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ORIGINAL

May 3, 1999

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 12th Street, SW TW-A325
Washington, D.C. 20554

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Re: In the Matter of Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996; Policies and Rules Concerning Unauthorized Changes of Consumers Long Distance Carriers, CC Docket No. 94-129

Dear Ms. Salas:

Enclosed herewith for filing are the original and four (4) copies of MCI WorldCom's Reply Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI WorldCom Reply Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman

Enclosure
DHS

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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Provisions of the Telecommunications Act)
of 1996)
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Policies and Rules Concerning Unauthorized)
Changes of Consumers Long Distance Carriers)

CC Docket No. 94-129

MCI WORLDCOM, INC. REPLY COMMENTS

Don Sussman
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May 3, 1999

**Before the
FEDERAL COMMUNICATIONS COMMISSION
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Summary

MCI WorldCom urges the Commission to find that third party administration of presubscribed interexchange carrier changes is in the public interest, and to begin work immediately to implement third party PIC administration utilizing the same approach it used in developing local number portability. MCI WorldCom also urges the Commission to further specify third party verification practices utilizing MCI WorldCom's business practice as a model. MCI WorldCom also urges the Commission to reject or, at the very least defer, action requiring resellers to obtain individual carrier identification codes and regulating Internet sales, and to define "subscriber" in the context of the primary interexchange carrier process as any adult residing in the household.

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MCI WORLDCOM, INC. REPLY COMMENTS

I. Introduction

In initial comments filed in the above-captioned proceeding, MCI WorldCom, Inc. (MCI WorldCom) urged the Commission to find that third party administration of presubscribed interexchange carrier (PIC) changes is in the public interest, and to begin work immediately to implement third party PIC administration utilizing the same approach it used in developing local number portability -- namely, a trial followed by Commission consideration and adoption of national rules. MCI WorldCom also urged the Commission to further specify third party verification (TPV) practices utilizing MCI WorldCom's business practice as a model. MCI WorldCom also urged the Commission to reject or, at the very least defer, action requiring

resellers to obtain individual carrier identification codes (CICs) and regulating Internet sales. Additionally, MCI WorldCom urged the Commission to define "subscriber" in the context of the primary interexchange carrier process as any adult residing in the household.

Herein, MCI WorldCom submits its reply to comments filed by parties on March 18, 1999 on the Further Notice of Proposed Rulemaking in the above-captioned docket.¹

II. A Neutral Third Party Administration of PIC Changes Is Necessary to Preserve Existing Competition and Promote Additional Competition in Telecommunications Markets

As MCI WorldCom pointed out in its initial comments, with Congressional, Commission, and executive branch policy now favoring a competitive model for the local exchange, critical network functions that were performed by the ILECs need to be reassessed. Congress and the Commission have already identified and implemented two such critical functions -- North American Numbering Plan administration and independent local number portability administration. In each case, the Commission has transitioned a function formerly performed by ILECs to a neutral third party administrator to ensure that a process exists that does not discriminate in favor (or against) a particular carrier or industry segment. An independent and neutral administration of presubscribed interexchange carrier (PIC) designations that direct

¹ In the Matter of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996; Policies and Rules Concerning Unauthorized Changes of Consumers Long Distance Carriers; CC Docket No. 94-129, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 98-334, Released December 23, 1998 (Further Notice).

the ILEC switch to hand off a call to the customer's long distance carrier of choice is the next logical step.

As MCI WorldCom also pointed out, there are strong reasons to take this next step toward neutral third party administration. First, allowing one competitor -- an ILEC -- to control information and processes necessary for another competitor to offer service is a recipe for anticompetitive problems, and not a recipe that supports competition.² Second, a Neutral third party administrator would ensure that new entrants have available basic information about PIC freeze status of an ANI. Third, a neutral third party administrator will ensure that PIC changes are processed quickly, and ensure that the long distance market remains vibrantly competitive even as new entrants with less developed methods of PIC administration enter local markets. Finally, a neutrally-administered third party PIC process should result in cost-based rates, since the vendor will have every incentive to submit a bid based on cost and provide service in an efficient manner.³

Initial comments filed in this proceeding demonstrate wide support for a neutrally administered third party PIC process.⁴ As AT&T and CompTel/ACTA correctly note, the historical logic for ILEC control of PIC (neutrality and centrality) has disappeared with the

²Indeed, the Commission made a finding that ILECs have an incentive to use PIC information in an anticompetitive manner. See Section 251(b)(3) of the Telecommunications Act of 1996 and 47 C.F.R. §§ 51.205 -51.215 of the Commission's rules. Second Report and Order at ¶102.

