



November 13, 1998

1850 M Street NW, Suite 1100  
Washington, DC 20036

Magalie Salas  
Secretary  
Federal Communications Commission  
Room 222  
1919 M St., NW  
Washington, D.C. 20554

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**NOV 13 1998**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**Re: CC Docket No. 98-170**

Dear Ms. Salas:

Attached is the original, plus 4 copies, of Sprint Corp.'s Comments in the above-captioned proceeding. We have also provided Anita Cheng of the Common Carrier Bureau with this filing on diskette in WordPerfect 5.1 for Windows format.

Sincerely,

Norina Moy  
Director, Federal Regulatory  
Policy and Coordination

cc: Anita Cheng

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FEDERAL COMMUNICATIONS COMMISSION  
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NOV 13 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Truth-In-Billing ) CC Docket No. 98-170  
 )  
and )  
 )  
Billing Format )

**COMMENTS  
OF  
SPRINT CORPORATION**

Leon M. Kestenbaum  
Jay C. Keithley  
Marybeth M. Banks  
Norina T. Moy  
1850 M St., N.W., Suite 1110  
Washington, D.C. 20036  
(202) 857-1030

Jonathan M. Chambers  
1801 K St., NW, Suite M112  
Washington, D.C. 20006

November 13, 1998

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## Summary

Sprint agrees with the Commission that telecommunications service providers should indeed render “thorough, accurate and understandable bills.” We believe that certain of the Commission’s proposals, such as those which enable consumers to identify and contact directly the service provider whose charges are contained in the telephone bill, promote this goal and should not present an unreasonable burden upon carriers to implement.

However, Sprint is concerned that other of the proposals on which the Commission seeks comment will increase customer confusion and would be costly or otherwise difficult for carriers to implement. Because their costs are likely to far outweigh their benefit, the Commission should not adopt proposals relating to specification of the organization of the bill, itemization of each charge on the bill, differentiation of deniable and non-deniable charges, or identification of access charge flow-through amounts.

Sprint also demonstrates that Sprint in particular and IXCs in general have reduced their average rates by far more than the decrease in interstate access charges, even taking into consideration application of new rate elements to recover USF contributions and PICC flow-throughs. In the fiercely competitive long distance market, the Commission can and should rely upon market forces rather than regulatory fiat to ensure that reductions to interstate access costs are flowed through to consumers.

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

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	)	
Truth-In-Billing	)	CC Docket No. 98-170
	)	
and	)	
	)	
Billing Format	)	

**COMMENTS**

Sprint Corporation, on behalf of Sprint's Long Distance Division, Sprint's Local Telephone Division, and Sprint PCS, hereby respectfully submits its comments in the above-captioned proceeding in response to the Notice of Proposed Rulemaking released September 17, 1998.

**I. BACKGROUND AND INTRODUCTION.**

In this proceeding, the Commission seeks comment on "how to ensure that consumers receive thorough, accurate, and understandable bills from their telecommunications carriers" (para. 6). The Commission offers three general categories of proposals intended to "help provide consumers with the information they need to make informed choices" (para. 1): organization of telephone bills; full and non-misleading descriptions of charges contained in the telephone bills (descriptions of services, identification of providers, and descriptions of charges resulting from federal regulatory actions); and provision of consumer inquiry/complaint information.

Sprint agrees that telecommunications service providers should indeed render "thorough, accurate and understandable bills," and we (and presumably other carriers as well) continually explore ways to make our bills as helpful and understandable to our customers as possible.

Sprint is acutely aware of, and sympathizes with, the frustration some consumers have expressed over complicated and confusing telephone bills, and we support the Commission's goal of ensuring that customers are given "accurate, meaningful information in a format they can understand."<sup>1</sup> We believe that certain of the Commission's proposals, such as those which enable consumers to identify and contact directly the service provider whose charges are contained in the telephone bill, promote this goal and should not present an unreasonable burden upon carriers to implement.

Sprint also believes that the Commission is correct in stating (para. 11) that "[t]he importance of providing an accurate and understandable telephone bill must be balanced against the costs incurred to provide that information." These costs take the form of both operating expenses incurred by carriers to change their bill format or content, and customer confusion, particularly in the residential market,<sup>2</sup> associated with a flood of additional or extraneous information. Sprint is concerned that adoption of some of the NPRM's proposals -- to the extent that we were able to understand their scope -- would have the unintended consequences of making customers' bills *less* understandable, would be costly and cumbersome to implement, and are not warranted on the basis of available information. Because their costs are likely to far outweigh their benefits, the Commission should not adopt the proposals relating to specification of the

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<sup>1</sup> Separate Statement of Commissioner Michael Powell regarding the instant NPRM.

<sup>2</sup> Sprint's comments here focus on the Commission's proposals as they relate to the residential market and, to a lesser extent, the small end of the small business market. Our experience and research indicate that large business customers have different billing needs and a higher level of sophistication about telecommunications services than is true for residential and small business customers. Thus, we believe that proposals to ensure truth-in-billing which may be appropriate for residential and small business customers would not be especially helpful to large business customers.

organization of the bill, itemization of each charge on the bill, differentiation of deniable and non-deniable charges, or identification of access charge flow-through amounts.

