BELLSOUTH

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August 13, 2003

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, DC 20554

Re: CC Dkt. 96-146; Policies and Rules Governing Interstate Pay-Per-Call & Other Information Services

Dear Ms. Dortch,

On August 13, 2003, the undersigned, Stephanie Landry, and David Partington (via phone) of BellSouth met with Margaret Egler, Michele Walters, and Richard Smith of the Consumer and Governmental Affairs Bureau and Rosemary Cabral of the Enforcement Bureau.

The purpose of the meeting was to discuss issues associated with LEC billing of interstate pay-per-call services and respond to proposals offered by commentors in the above proceeding. All material used during the meeting is attached.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have any questions regarding this filing please do not hesitate to contact me.

Sincerely,

Mary L. Henze

Mary L. Henze

cc: M. Egler
M. Walters
R. Smith
R. Cabral

FCC Pay Per Call Docket, 96-146
BellSouth

CURRENT SITUATION

The LEC has a very limited role in the PPC/IS business, providing billing and collection services as well as offering customer name and address information from their Line Information Data Base (LIDB).

Dissatisfied end-users are driving high level of adjustments on PPC/IS Services. The problem lies with the service provided, not the LEC adjustment process

- For those service providers billing 900 charges uniquely who render their billing through BellSouth, adjustments levels of 25% are normal and for adjustments to be as much as 65% of the billed charges is not unusual
- By contrast, the average adjustment level for all service provider charges (including PPC/IS) billed on the BellSouth bill is less than 3%.
- Over half of PPC/IS adjustments made to charges billed on the BellSouth bill are IP initiated

FCC PROPOSED SOLUTIONS

Customer Authorization: BellSouth supports the proposed rules and applauds the inclusion of the prohibition from using ANI for billing authorization in lieu of explicit customer authorization. For presubscribed PPC/IS, BellSouth suggests that phrase "who certifies that they are authorized to incur charges on the billing instrument provided" be inserted after phrase "a legally competent individual."

Access to Pay Per Call and Information Sharing Service via Toll-free Dialing: BellSouth does not, as a matter of policy and contract, bill for PPC/IS Services offered via subscription or by dialing a toll-free dialing pattern.

Bill Presentation: BellSouth does not offer Billing and Collection (B&C) services for any Pay Per Call Services other than those accessed by dialing a 900 number. All billing for 900 number services are displayed on a separate section of the bill page. BellSouth also provides full disclosure to customers about their rights should they dispute the charges, the availability of 900 blocking service, and that access to 900 numbers may be blocked for non-payment of legitimate charges.

SOLUTIONS PROPOSED BY OTHERS

A number of solutions have been proposed by other industry participants.

- **LEC should.....not adjust the charges that the end user disputes for any reason**

This would be a customer abusive approach to collections. BellSouth does not manage its collections service this way for any service provider product billed on its bill, including toll. In addition, this would increase business office costs for the LEC and compromise the LEC's relationship with the end users.

- **LEC should.....credit the B&C service charge if they do adjust the end user bill**

BellSouth's B&C charges for this product are currently less than 5% of the revenue billed. Adjustment levels for service providers average around 25%. This solution would drive significant increases in B&C charges for this service and disadvantage service providers who billed less problematic services. It would also incent service providers to be less responsive to injured consumers.

- **LEC should.....be required to collect for presubscribed services, with additional costs of collections subsidized through a "fund"**

This proposal would require implementation of additional systems and administrative controls to collect transactional information at a sufficiently detailed level to support recovery of the cost of collecting these fees from the "fund" whose funding process remains suspiciously ambiguous.

- **LEC should.....modify their systems to create a PIN verification process**

Modification of the systems to support this would be very costly. Additionally, this proposes the sharing of the equivalent of the customer's telecommunications "credit card" number with all IP industry participants.

- **LEC should.....enforce blocking of 900 access for any end user who requests a second credit**

This would prohibit the customer from accessing any IP providers service, not just the one being disputed and assumes that the end user can not have more than one legitimate complaint. Shifts the cost and burden of enforcement for the IP/IXC's product to the LEC.

- **LEC should..... make customer 900 blocking information available to pay-per-call providers**

Would require costly modification of every LEC's LIDB system as well as various LEC support systems.

- **LEC should.....establish thresholds on the amount that a consumer can spend on PPC services.**

Does not address who would assume responsibility for determining an appropriate limit for each individual customer. Not feasible since many PPC/IS providers and carriers do not provide billing until the end of the customer's billing cycle. Systems work would be very extensive to create a control mechanism that would automatically engage to deny customer's access to these services based on billing information.

In addition to the shortcomings noted briefly above, any solution that focuses on LEC billing will have limited impact for two important reasons:

1. LEC billing is only one of many billing options available to the PPC/IP, and
2. LEC billing is far from ubiquitous. Not only are the LEC's ceding market share to CLEC's and Wireless providers, many other end users are served by ICO's. As LEC market loss accelerates, the opportunity for the PPC/IS providers to use the LEC as a billing channel for these services shrinks.

RECOMMENDATIONS

Improvements need to be made upfront, in how the service is marketed, sold and provisioned rather than in back-end processes like billing.

Some portion of the disputed charges arise because the user of the service is perpetrating fraud against another consumers by misusing that individuals calling card number. For this reason, BellSouth recommends that the FCC require that an IP who desires to charge services to a LEC calling card must first validate that card through the LEC LIDB system.

The commission should require the IXC's and IP's to deliver to the billing LEC the actual dialed number to avert deliberate fraud on the part of some unscrupulous IP's or IXC's who may attempt to obscure the dialing pattern presented to the customer.

IP's and IXC's are the beneficiaries of the PPC/IS business – not the LEC's. If better controls are needed to manage the provision or collection of the service, the cost for those controls should be borne by the cost causer and ultimate beneficiary.