³AT&T Comments at 28-30.

⁴Sprint Comments at 12-13. NASUCA Comments at 18, CompTel/ACTA at 14. TRA at 26-27, AT&T Comments at 2-6,

passage of the 1996 Act. ILECs are potential entrants in long distance markets, and are no longer neutral. The Commission has already recognized incentives ILECs have to behave in anticompetitive ways.⁵

Fixing the current broken system is less effective than implementing a new independent neutral third party PIC administrator. As MCI WorldCom mentioned in our comments, and as AT&T correctly notes, three-way calling is of limited value because it is available only during normal business hours, and three-way calling has been used by ILECs as a "winback" opportunity when the customer is switching local service.⁶ Additionally, enforcement doesn't offer much protection to consumers because ILEC behavior has to be aggregated over time to make the cost of pursuing enforcement worth the effort. As AT&T demonstrated in its comments, ILECs have a history of refusing to abide by regulatory decisions.⁷

AT&T also correctly notes that there is currently an absence of an open and visible PIC change process that is available to all participants in the market, and that this problem would be remedied by third party PIC administration. Long distance carriers today cannot obtain information from ILECs about who has slammed their customer, and therefore cannot pursue the bad actors. The absence of a such information prevents carriers from remedying slams on a

⁵AT&T Comments at 2-6. CompTel/ACTA Comments at 14.

⁶ AT&T Comments at 8-9.

⁷AT&T Comments at 9-10.

timely basis.⁸

AT&T correctly argues that the old model of ILECs as "hubs" and IXCs as "spokes" is changing with multiple local service providers, and that in the future, IXCs will need multiple interactions with multiple carriers.⁹ AT&T points out that many new entrants lack functional CARE systems.¹⁰ MCI WorldCom agrees with AT&T that a neutral third party administrator would replace the current system, which acts as a monopoly profit center for the ILECs and provides ILECs another opportunity to act anticompetitively, with a process that is neutral and more cost effective.

MCI WorldCom also agrees with Sprint that the Lockheed paper submitted with AT&T comments provides substantial evidence that a neutral third party PIC administrator is technically feasible.¹¹ AT&T, MCI, and Sprint have met and are continuing to meet with potential vendors to determine how third party PIC could best be implemented.

Finally, comments filed by AT&T support MCI WorldCom's position that, at a minimum -- assuming arguendo that the Commission decides to retain PIC freezes as a customer option, an option which MCI WorldCom opposes -- the third party PIC administrator should be able to provide real time PIC freeze data that would enable competitors to engage in the Commission-

⁸AT&T Comments at 10-12.

⁹AT&T Comments at 13-14.

¹⁰ Id.

¹¹Sprint Comments at 13.

prescribed method for overriding PIC freezes as part of the customer sales transaction.¹² This is not only critical to maintaining a vibrantly competitive interstate interLATA service market, but also to ensuring that intrastate markets are fully open to competition as Congress intended.¹³

III. The Commission Should Not Require Recovery of Additional Amounts From Unauthorized Carriers

In the Further Notice, the Commission proposes to impose “additional penalties” on carriers that engage in unauthorized PIC changes. The Commission proposes that, where a subscriber has paid charges to the unauthorized carrier, the authorized carrier would collect double the amount of those charges from the unauthorized carrier. The authorized carrier would then be required to refund to the affected end user an equal amount to the charges imposed by the unauthorized carrier up to the first thirty days of service. In the event that the unauthorized carrier has already absolved the customer of its charges, the authorized carrier would still be permitted to collect that amount from the unauthorized carrier.

AT&T, Sprint, and CompTel/ACTA correctly point out in their comments that the process of awarding a windfall to consumers in the absence of a finding of a “slam” is unlawful, and as a result, the suggestion that additional amounts should be awarded is similarly unlawful.¹⁴

¹²AT&T Comments at 12-13.

¹³ See Section 251(b)(3) of the Telecommunications Act of 1996 and 47 C.F.R. §§ 51.205 - 51.215 of the Commission’s rules.

¹⁴Sprint Comments at 2-3. AT&T Comments at 30-32. CompTel/ACTA Comments at 15.

Also, GTE correctly points out that "additional penalties" or payments will not reduce slamming, and will certainly not reduce unintentional slamming. Such a system will merely add to administrative complexity, which could discourage preferred carriers from seeking payment from unauthorized carriers.¹⁵ MCI WorldCom agrees with SBC that the Commission has no authority to impose what amounts to "liquidated damages," and that there is no legislative history to indicate that the Commission can make an assessment as a penalty.¹⁶ MCI WorldCom also believes that existing penalties are sufficient, and that the real opportunity is in better, more comprehensive enforcement of existing penalties.