Sprint does not dispute that the Commission has ancillary jurisdiction under Title 1 over interstate billing and collection services. However, particularly in the competitive long distance and wireless markets, the Commission should allow market forces to determine rate levels and the manner in which service charges are presented to customers. The Commission should also bear in mind that there are many tools other than the invoice itself which carriers use to address consumer inquiries, to apprise customers of changes to the telecommunications services being provided, and to alert customers to new rate elements and surcharges being assessed.

## **II. ORGANIZATION OF THE BILL.**

The Commission states that “[t]elephone bills should be organized to be readable and to present important information clearly and conspicuously” (para. 16) so that customers can detect new charges for new services and new carriers. According to the Commission, because telephone bills may contain charges for many products and services offered by many service providers, consumers may not notice that they have been slammed or that they are being billed for services they did not request and do not want. To better organize telephone bills, the Commission seeks comment on whether it should prescribe that bills be (1) separated into sections for different categories of services (*e.g.*, local, long distance and miscellaneous) on separate pages, if possible, or organized by service provider with a description of each service being provided (para. 17); (2) have a summary of the current status of the customer’s services (para. 18); or (3) identify any changes or new charges on the customer’s bill (para. 19). The Commission also seeks comment on whether such information would “help consumers defend themselves against cramming, slamming, and other types of fraud” (para. 19).

Sprint agrees with the Commission that telephone bills should be clearly organized so that consumers can understand the charges presented thereon. Knowing the value of a bill which meets customers' needs, Sprint has placed a great deal of emphasis on formatting the bill to meet customers' requirements and to be more "customer friendly." To this end, it has conducted extensive research on bill design and formats and has found that customers want bills that are short, concise, readable and easy to understand. Many aspects of the bill affect its readability and understandability, including the organization of the bill into sections, the presentation of the summaries, the layout of the page, the amount of detail provided, and even the type of font used on the bill. The size of the customer's monthly billing, the number of "extras" on the bill, and the number of service providers all affect customers' perceptions and preferences. However, it cannot be determined without working with focus groups and without conducting further research how consumers will react to specific proposals for organizing the bill. Thus, there are many interrelated aspects of the bill that affect whether the goal of a clearly organized bill is achieved, and whether the consumer "likes" the bill.

Any prescriptions concerning the organization of the bill must be carefully done. The FCC should not attempt to mandate details of the bill's format because such prescriptions may not produce a bill that meets the Commission's objectives and will eliminate the carrier's flexibility to tailor its bills to its customers' needs. Sprint considers the bill to be a competitive product which differentiates it from other carriers. Rules which require a specific format or which otherwise limit a carrier's ability to design bills restrict carriers from using the bill to compete for and retain customers. Further, specific requirements for one type of carrier may not be applicable to others, and detailed rules may not be flexible enough to accommodate new products resulting from technological developments and bundled products. Therefore, if any rules are

adopted in this rulemaking, they should be general principles rather than specific requirements regulating the organization of the bill or other detailed aspects of it.

Any such rules should be flexible enough to allow for the identification of service providers either (1) where each service provider's specific charges appear on the bill (so that bundled offerings of different services can be attributed to a single provider) or (2) on a summary page. Each format has its own virtues in terms of clarity. Sprint does not believe that slamming or cramming will be significantly reduced by identifying changes in the customer's service provider from one bill to the next and therefore this proposal is not a cost effective solution.

Finally, to the extent that rules regarding bill organization are necessary, the Commission should limit their application to carriers who bill mass market customers on behalf of other service providers using paper invoices.

**A. Organization by Categories of Services or by Service Provider.**

Sprint agrees that logically, telephone bills should be organized either by category of service or by service provider. Sprint's local exchange telephone bills are organized by service provider. Sprint believes that flexibility is extremely important so that the organizational structure of the bill can be tailored to the products and bundles of products that will be available to customers. Thus, to avoid customer confusion with respect to such offerings, the Commission should not prescribe that bills be organized by category of service; rather, carriers should be afforded the flexibility to identify service providers in a manner that relates to the products or bundles of products provided to the customer. Customers do not want to look for parts of a bundled offering which they are purchasing under a single brand name for a single price, in separate sections of the bill.

Although Sprint's incumbent local exchange companies generally provide separate pages for individual carriers if requested by carriers for which it bills, it does not believe that such separation should be mandated. Requiring separation would restrict the carrier's ability to structure the invoice to meet customers' needs and would add pages to the bill which some customers have told Sprint they do not want. Also, increasing the number of pages of a bill increases the cost to produce and mail it. In the end, such costs must be recovered from the customer in the form of higher rates.

The Commission suggests that the bill should contain a description of each provider's services. It is not clear what "services" the Commission is proposing be described on the bill. If it is referring to broad categories of services, such as local and long distance, a description of each would not pose a significant problem. If it believes that each product or parts of a product should be described, this requirement would be extremely burdensome. For carriers that bill for other service providers, this requirement would necessitate descriptions of possibly hundreds of products that would have to be updated continually for each carrier for which billing services are provided. As discussed in Section III below, such detailed descriptions would burden customers with additional, unwanted information and are unnecessary because customers who have questions can call the customer service numbers on the bill to obtain additional information. Additional descriptive material would require additional paper, postage and system enhancements, and again the customer would ultimately bear the cost.

