Rates of the 3 Largest Carriers

We agree with the Commission that setting a benchmark level for operator service rates will help to curb some of the abuses present in the marketplace. We agree with the Commission that a useful benchmark would be based on the average price charged by AT&T, MCI, and Sprint. We also believe that including some level of

variation is appropriate so that the allowable benchmark would be 110% or 115% of the average rates. As the Commission recognizes, different OSPs have different cost characteristics and may not be able to meet the scope and scale economies of the Big Three (para 24). Also, allowing some price variation will allow carriers the opportunity to tailor their services and prices to some degree which should be supported in a competitive environment.

The Commission proposed that the benchmark should be calculated as of January 1 of each year and that the benchmark would apply for the following July 1 to June 30 (para 25). The Commission reasons that this six month lag allows OSPs to revise their rates to meet the benchmark. We do not believe that a six month lag period is necessary. Any changes to rates as a result of the benchmark set should be done immediately. We see no benefit to the lag period. Therefore, we suggest that the Commission allow 30 days for carriers to revise rates after the benchmark has been set. We agree that carriers should be allowed to revise their rates upward if the Big Three's rates increase during the year. That way, smaller carriers will be protected against gaming of the benchmark that could occur if the benchmark determining companies could adjust their rates upward after the benchmark dates.

The FCC also proposes a benchmark structure that significantly truncates the types of calls that constitute the benchmark. In paragraph 26, the Commission proposes 6 characteristics of an 0+ call that can affect the rate of a call. While we do not disagree that the six identified characteristics may affect the rate of a call, we think that a benchmark based on these characteristics will be needlessly complex.

Instead, we believe that a benchmark can be set based upon a small set of criteria. We suggest 4 major categories of calls:

calling card

station (including billed-to-third and collect)

person-to-person

inmate collect

This differs from the Commission's proposal in that it omits the difference between customer dialed and operator dialed calling card calls, and would also collapse the collect and third party calls into a single category (see Appendix D and E). We propose to not segregate calls as proposed by the Commission because the benchmark should be an easily understood, easily calculated number to minimize the administrative burdens on the carrier.

In addition, we do not think that the benchmark should be distance sensitive. More and more, carriers are using distance insensitive rates. For example, the Big Three carriers spend millions of dollars each year touting their flat-rated calls to anywhere in the country, in Canada, etc. These marketing efforts are very successful and are indicative of the future of telephony rate setting. Benchmarks should therefore not be based on mileage bands. Instead, for each type of call, a benchmark should be set for first minute charges, and a benchmark for each additional minute.

Administering a benchmark along the lines we have set forth will not present a difficult administrative burden. Administering it as proposed by the Commission, with the potential for 528 different rates, may be quite burdensome.

Exceeding the Benchmark

The Commission proposes that a company must orally disclose its rates if it chooses to exceed the benchmark. The Commission seeks comment on whether to require the OSP to disclose the actual rate for the call (both initial rate period and subsequent rate period) or to require the OSP to disclose an average rate for that type of call (see para 35). We suggest that disclosing the actual price of the call is the only disclosure that will address the problem these rules are trying to solve. Of course, a carrier would not need to disclose charges by aggregators (hotels, for example) for service-related charges not imposed directly by that carrier Only if a consumer knows that he or she is about to incur high charges can the consumer decide whether to complete the call. Some hypothetical average rate may not protect the consumer.

For example, the average rate for a seven minute call can appear to be reasonable to a caller. However, if the caller is making a one minute call (or a one hour call), the charge for that call may be exorbitant, even though it averages out to a more reasonable amount when it is factored in to the total traffic of the OSP. Therefore, the only fair way to protect consumers is for disclosure of the actual rates for the call. And, the disclosure must precede any charge that will exceed the benchmark.

Tariff Forbearance

The Commission seeks comment on whether to forbear from requiring informational tariffs from non-dominant OSPs to the extent they provide the necessary audible disclosure if they will exceed the FCC benchmark for the call (para 40). We

agree that tariffs should not be required and that the Commission's proposal for a rate cap will be more effective at protecting consumers than the tariffing currently required.

Conclusion

We support the Commission's efforts at protecting consumers from high operator service rates from some carriers. We believe that imposition of a benchmark

will help to curb those abuses. We urge the Commission the take action in accordance with our comments.

Respectfully submitted,

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Date: July 17, 1996

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Attachment A

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

o An oversize page or document (such as a map) which was too large to be scanned into the RIPS system.

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