However, assuming the rules are upheld, MCI WorldCom agrees with AT&T, Sprint and CompTel that the determination of whether a conversion was authorized must be made by a neutral third party administrator.¹⁷ As was explained in the Joint Petition for Waiver, TPA is the most efficient way -- for customers, carriers, and regulators -- to ensure that PIC changes are authorized. As explained in detail in the waiver petition, the Joint Petitioners' proposed TPA process will: (1) quickly resolve customer allegations of unauthorized conversions; (2) independently determine a carrier's compliance with the Commission's verification procedures;

¹⁵GTE Comments at 3-4.

¹⁶ SBC correctly notes that Section 201(b) of the Telecommunications Act does not provide this authority, and that while Section 202 allows for forfeitures, it does not support the penalties adopted by the Commission's rules. MCI WorldCom also agrees with SBC that Section 4(i) cannot be used to justify such penalties since the system adopted conflicts with Section 258. SBC Comments at 2-4.

¹⁷Sprint Comments at 2-3. AT&T Comments at 30-32. CompTel/ACTA Comments at 15.

(3) honor the Commission's requirements that customers be compensated for their inconvenience, and (4) administer carrier-to-carrier liability.¹⁸

The Joint Petitioners' TPA proposal has received widespread industry support, and is clearly a more efficient and just manner to ensure Congress' goal of significantly reducing the amount of slamming occurrences.

IV. Third Party Verification Requirements for a Successful Neutral Third Party PIC Administrator

A large part of MCI WorldCom's success in attracting and maintaining customers is the customer confidence in the handling of their service -- beginning with the presubscribed interexchange carrier (PIC) change and verification processes.

MCI WorldCom first implemented TPV in 1992 for outbound telemarketing sales. As is the case for many telecommunications carriers, the majority of MCI WorldCom's sales occur over the telephone. As a result of the TPV process, MCI WorldCom experienced an immediate and demonstrable improvement in sales quality and a significant reduction in telemarketing

¹⁸See In the Matter of the Subscriber Carrier Selection Changes Provision of the Telecommunications Act of 1996; Policies and Rules Concerning Unauthorized Changes of Consumers Long Distance Carriers; CC Docket No. 94-129, Joint Petition for Waiver, filed by MCI WorldCom, Inc, on behalf of MCI WorldCom, AT&T Corp, The Competitive Telecommunications Association, Sprint Corporation, the Telecommunications Resellers Association, Excel Telecommunications, Frontier Corporation, and Quest Communications Corporation, filed March 30, 1999, (Joint Waiver Petition) outlining a neutral third party liability administrator system.

complaints. In early 1996, MCI WorldCom decided to use TPV for the overwhelming majority of residential and small business sales. Again, MCI WorldCom experienced a positive impact on sales quality, and a substantial reduction of complaints from sales channels not previously subject to TPV.¹⁹

While the TPV process employed by MCI WorldCom did result in additional costs, based on MCI WorldCom's long standing and widespread use of TPV, the benefits of TPV have far outweighed the cost of implementation. The TPV process employed by MCI WorldCom has resulted in the avoidance of costly customer service transactions required to handle customer complaints. It has also resulted in a reduction in costly customer churn, a reduction in costs associated with switching customers back to previous carriers, a reduction in storage and handling costs associated with letters of authorization (LOAs), a reduction in legal and regulatory disputes, and not surprisingly, has resulted in significantly higher overall customer satisfaction.

One reason why MCI WorldCom's TPV process has been both cost effective and successful is because MCI WorldCom maintains the integrity of its TPV processes. Factors that

¹⁹ TPV has also proven overwhelmingly successful in Mexico. There, prior to the implementation of a third party verification process for PIC changes, unauthorized conversion disputes were reportedly as high as 30 percent of the presubscription requests received. Third party verification was implemented in Mexico in February 1998. Beginning in May 1998, the average number of slamming findings in Mexico was reduced by over 90 percent from its peak in late 1997. Since September 1998, slamming in Mexico has been nearly eliminated. This reduction very clearly followed from the implementation of the TPV process, with drastic reductions beginning within eight weeks of TPV implementation.

contribute to the integrity of any TPV process, including those of MCI WorldCom, are: the reputation of the verification company, contractual arrangements between the telecommunications company and the verification company that include stringent quality standards, a physically separate location for the verification company, compensation for the verification company that is in no way related to completion of sales of the telecommunications company, readily retrievable records of verification calls, and monitoring of verification employee calls for quality assurance.