#### **B. Current Status Summary.**

The Commission proposes that carriers provide a summary of the customer's service providers. Sprint's incumbent local exchange companies currently have the capability to provide information identifying the local exchange provider and separately identifying carriers on whose

behalf it is rendering bills. This information is also contained in the invoice where the charges appear. Sprint believes that it is most important that each different service provider be clearly identified on the bill with the charges which are being billed for it, and that it is not necessary or cost effective to require that it also be presented on a summary page.

There is no need for information on a telephone bill about whether or not the customer has a PIC freeze or other blocking mechanism. Most people ordering the PIC freeze or other blocking mechanism are fully aware that they have such mechanism in place and do not need to have the fact repeated month after month on the bill. Some slamming cases involve switchless resellers that use their underlying carriers' carrier identification codes and that slam customers of their underlying carriers. A PIC freeze does nothing to prevent or correct this problem.<sup>3</sup> The customer may be more confused by apparently conflicting information that the long distance carrier has been changed despite having a PIC freeze in place. In addition, PIC freezes and other blocking mechanisms do not prevent cramming on a customer's bill. Thus, on balance, Sprint believes the cost and possible customer confusion associated with repetitive PIC freeze and blocking information on a customer's bill outweigh any benefits in terms of curbing slamming and cramming obtained thereby.

### **C. Identification of Changes.**

Sprint does not have the capability of meeting the Commission's suggestion that the carriers identify changes in service providers from one bill to the next. In order to do so, billing carriers would be required to compare the customer's previous bill with the new bill as it is being generated. The system requirements needed to accomplish this comparison will be extensive and

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<sup>3</sup> As discussed below, in order to minimize customer confusion, Sprint believes that resellers should be strongly encouraged to obtain their own carrier identification codes.

extremely expensive. Development of a system to compare bills would require either the retention of the customer's previous bill in machine-readable format or the development of a new database to store relevant billing information on providers and charges and the capability to determine whether or not there has been a change.

If carriers provide customers with information about changes in their service providers, customers would receive information about changes that have been requested as well as those that are the result of slamming or cramming. In addition, customers would be notified of any carrier that did not appear on their previous bill but was used during the prior month. Thus, a new carrier may appear on the bill because the customer used a dial-around provider, an operator services provider, or a directory assistance provider, or because the customer used a pay-per-call service. Because information that might lead a customer to detect slamming or cramming would be intermingled with other information about the services the customer has used and is being billed for legitimately, Sprint expects that the impact on either cramming or slamming will be minimal. The more significant impacts are likely to be additional information the customer does not want to see on a monthly basis and the concomitant customer confusion. Here again, the additional costs and customer confusion are likely to outweigh any possible benefits.

Sprint believes that it would be far more cost-effective for carriers to encourage customers to retain their previous month's bills and compare them to the current ones. Perhaps bills should contain a statement suggesting that the customer might wish to retain the bill for future reference. Customers would be able to detect changes in carriers, as well as changes in charges (*i.e.*, monthly recurring charges, the introduction of new charges or different levels of charges) by comparing their bills. They could call the toll free number on the bill to discuss the charges and have them removed if such charges are due to unauthorized slamming or cramming.

**D. Bill Organization Rules Are Even Less Helpful for Carriers That Are Not Billing for Others, for Nondominant Carriers, and for Electronic Bills.**

It is clear from the Commission's description of slamming and cramming and its three proposals to organize telephone bills that it believes customers are having problems detecting new charges on bills which contain charges for multiple service providers. Customers will not have these problems with telephone bills that contain charges for a single carrier or for a bundle of services under a single brand name. They are not misled about a change in carrier, nor do they have a problem with the name of a carrier appearing to be a product. Cramming should be less of a problem for carriers billing only for themselves. Thus, any prescription of rules for the organization of telephone bills should not apply to bills sent by carriers who bill only on their own behalf.

Billing organization rules would be especially unhelpful and intrusive for nondominant carriers. Such carriers are subject to intense competition which drives them to improve their bills and provides a strong disincentive to bill for unscrupulous service providers. Sprint considers its invoices to be competitive products that represent a valuable method of communicating with its customers. Increased regulation and restrictions on billing format and content will stifle Sprint's and other carriers' incentive to compete and enhance their bills to meet customer needs.

Although Sprint does not believe that bill organization rules are necessary at all, to the extent they are adopted, the Commission should limit their applicability to mass market customers who receive paper invoices. Sprint works with its larger business customers to tailor the bills to their requirements and has built into its billing systems the flexibility to define the format of the bills in a variety of ways that meet the individual business' needs and organizational structure. In addition, an increasing number of customers receive their bills electronically, which

allows them to reformat them. Any Commission rules specifying bill organization and format should not apply to bills sent to these customers, or to bills rendered electronically.

\* \* \* \*

In sum, Sprint believes that specific rules and regulations applicable to the organization and format of bills are not necessary and any benefit that might be derived from such rules is outweighed by the implementation costs. Sprint and other carriers work closely with their customers to present bills in an effective manner and the flexibility to use this important customer communication tool to compete should not be restricted. If the Commission determines that general rules should be adopted, such rules should be flexible and should apply only to carriers who bill their mass market customers on behalf of other service providers using paper invoices.

### **III. FULL AND NON-MISLEADING DESCRIPTIONS OF CHARGES.**

The Commission states (para. 20) that “[c]arriers should provide consumers with full and non-misleading descriptions of all charges contained in their telephone bills, as well as clear identification of the service providers associated with those charges.” It specifically seeks comment on whether each charge on a consumer’s bill should be accompanied by a brief, clear, plain language description of the services rendered (para. 22); whether bills should differentiate between deniable and non-deniable charges (para. 24); and how carriers should implement charges associated with USF and access reform (para. 25). The Commission also proposes that the name of the service provider “must be clearly and conspicuously identified” (para. 23). Sprint discusses each of these below.