In comments filed on March 18, 1999, several parties recommend that the Commission allow sales agents to stay on the line with the customer and the TPV representative.²⁰ Ameritech states that there should be no Commission rules that block TPV providers from answering customer questions.²¹ Sprint suggests that the telemarketing carrier should be permitted to remain on the line with the TPV vendor and the customer, but should remain silent.²²

Based on MCI WorldCom's experience, MCI WorldCom agrees with the Florida Public Service Commission, the National Association of State Utility Consumer Advocates (NASUCA), the Montana Public Service Commission and BellSouth that carrier sales telemarketers should not remain on the call with the TPV representative and the customer once the customer has been

²⁰ Ameritech Comments at 10, GTE Comments at 10-11, SBC Comments at 10, Bell Atlantic Comments at 3-4.

²¹ Ameritech Comments at 14.

²² Sprint Comments at 7-8.

transferred.²³ If the sales agent stays on the line, the integrity and the independence of the TPV process is threatened. The TPV process should be entirely focused on ensuring that the PIC change is authorized and legitimate. MCI WorldCom agrees with Sprint, GTE, the New York Public Service Commission, Bell Atlantic and AT&T that no sales or marketing information should be conveyed during the TPV process.²⁴ The TPV process should only be utilized to ensure that the PIC change is both authorized and legitimate.

MCI WorldCom also agrees with the New York Public Service Commission that if the customer requires further information regarding the carrier's rates and offerings, then the TPV representative should transfer the customer back to the carrier.²⁵ Once the customer is transferred back to the carrier's representative, the customer can ask questions and clarify any information he or she may have about the sale. Then, once the customer has indicated his or her decision to authorize a change, the customer can be transferred again to the TPV representative to verify the PIC change.

Permitting a three-way call creates a potentially confusing experience for the customer. The sales agent may be tempted to convey sales and marketing information. Since the line is sometimes very fine between purely informational answers and answers that convey sales and

²³ Florida Public Service Commission Comments at 4-5, NASUCA Comments at 10, Montana Public Service Commission Comments at 3, BellSouth Comments at 2-3.

²⁴Sprint Comments at 9, GTE Comments at 11, New York Public Service Commission Comments at 6, Bell Atlantic Comments at 4, and AT&T Comments 42-3.

²⁵New York Public Service Commission Comments at 6.

marketing information, the surest way to protect the integrity of the TPV process is to require the sales agent to exit the call immediately. Further, there is no value to the customer or carrier for the sales agent to stay on the line if not permitted to speak.

If both the perceived and the actual integrity, neutrality and independence of the TPV process is maintained as described above, then there is no reason for the Commission to define the script used by TPV representatives.²⁶ However, as GTE and Sprint noted in their comments, the Commission should specify the general criteria for a legitimate TPV process. The TPV representative should state that the purpose of the call is to confirm the customer's decision to switch carriers, and that there may be a charge for switching providers. In addition, the TPV representative should confirm the person is authorized to make the change, obtain the name and address of the person making the change, confirm the phone numbers to be switched for interLATA toll, intraLATA toll, local and international, as applicable, and obtain some customer-specific information (e.g., social security number, date of birth, mother's maiden name, etc).²⁷

While MCI WorldCom's experience has found "live TPV" representatives to be the most customer friendly, the Commission should not adopt a rule that prevents carriers from collecting verification information through automated or other "live" mechanisms during a TPV session

²⁶Additionally, while the Commission might want to standardize or require certain information that is conveyed or received in a PIC change, it should not require a specific script. If the TPV process is truly independent and neutral, than no need to require certain scripts exists.

²⁷Sprint Comments at 8, GTE Comments at 11.

following the sale. Automated TPV generally involves a three-way call between selling carrier, subscriber, and automated verification recording system. This "live-scripted" method lacks independence and would not be better than an automated method that conforms with all of the protections present in live operator TPV.

As MCI WorldCom explained in our comments, these TPV protections include: the call must be delivered to an independent entity that provides the automated voice response unit, the customer (not the carrier representative) must identify himself and respond to the questions, the communication should be taped, questions must be clear and simple, the process must be auditable, and the communication as a whole must capture the full customer contact.²⁸ The automated methods described in paragraph 167 of the Commission's order lack these protections, and as such, should not be permitted as an Commission-sanctioned acceptable method of performing TPV.

MCI WorldCom does not believe that hybrid systems, such as that used by Voice Log, should be permitted for TPV because the indicia of independence are not present.²⁹ The Voice Log system is not independent because it consists of a sales representative reading a question and the third party verification representative recording the answers. MCI WorldCom also strongly

²⁸MCI WorldCom believes that for carriers that elect to use an automated TPV system, the Commission should hold the carrier responsible if the automated system does not function properly.