**A. Itemization of Charges.**

The Commission asks whether each charge on a consumer's telephone bill should be accompanied by a "brief, clear, plain language description of the services rendered" (para. 22). It also asks what types of information would assist consumers in understanding the charges on the bill (*id.*).

Sprint agrees that customers should be able to determine what service has been rendered based upon the description of that service included on the telephone bill. However, it is not at all clear what level of detail the Commission has in mind here. Is the term "local telephone service" sufficient, or is the Commission contemplating a requirement which specifies that basic local service be separately identified from optional features (inside wire maintenance, call forwarding, caller ID, etc.)? If charges must be itemized, does the Commission envision a local bill that separately identifies each local number called? Long distance and wireless bills generally include information such as the total charge for each call, the number of minutes of each call, the time of day the call was placed, and the called number, with promotional credits and non-usage based charges (*e.g.*, monthly recurring charges) listed elsewhere on the bill. While Sprint believes that such information is sufficient to enable a customer to understand his long distance or wireless bill, it is not clear from the NPRM whether the Commission also believes such information is sufficient, or whether it believes that additional detail is necessary.

If the Commission is suggesting here that a telephone bill must itemize every rate element a carrier assesses, Sprint opposes such proposal. An individual carrier may offer dozens of products, each of which may have many individual rate elements.<sup>4</sup> Carriers constantly introduce

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<sup>4</sup> For example, operator-assisted calls include a per call surcharge (which varies depending upon the type of operator assistance rendered) and a transmission rate element. Taken literally, the

new services and promotional offers as well. As described above (p. 6), it would be extremely difficult for a carrier that bills on behalf of other service providers to keep track of the hundreds of rate elements that any one service provider might assess. The task of determining what “brief, clear, plain language” descriptors to use, within the space constraints of an invoice, presents a significant administrative burden. Moreover, describing every charge assessed will require costly systems upgrades to accommodate additional data fields.

Even more importantly, describing each charge included on the bill is likely to overwhelm consumers. Sprint’s market research has shown that customers – especially residential customers – generally want simple, easy to understand bills.<sup>5</sup> (This sentiment was also expressed by participants at the Commission’s October 23, 1998 Truth in Billing Forum.) Among other things, focus groups in Sprint’s Greenfield study commented that telephone bills have “too many pages,” include “numerous and overly detailed charges they do not understand,” and “waste paper with unnecessary information.”

The Courts also have cautioned against adopting regulatory requirements which overwhelm consumers with extraneous information. For example, the Second Circuit Court of Appeals stated that Western Union’s plan to implement the Commission’s “interim” formula for distributing traffic among international record carriers:

... would require the customer, anxious to have his message immediately transmitted, to read a short history of the WU-IRC relationship, assuming that it could be condensed into a few pages, then read the advertising literature written by each of the other IRCs and after serious cogitation consider which of the IRCs seemed to be the best. Assuming that this could be done in a convenient reading area within an hour, query, would the customer be any better informed? The average customer would be

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instant proposal would require two separate line items for the call rather than the one line item charge currently used.

<sup>5</sup>For example, in July 1997, Sprint commissioned a study by Greenfield Consulting Group to assess billing statement prototypes.

entitled to say in a petulant and indignant way that he came to send a telegram and not to be forced to absorb a history of the transoceanic telegraph industry.

*RCA Global Communications, Inc. v. FCC*, 559 F.2d 881, 889 (1977).

It is important to remember that the invoice is not the only means by which major carriers communicate with their customers about charges included on the bill. For example, new Sprint residential long distance customers are generally sent a "Welcome to Sprint" package which describes the calling plan (rates, terms and conditions) in which they have enrolled. Sprint periodically sends out mailers, invoice messages, and bill inserts to existing customers describing new assessments such as the carrier universal service charge. Sprint Long Distance's customer service representatives are also available 24 hours a day, 7 days a week, via a toll-free number to respond to customer inquiries in more detail than could possibly be included on an invoice. Thus, while Sprint firmly supports the need to render a clear and understandable bill, we do not believe that itemizing every charge would be helpful in achieving this goal.

**B. Clear Identification of the Service Provider.**

Sprint supports the Commission's proposal (para. 23) that the name of the service provider be clearly and conspicuously identified in association with that entity's charges, and agrees that in cases of resold services, the name of the reseller must appear on the telephone bill. This should help consumers determine who their service provider is, whether they have been switched to a new carrier without authorization, and whom they should contact to discuss billing or service disputes.

Clearly identifying the carrier levying the charge is particularly important in situations in which a reseller uses the carrier identification code (CIC) of the underlying facilities provider. In these cases, the LECs' records will incorrectly show that the end user's presubscribed carrier is

the underlying facilities provider (the holder of the CIC) rather than the reseller.<sup>6</sup> To minimize customer confusion regarding the identity of their presubscribed service provider, resellers should be strongly encouraged to obtain their own, individual CICs.<sup>7</sup> Alternatively, for those resellers who are reluctant to invest in their own CIC, LECs should be required to use the Switchless Reseller Indicator in their CARE and service order systems.