²⁹Voice Log sets up a three-way call between selling carrier, subscriber, and automated recording system during which the selling carrier reads questions and the system records the answers.

believes that regardless of the specific TPV process used, the Commission must ensure that only TPV process information is conveyed when a representative reads questions and records conversations.

V. “Subscriber” Should Be Defined as Any Adult Residing in the Household

In its Further Notice, the Commission requested comment on how to define the term “subscriber.” As MCI WorldCom explained in its initial Comments to this proceeding, any rule that limits transactions to the single person whose name appears on carrier billing records is misguided. Moreover, as MCI WorldCom also explained in its comments, carriers will be hard pressed to explain to spouses why they are unauthorized to make a purchasing decision on behalf of their husband or wife.

First, it is essential that the definition of “subscriber” is based in a national rule. National carriers, such as MCI WorldCom, cannot operate efficiently if basic rules, such as definitions of subscribers, vary by state or by region. The administrative, systems, and marketing costs associated with definitions of subscriber that vary by state or region would clearly outweigh any marginal benefits.

Second, MCI WorldCom recommends that the Commission adopt the definition of “subscriber” proposed by the Florida Public Service Commission. In initial comments to the Further Notice, the Florida Public Service Commission proposes that a residential subscriber be defined as the customer of record or anyone over 18 years of age residing in the same

household.³⁰ Consistent with the Florida Public Service Commission's recommendation, MCI WorldCom believes the business subscriber should be an officer of the company or other person designated by the company as the telecommunications decision maker.³¹ As the Florida Public Service Commission explains, these definitions would ensure that the consumer is in control of decisions related to their telephone service by giving them the flexibility of having more than one contact in a household or business.³²

VI. PIC Freezes Are Not Competitively Neutral and Should Not Be Promulgated Through the Third Party Verification PIC Change Process

Today, if a customer wants to change its long distance provider to MCI WorldCom, MCI WorldCom automatically refers the end user to a third party verifier (TPV). If the TPV authorizes the change and the end user has no PIC freeze, then MCI will notify the ILEC to switch the end user's PIC to MCI WorldCom. If the TPV authorizes the change but that customer forgot he/she had a PIC freeze, when MCI WorldCom notifies the ILEC to change the customer's PIC, it would be denied. At that point, MCI WorldCom would contact the customer to notify him/her that the customer's PIC is "frozen." There is no question, and the Commission agrees, that PIC freezes have had the direct effect of impeding competition. PIC freezes prevent the customer's authorized carrier selection from being processed in a timely fashion, and

³⁰ Florida Public Service Commission Comments at 7.

³¹ Id.

³² Id.

increases the selected carrier's operating costs.

As MCI WorldCom explained in its initial Comments, one of the most difficult problems that new entrants face today is the prospect of attempting to win new customers in an environment where basic information about PIC freeze status of an ANI is not available. This raises an enormous barrier to entry.³³ We have no ability to determine in advance whether a line is "frozen," and our customers often do not know or do not remember whether they have requested a freeze, or for what services. We then have to renew contact with the customer, at enormous expense to us and inconvenience to the customer, to explain that the customer must contact its ILEC to override the freeze. In the interim, the customer -- who fully expected to be benefiting from, for example, MCI WorldCom's Five Cent Sundays -- has been making calls using his or her existing carrier at whatever rates the existing carrier offered. PIC freezes have no place in a competitive market and they should be abolished.

However, assuming arguendo that the Commission decides to retain PIC freezes as a customer option, the TPV process between the customer and TPV representative should not include discussion about PIC freezes, generally or regarding the customer's specific status. MCI WorldCom agrees with GTE that the TPV representatives should not dispense PIC freeze information.³⁴ The TPV process should be strictly used to verify PIC changes. A multipurpose

³³MCI WorldCom estimates that today between 20-30 percent of "sold" customers -- those who have affirmatively made a choice to come to MCI WorldCom, are blocked at install due to a PIC freeze.

³⁴ GTE Comments at 11.

TPV process is much more likely to be confusing for the customer and increase carriers' costs of providing TPV.

MCI WorldCom believes that it could be unfortunate for the Commission to assign a "sales" or "marketing" role to the TPV -- in this case, marketing a feature only available from the customer's executing LEC. Additionally, opening up the TPV process to permit a discussion of PIC freezes could result in a great deal of anticompetitive mischief.

In order for the customer to change its PIC freeze status going forward, the customer would either be referred to the ILEC or, to the extent ILEC processes support it, the customer may be transferred to a three-way call between the customer, the preferred carrier, and the executing LEC. If a three-way call is unavailable (as it may well be if ILECs refuse to support outside normal business hours), the customer must be referred to the ILEC to lift the freeze. In that subsequent call between the ILEC and the customer, the ILEC has an opportunity to market to the end user, in effect overriding the successful marketing attempts of the IXC. The goal of the Telecommunications Act is unequivocally to promote competition in all markets. Allowing the TPV representative to dispense PIC freeze information is anticompetitive in that it provides the ILEC the ultimate "win-back" tool -- final contact with the customer. No regulation forbidding win-back can ever ensure that win-back will not occur .

If PIC freezes continue to be permitted, they should not be part of the TPV process. The TPV process should not confer competitive advantages to any type or particular carrier. To allow discussion of PIC freezes in the TPV process would be advantageous to the ILEC, promote an

anticompetitive process, and should not be permitted. In a competitive marketplace, such as the long distance marketplace, carriers have strong incentives to educate customers about issues such as PIC freezes to ensure that services sold by that carrier are not rejected. However, if the Commission believes more customer education is needed to explain PIC freezes than is currently being provided by carriers, then the Commission can release alerts and provide other educational material. This education should not take place during the TPV call.

VII. Resellers Should Not Be Required to Obtain Individual Carrier Identification Codes

MCI WorldCom has traditionally allowed its resellers to share MCI WorldCom's CIC. This has enabled many resellers to enter markets otherwise unavailable to them. MCI WorldCom has diligently, in a timely fashion, passed the liability associated with slamming back to its resellers through provisions included in contractual agreements that pass additional charges on to the reseller. As a result, MCI WorldCom has seen a dramatic reduction in its "PIC" disputes. MCI WorldCom recognizes that the Commission's proposal to require all carriers to obtain their own CICs is one of several possible approaches to ensure the accused carrier is clearly identified. However, as MCI WorldCom pointed out in its comments, requiring all carriers to obtain their own CICs will hurt competition due to the time and expense involved with obtaining a CIC and having it translated on a nationwide basis.

In their initial comments, GVNW Consulting suggests that a solution to the "soft slam" is to require all IXCs to use carrier identification parameter (CIP) to match calls to resellers based

on each reseller's CIC.³⁵ GVNW states that this would eliminate the reseller reliance on ANI databases.³⁶ This is just another permutation of the position that all resellers should obtain their own CIC.

As stated in our comments, the cost to implement a CIC code, new or existing, with the Regional Bell Operating companies (RBOCs) and independent local exchange carriers has been estimated to be approximately \$750,000 for nationwide implementation. This amount includes costs for access service requests (ASRs) of approximately \$472,000. The remaining costs are IXC internal staff and administrative costs that are passed on to the reseller. Additionally, as is correctly pointed out by AT&T, ACTA/CompTel, Ameritech, GTE, SBC, and Sprint, the Commission should not adopt a plan to have resellers obtain their own CICs because it will speed exhaust of CICs.³⁷ There exist today over 500 resellers, some of which may need as many as six CICs. As a result, 3,000 of the remaining 8,000 CICs would be instantaneously used up.³⁸

Requiring each resellers to obtain its own CIC would be a timely and costly requirement that would likely deter or slow the entry of new competitors. The rules and processes for implementing a CIC vary among the LECs. Individual ASRs must be tracked and verified to

³⁵ GVNW Comments at 10-11.

³⁶ *Id.*

³⁷ AT&T Comments at 35-37, ACTA/CompTel Comments at 12, Ameritech Comments at 1, 8, GTE Comments at 5,7, SBC Comments at 5, and Sprint Comments at 6-7.

³⁸ CompTel/Act Comments at 12. Also, some ILEC tandems have limited space for CIC translations and will not be able to accommodate thousands of CIC translations on each interexchange carrier's feature group or business office listings.

completion - a process that could take as much as nine months (the last three months of which are likely spent working trouble tickets for incomplete/lost orders). Based on our extensive experience with placing ASRs, MCI WorldCom generally expects a five percent error rate for all CIC translation ASRs due to this manual process.

Additionally, disconnecting or re-pointing a CIC is as expensive and labor intensive as implementing the CIC in the first place. The LECs generally do not have an easy method or process of "undoing" a CIC translation. Currently, only Ameritech and PacBell do not require coordinating ASRs from the disconnecting IXC.

Some existing resellers will have difficulty in modifying their systems to implement their own CIC. If a reseller has its own CIC, the reseller will receive a single file from the IXC containing the call detail information for its numbers. Currently, the IXC provides the billing information necessary for the reseller's systems to accurately rate and bill its end users. Resellers may also have to create complex provisioning matrices to keep their CIC records updated.