### C. Differentiation of Deniable and Non-Deniable Charges.

The Commission seeks comment on whether telephone bills should differentiate between “deniable” and “non-deniable” charges,<sup>8</sup> perhaps in the form of a prominent disclosure at the top of the page or section stating that non-payment of certain charges would not result in the termination of the customer’s local exchange or long distance service (para. 24). The Commission also asks whether it should extend to all non-deniable charges existing pay-per-call rules requiring telephone companies to prominently disclose that local and long distance service may not be disconnected for non-payment of disputed charges for information services (Section 64.1510(c)(1) of the Commission’s Rules).

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<sup>6</sup> For this reason, Sprint is concerned about any proposal which would require the LEC to prominently display the name of the carrier to which a customer allegedly has been switched.

<sup>7</sup> The Commission has noted that a reseller’s CIC “allows the LEC to identify on the customer’s bill the reseller, rather than the carrier the reseller used to provide its services. This procedure reduces confusion for the end user and assists the reseller in maintaining a favorable relationship with the end user customer” (*Administration of the North American Numbering Plan, Carrier Identification Codes (CICs)*, CC Docket No. 92-237, *Further Notice of Proposed Rulemaking* released October 9, 1997, n. 18). With the expansion from 3 to 4-digit CICs, there now should be a sufficient number of CICs available to accommodate demand from resellers for their own CICs.

<sup>8</sup> Deniable charges are those charges that, if unpaid, could result in the termination of local exchange or long distance telephone service. Non-deniable charges are those charges for which basic communications services would not be terminated for non-payment (para. 24).

Sprint opposes any proposal that would require that telephone bills differentiate between deniable and non-deniable charges, or that would extend pay-per-call disconnection disclaimer notice requirements, because such proposals would increase carriers' bad debt significantly, and negatively affect carriers' cash flow, by encouraging unscrupulous or irresponsible consumer behavior. While the Commission may be rightly concerned with charges assessed for services which the consumer did not order, it should not adopt rules which make it easier for consumers to avoid paying charges for services that they actually ordered and intentionally used.

Experience has shown that bad debt increases if consumers perceive no risk in terms of disconnection of local service for non-payment of other charges. Sprint Long Distance has experienced uncollectible revenues which are 23% higher in states which prohibit termination of local service for non-payment of toll charges than in states which do not prohibit such disconnection. Sprint Local also has experienced an increase in bad debt as well as an increase of approximately 20 additional days for customers to pay in those states which require separation of deniable and non-deniable charges. Any increase in uncollectibles or deterioration in cash flow are costs of doing business which likely will be passed on to consumers in the form of higher rates and more stringent deposit requirements.

Insofar as Sprint is aware, no information has been presented which separates total non-deniable charges into authorized and unauthorized charges, and there is thus no way to quantify the benefits of protecting consumers against unauthorized charges. Thus, it is impossible at this time to conclude that the certain increase in costs associated with higher uncollectibles will be offset by any potential benefits associated with differentiating between deniable and non-deniable charges.

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Furthermore, consumers with legitimate disputes about unauthorized charges are protected by existing dispute policies. Carriers will not, by definition, disconnect local or toll service for non-payment of non-deniable charges, and Sprint (and presumably other major carriers as well) is willing to work with all consumers who claim that charges included on their telephone bill were unauthorized. Many if not most carriers give consumers reasonable extensions of time for making payments while disputed charges are being investigated, or to pay off charges determined to be authorized, and many credit consumers for charges found to be unauthorized. In fact, in many states, there are specific regulations that govern how a carrier is required to handle disputed charges and disconnection of service.

Finally, the Commission asks whether notifying customers that local and toll service may not be disconnected for non-payment of all non-deniable charges “would enable consumers to make more informed choices about the use of services and the payment of charges” (para. 24). The answer is no. Consumers should not decide whether to use a service or whether to pay the charges incurred based upon whether their local or toll service might be disconnected. These decisions should be made at the time the service is ordered or used, not when the bill is rendered. Consumers should pay for services that they knowingly used, irrespective of the impact payment or non-payment has on their local or toll service.

**D. USF/PICC Charges.**

The Commission seeks comment on “the extent to which carriers that pass on to their customers all or part of the costs of their universal service contributions or access charge obligations are also providing complete, accurate, and understandable information regarding the basis for these new charges and their amounts” (para. 26). The Commission also asks whether it should prescribe “safe harbor” language that carriers can use to ensure they are providing truthful

and accurate information, and how such language could be distributed most effectively (para. 27).

In early 1998, Sprint Long Distance implemented a new Carrier Universal Service charge (CUSC) to recover Sprint's contributions to the new universal service programs adopted by the Commission, and a new Presubscribed Line Charge (PLC) to recover the PICCs assessed on Sprint by local exchange carriers. Prior to their assessment, Sprint notified its customers in writing about the CUSC and PLC, explaining the basis of these charges and their amounts. These notifications (copies included as Attachment 1) were clear, did not in any way imply that such charges were federally mandated, and included a toll-free number customers could call for further information. Sprint does not oppose the Commission's proposal to prescribe optional "safe harbor" language regarding USF and PICC flow-through charges, and offers our customer notification letters as examples of the type of language the Commission may wish to adopt. We believe that one notification letter regarding these charges is sufficient, and that inclusion of any safe harbor message on the monthly invoices or on an annual basis would be unnecessary, costly, and confusing and irritating to customers.