If the Commission requires each reseller to obtain its own CICs, the Commission will first need to resolve who will be responsible for paying the costs of cleaning up translations when a reseller goes out of business, an event which is less likely to occur among larger, more facilities-based resellers.

Additionally, today a carrier is required to maintain at least one feature group that generates access billing in order to retain their CIC. Today, if a reseller shares an IXC's CIC, the

IXC receives the carrier access billing (CAB) information. The IXC then examines the CAB and attributes the access costs to the reseller accordingly. If the facilities-based IXC continues to receive the CABs on behalf of the resellers, but the resellers each have their own CICs, the facilities-based carrier will have to develop sophisticated and costly systems to coordinate the CABs with the many CIC. The facilities-based carrier will also have to create a reconciliation processes that will ensure that the reseller's access costs are paid and that they are not inadvertently disconnected by a LEC due to a lost invoice. These are potentially other costs that may be passed on to the reseller.

If the Commission determines that it should require resellers to have their own pseudo-CICs, then MCI WorldCom agrees with US West that the Commission must recognize that this will require significant and expensive systems development by LECs, IXCs and resellers.³⁹ Therefore, the Commission would need to allow industry sufficient time to make and harmonize the required changes.

The Commission should continue to encourage and promote competition by allowing resellers to market and sell their long distance products free of the time and expense involved in obtaining and translating their own CIC. However, in the event all resellers are required to have their own CIC, the processes and expense associated with this requirement must first be addressed and modified. Specifically, the Commission must require the local exchange carriers to make the process of translating a reseller's CIC more efficient, less burdensome, and less

³⁹ US West Comments at 16-17.

expensive.

VIII. Registration Requirements

In the Further Notice, the Commission requests comment on a registration requirement on carriers who wish to provide interstate telecommunications services with the aim of preventing entry into the telecommunications marketplace by entities that are either unqualified or that have an intent to commit fraud.⁴⁰

The Telecommunications Resellers Association does not oppose the registration process as long as no financial qualification exist.⁴¹ Bell Atlantic, US West, and AT&T suggest that the Commission instead rely on TRS reports.⁴² MCI WorldCom agrees with Sprint and GTE that, while not opposed to a registration requirement, facilities-based carriers should not be held responsible for the accuracy of registration for its resellers.⁴³ Facilities-based carriers are not regulatory agencies and should not be expected to act as such.

IX. Regulation of Internet Sales Is Premature At this Time

In its Further Notice, the Commission has requested comment on what additional steps, if

⁴⁰ Further Notice at ¶180.

⁴¹ Telecommunications Resellers Association at 13-17.

⁴² Bell Atlantic Comments at 8-9, US West Comments at 30-31, AT&T Comments at 46.

⁴³ Sprint Comments at 12, GTE Comments at 14.

any, the Commission should take to require verification for on-line sales of telecommunications services. As MCI WorldCom explained in its comments, any further regulatory mandates at this time would be premature. The Commission's Second Report and Order has taken significant steps to remove the financial incentives from unauthorized conversion, such as the provision in its new rules that requires the unauthorized carrier to disgorge revenues received from a customer that was converted against the customer's wishes. With no ability to profit from unauthorized conversions, unauthorized carriers are far less likely to engage in fraudulent behavior. It would therefore be premature to saddle on-line commerce with extensive regulatory "protections" that may never be needed.

Additionally, as US West correctly notes in its comments, consumers who choose to select telephone service online want the transaction to be carried out online start to finish.⁴⁴ MCI WorldCom wants to offer that option, and believes that online verification methods should be developed that meet the objectives behind TPV and may even include the same criteria and/or other criteria more directly related to online commerce. To help validate online conversions, MCI WorldCom believes that there is merit to the proposal submitted by the Florida Public Service Commission, the Missouri Public Service Commission, the Montana Public Service Commission, Ameritech, BellSouth, and the Telephone Resellers Association, that carriers collect an customer-identifying information such as a social security number or mother's maiden

⁴⁴US West Comments at 24-27.

name.⁴⁵ However, MCI WorldCom does not believe that electronic signatures, at this time, should be required. Electronic signature currently requires a consumer to have the capability of scanning his or her signature and appending it to documents. While the industry has an electronic signature capability, it is not in widespread consumer use. MCI WorldCom is working toward authentication methods that are generally available to consumers and are consistent with two goals: encouraging Internet commerce and authentication of persons engaging in transactions.

MCI WorldCom also recommends that carriers should disclose, in an online privacy policy, how that information will be used and secured. This will ensure that consumer remain informed and possibly ease the information collection process.

Online commerce is in its infancy, and telecommunications carriers are only just beginning to explore business arrangements that allow customers to sign up for service. MCI WorldCom appreciates and understands the Commission's concerns about soliciting PIC changes in the new online world. However, the Commission must allow this new medium for online commerce for telephone service to flourish and remain unencumbered while seeking reasonable protections for consumers. The industry needs time and flexibility to develop technological solutions to authenticate the individual's identity as the decision-maker requesting the change of PIC service online. Carriers should be encouraged to develop creative alternatives to verify the online sale. Strict requirements at this time would hinder this new and convenient marketing

⁴⁵Ameritech at 15-16. Florida Public Service Commission at 5-6. Missouri Public Service Commission at 3. Montana Public Service at 3. BellSouth at 3. Telephone Resellers Association at 24-25.

environment. The Commission should not at this time burden online commerce with additional regulatory requirements, particularly when the overarching regulatory structure already guards against unauthorized conversion.

X. The Commission Should Adopt the Reporting Mechanisms That Are Part Of, and Which Are Outlined In, the Joint Petitioners' Third Party Administration Proposal

In the Further Notice, the Commission requested comment on whether each carrier should be required to report periodically to the Commission the number of complaints of unauthorized changes that have been submitted to the carrier. In initial comments, Ameritech, NASUCA, and the Montana Public Service Commission suggest that all facilities-based LECs and all IXCs should report slams on a biennial basis.⁴⁶ BellSouth suggests that reports should be based on slam allegations,⁴⁷ US West contends that it is important that the IXCs report all slamming "incidents" to the Commission on a biennial basis,⁴⁸ and Bell Atlantic would like reports filed with the Commission based on investigated actual slams, but only from the authorized carrier.⁴⁹

A better idea is to adopt the third party administration (TPA) proposal outlined in the

⁴⁶Ameritech Comments at 18-19, NASUCA Comments at 13, Montana Public Service Commission Comments at 3.

⁴⁷ BellSouth Comments at 4.

⁴⁸US West Comments at 29.

⁴⁹Bell Atlantic Comments at 7-8.

Joint Waiver Petition, which includes reporting mechanisms that will satisfy the needs of both state and federal regulators. In the TPA proposal, state and federal regulatory agencies, including state offices of Attorneys General, are specifically included in the list of entities that will receive monthly reports stemming from TPA activities. This is a significant improvement over today's environment where the regulatory and law enforcement agencies must wade through thousands of consumer complaints before they are able to piece together a picture of what is happening in the marketplace. With the advent of the TPA, regulatory and law enforcement agencies will be able to receive each month from participating carriers a report of the prior month's activities. That report will be far more "real time" than today's mechanisms permit.

As Sprint, Telecommunications Resellers Association, and CompTel/ACTA correctly point out, the TPA proposal is more reliable than ILEC reporting because ILEC reports would be based on claims rather than actual unauthorized conversions.⁵⁰ As a result, the number reported by ILECs would be artificially high. Additionally, as AT&T notes, the TPA proposal is more reliable than self reporting since the carriers with the most unauthorized conversions most likely would file the least accurate reports, regardless of enforcement mechanisms adopted.⁵¹

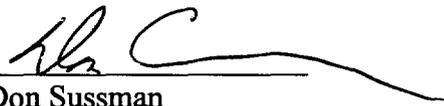
⁵⁰ Sprint Comments at 11-12, Telecommunications Resellers Association Comments at 26, CompTel/ACTA Comments at 16.

⁵¹ AT&T Comments at 43-44.

XI. Conclusion

MCI WorldCom urges the Commission to find that third party administration of presubscribed interexchange carrier changes is in the public interest, and to begin work immediately to implement third party PIC administration utilizing the same approach it used in developing local number portability. MCI WorldCom also urges the Commission to further specify third party verification practices utilizing MCI WorldCom's business practice as a model. MCI WorldCom also urges the Commission to reject or, at the very least defer, action requiring resellers to obtain individual carrier identification codes and regulating Internet sales, and to define "subscriber" in the context of the primary interexchange carrier process as any adult residing in the household.

Respectfully submitted,
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May 3, 1999

MCI WorldCom Reply Comments
May 3, 1999

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on May 3, 1999.

A handwritten signature in black ink, appearing to read 'DS' followed by a long, sweeping horizontal line that extends to the right.

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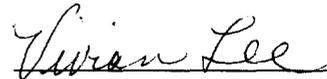
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