The Commission also asks (para. 28) "whether long distance carriers that include a separate line item for the recovery of universal service contributions should be required to explain the net reduction in their costs of providing long distance service since enactment of the 1996 Act." To the extent that the Commission is suggesting that this explanation be included in end users' monthly bills, Sprint opposes the proposal. We believe that very few customers – in particular, residential customers – have any knowledge of or interest in federal interstate access charges, and virtually all would be completely confused by any information relating to their IXCs' flow-through of access charge changes. The fact that the net reduction in costs can be presented in

many different ways (*e.g.*, on an absolute dollar basis, on a percentage basis, or on a per minute basis), that the numbers will change over time, and that the numbers will vary by IXC, will significantly add to customer confusion.

This is not to say that Sprint is in any way attempting to conceal its practices related to access charge flow-throughs. To the contrary, as we have previously demonstrated to the Commission,<sup>9</sup> Sprint Long Distance has consistently reduced its rates by far more than it received in access charge reductions. Between 1995 and 1997, Sprint's average revenue per minute for domestic minute-driven retail services fell by slightly more than three cents, while access costs per minute fell by only two-thirds of one cent. Furthermore, the average rate reduction for residential customers during this 1995-1997 period exceeded the rate reduction for business customers by more than one-half cent per minute. Analyses by the Commission's Industry Analysis Division (IAD) have shown that overall IXC rates have decreased by more than **twice** the decrease in access charges.<sup>10</sup>

However, we do not believe that it is necessary to require IXCs to routinely quantify to either the Commission or to end user customers the net reduction in their costs of providing long distance service. The Commission has repeatedly found that the interstate, interexchange market

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<sup>9</sup> See, *e.g.*, letter from Sprint Executive VP J. Richard Devlin to Chairman William E. Kennard, dated March 4, 1998; In the Matter of Access Charge Reform, CC Docket No. 96-262, Reply Comments of Sprint Corp. filed November 9, 1998, p. 3. Sprint has also made several *ex parte* presentations on access charge flow-throughs to Commission staff.

<sup>10</sup> See December 1996 study by Jim Lande of the Common Carrier Bureau's IAD, "Telecommunications Industry Revenue: TRS Fund Worksheet Data," p. 9 (IXCs' "average billings per minute declined significantly between 1992 and 1995," and "[d]eclines in access cost per minute account for about half of the declines in toll rates over this period"); October 1998 study of Jim Lande and Katie Rangos of IAD, "Telecommunications Industry Revenue: 1997," Table 5, which shows that IXCs' billed revenue per interstate domestic minute dropped by 2.1 cents from 1995 to 1997, while IXCs' access costs dropped by only 0.9 cents during that same period.

is effectively competitive.<sup>11</sup> Thus, the Commission can and should rely upon market forces to determine long distance rate levels and to ensure that IXCs pass through any access charge reductions. In the event that a consumer believes that his IXC is charging non-competitive rates, he has the option of switching almost instantaneously to another calling plan or to one of the hundreds of other IXCs offering long distance service (either on a presubscribed or dial-around basis).

The Commission also seeks comment on whether it is misleading or unreasonable for carriers to impose charges ascribed to the payment of universal service or access charges which exceed the costs for those items attributable to that consumer (para. 31), and whether carriers who assess a PICC should be required to show whether the corresponding reduction in the per-minute rate was actually passed on to that individual consumer (*id.*). The answer to both of these questions is no. First of all, Sprint imposed its Presubscribed Line Charge per residential account rather than per line because we do not have timely and reliable information from the ILECs about which lines are assessed the primary (lower) PICC and which are assessed the non-primary (higher) PICC. For example, if a consumer has one line presubscribed to Sprint, and a second line presubscribed to another IXC, Sprint has no way of knowing which line should be considered the primary line and which should be considered the secondary line. While our residential PLC may not flow through exactly the PICC assessed on a particular line, this charge in

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<sup>11</sup> See, e.g., *Competition in the Interstate Interexchange Marketplace*, 6 FCC Rcd 5880 (1991) (AT&T found to lack market power in the provision of domestic interexchange business services) and 8 FCC Rcd 3668 (1993) (AT&T found to lack market power in the provision of toll free service, with the exception of 800 Directory Assistance); *Motion of AT&T Corp. to be Reclassified as a Non-Dominant Carrier*, 11 FCC Rcd 3271 (1996) (AT&T found to be non-dominant in provision of all domestic residential services and remaining Basket 2 (toll free) and Basket 3 (business) services); *Motion of AT&T Corp. to be Declared Non-Dominant for International Service*, Order released May 14, 1996.

aggregate is designed to recover no more than our aggregate residential PICC payments to the LECs.

Second, there is no way to ensure that any individual consumer who is assessed a PLC enjoys a corresponding reduction in his long distance rates. Not all access charge reductions are flowed through to consumers in the form of across-the-board reductions to per minute of use rates: some reductions are also flowed through in the form of promotions and new service offerings, and reductions may be concentrated on certain product offerings. Different consumers will experience different changes in their overall long distance calling expense, depending upon their usage patterns, what promotional offers they take advantage of, and the calling plan to which they subscribe. The fact that some consumers have not maximized their potential long distance cost savings does not mean that the IXC has withheld legitimate rate reductions from those consumers (after all, IXCs cannot force consumers to subscribe to the most economical rate plan), or that the IXC has not flowed through in aggregate the total reductions in its per minute access charges.

Third, recovery of PICC charges is not costless for an IXC. IXCs will incur administrative costs to bill and collect PICC flow-through charges, and could experience an increase in uncollectibles and suppression of demand as the result of imposition of PICC flow-through charges. All of these are legitimate costs of doing business which could cause an IXC to assess a flow-through charge which exceeds the PICC actually imposed on any given customer's line.

In any event, Sprint is unaware of any Commission policy which requires IXCs to match access charge reductions or PICC flow-throughs to long distance rate reductions for individual customers. Sprint does not track access cost reductions by individual customer; to the contrary, access charges vary by LEC, while our geographically averaged, nationwide long distance rates

reflect our overall costs. Furthermore, the Commission has not mandated across-the-board rate reductions for IXCs which assess a PICC or USF surcharge. Indeed, in the *USF Order*, the Commission stated that “carriers will be permitted, but not required, to pass through their contributions to their interstate access and interexchange customers,” so long as the carriers do not shift “more than an equitable share of their contributions to any customer or group of customers.”<sup>12</sup> Since Sprint and other carriers in the competitive long distance market have demonstrated that they have reduced their rates by far more than LECs have reduced their interstate access charges, and absent a Commission requirement that access charge reductions be flowed through across-the-board, there is no basis for claiming that the Sprint’s PLC and CUSC are unreasonable.

#### **IV. PROVISION OF CONSUMER INQUIRY/COMPLAINT INFORMATION.**

The Commission notes (para. 33) that “consumers often experience considerable difficulty in contacting the entity whose charges appear on the telephone bill,” especially in their attempts to resolve slamming and cramming complaints. Sprint believes that a consumer should be able to readily identify and contact directly the service provider whose charges are included on the consumer’s telephone bill, and therefore supports a proposal which would require the service provider’s name and a toll-free number to be included on the telephone bill. In cases involving resellers, the name and number of the reseller, and not of the underlying facilities provider, should be included on the bill. Even if the reseller chooses to use a billing agent, the actual service provider (the reseller) should be clearly identified on the bill.

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<sup>12</sup> *Federal-State Joint Board on Universal Service, Report and Order*, 12 FCC Rcd 8776, 9199 (para. 829) (1997).

Sprint does not believe that inclusion of the service provider's address on the invoice will contribute significantly to customers' ability to resolve billing and service disputes. It is reasonable to assume that customers who notice a billing or service discrepancy on their bills will call the service provider in the first instance, and write a letter of complaint only if they are unable to resolve their dispute in the telephone call. Customers who wish to pursue their complaint further can obtain the service provider's address from the customer service representative with whom they speak. Including the service provider's address may also be problematic to implement without system enhancements to include a new address field on the invoice.

The Commission states (para. 34) that truth-in-billing requires "carriers to train properly their customer service representatives to give accurate and non-misleading information to consumers who contact them with complaints and inquiries," and suggests that "a carrier's provision of inaccurate and misleading information to a consumer...could be considered an unjust and unreasonable practice in violation of Section 201(b) of the Act." Sprint agrees that carriers' customer service representatives should provide accurate information to all callers, and we have implemented an extensive training program to help ensure that our representatives have the information and the tools needed to respond to customer inquiries. For example, Sprint Long Distance Division's newly hired customer service representatives are given 3 weeks of classroom training covering products and services offered, computer systems used to access customer account and product information, service skills (*e.g.*, call etiquette), basic regulatory requirements (*e.g.*, federal and state regulations governing slamming), and business policies (*e.g.*, regarding toll fraud). Representatives then get an additional two weeks of on-the-job training and must be certified by a supervisor before they are allowed to handle calls on their own. Representatives also receive on-going training on new products and services prior to their introduc-

tion. Calls are monitored on a random basis by supervisors for quality control purposes, and callers have the option of requesting that their call be escalated to a customer service supervisor. Sprint also has a separate group dedicated to responding to written complaints and inquiries forwarded to us by federal and state regulatory agencies and Better Business Bureaus. Sprint attempts to address a customer's complaint at the first point of contact, since it is expensive in terms of both resources and goodwill to have on-going disputes and complaint escalations.

Sprint's superior customer service has been recognized by firms specializing in customer research. For example, in 1998, J. D. Power and Associates rated Sprint number one in the long distance industry in overall customer satisfaction among high volume long distance residential customers for the fourth consecutive year,<sup>13</sup> and The Yankee Group ranked Sprint number one in providing customer service, also for four years in a row. In the fiercely competitive long distance (as well as the wireless) market, carriers who intend to be long-term players simply cannot afford to alienate subscribers or to deliberately mislead existing and potential customers.

While Sprint shares the Commission's belief that customer service representatives should give accurate information to callers, the Commission has neither the expertise nor the resources to attempt to design customer service training programs or to specify business practices intended to ensure that consumers are given accurate information. While the Commission has the responsibility to investigate complaints filed with the FCC, and does have the authority to investigate allegations of misconduct by carriers (particularly when a pattern of alleged misconduct has emerged), it should not attempt to impose its view of the proper provision of customer service

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<sup>13</sup> J. D. Power and Associates said that among the many factors that brought Sprint to the forefront were strong performance in credibility, cost and value (honesty with no gimmicks; cost of monthly service; good value), good customer service and straightforward, understandable promotions.

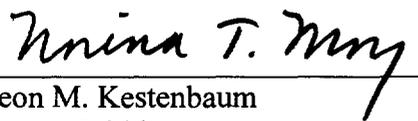
upon carriers, especially in competitive telecommunications markets. Indeed, in competitive markets, provision of effective customer service is a key success factor, and successful companies will provide a level of customer service that exceeds the minimum standard established by any regulatory agency.

## V. CONCLUSION.

The Commission should rely to the maximum extent possible upon market forces to ensure that consumers have accurate and understandable bills from their telecommunications carriers. While certain of the proposals included in the NPRM are reasonable (*e.g.*, a requirement that the service provider be clearly identified), other proposals (particularly those relating to organization of the bill, detailed descriptions, and specific cost justification of USF and PICC charges) are unnecessary, add significant systems burdens, and restrict necessary flexibility on the part of carriers. These proposed stipulations constitute regulatory overkill and should not be adopted.

Respectfully submitted,

SPRINT CORPORATION



Leon M. Kestenbaum  
Jay C. Keithley  
Marybeth M. Banks  
Norina T. Moy  
1850 M St., N.W., Suite 1110  
Washington, D.C. 20036  
(202) 857-1030

Jonathan M. Chambers  
Sprint Spectrum LP d/b/a Sprint PCS  
1801 K St., NW, Suite M112  
Washington, D.C. 20006

November 13, 1998

ATTACHMENT 1



At Sprint, we're committed to keeping you informed about industry-wide issues that will affect your Sprint account. Recent Federal Communications Commission orders change the structure of charges that long-distance carriers pay to local telephone companies for access to their networks. As a result, Sprint will initiate a new charge on your invoice.

The *Presubscribed Line Charge* is intended to pass on a new charge that Sprint must pay to your local telephone company for network access. The fee will be 80 cents for each Sprint residential account. This charge will apply each month regardless of long-distance usage. An additional charge may apply in some states.

You will see this change on your March invoice, which covers your February usage. If your Sprint long distance is billed on your local telephone company's invoice, this charge will be shown as a Regulatory Related Charge. If you receive a Sprint invoice, the charge will be specifically listed as *Presubscribed Line Charge*. In months when Customer long-distance usage is zero (0), the charge may be rolled to the next month that usage occurs. Billing will occur every three months at a minimum.

All long-distance companies will incur these access costs. Sprint has chosen to present this charge in a clear and straightforward manner. Rest assured you will continue to receive the same quality of service that you expect from Sprint.





## Important! New charges will affect your Sprint account.

Helping customers stay informed of changes in the telecommunications industry, and the impact those changes may have on your business, is important to Sprint. That's why we are sending this letter to explain two new charges\* that will appear as separate line items on your monthly Sprint bill beginning with your February 1998 statement.

As you may have read, recent FCC decisions have changed the way long distance carriers are charged for access to local networks, and have also increased the long distance carriers' contributions to the Universal Service Fund. These changes are industry-wide, and although each long distance carrier may handle the new charges differently, Sprint will be covering these costs as follows:

**Carrier Universal Service Charge\*\*** — For many years, the FCC has required long distance carriers to contribute to the Universal Service Fund to assist with the cost of providing basic telephone service to rural communities and low-income users. Now, this contribution has been expanded to help schools, libraries and eligible health care facilities in obtaining leading-edge telecom services. Sprint's Carrier Universal Service Charge is intended to cover the cost of our contribution; it will be 4.9% of your net monthly interstate and international long distance usage and other charges for interstate and international services.

**Presubscribed Line Charge†** — The FCC has initiated a new per-line charge that long distance carriers must pay to local phone companies for access to their local networks. In other words, Sprint must pay your local carrier a fee for every line you have subscribed to Sprint® long distance, independent of long distance usage. Sprint will cover its costs by charging customers \$2.75 per line for multi-line businesses (including the first line), \$0.53 for single-line businesses. This Presubscribed Line Charge will be billed monthly.

We want you to know that we appreciate your business, and we will continue to bring you telecommunications solutions with the highest standards of network reliability and customer service in the industry. If you have questions regarding the new charges, please call 1-800-823-4081.

\*These charges will not be contributory to the minimum requirements or volume discounts of your particular long distance calling plan.

\*\*This charge will appear in the Taxes and Surcharges section of your bill.

†This charge will appear in the Sprint Charges section of your bill. It does not apply to dedicated access lines, toll-free numbers, FOMored calls or paging.

**CERTIFICATE OF SERVICE**

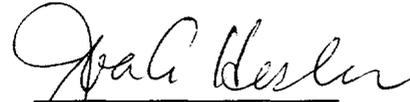
I hereby certify that a copy of the foregoing **COMMENTS OF SPRINT CORPORATION** was Hand Delivered or sent by United States first-class mail, postage prepaid, on this the 13<sup>th</sup> day of November, 1998 to the below-listed parties:

Larry Strickling  
Chief  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, N.W., Room 500  
Washington, D.C. 20554

Anita Cheng  
6<sup>th</sup> Floor  
Common Carrier Bureau  
Federal Communications Commission  
2025 M Street, N.W.  
Washington, D.C. 20554

Judy Boley  
Room 234  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

International Transcription Service  
1919 M Street, N.W.  
Washington, D.C. 20554

  
Joan A. Hesler