

DIRECT TESTIMONY OF THOMAS E. SCHMERSAHL
ON BEHALF OF
CONTEL OF MISSOURI, INC., CONTEL SYSTEM OF MISSOURI, INC.
AND WEBSTER COUNTY TELEPHONE COMPANY

- Q. Please state your name and address.
- A. My name is Thomas E. Schmersahl. My business address is 1700 Continental Drive, Wentzville, Missouri 63385.
- Q. By whom are you employed and in what capacity?
- A. I am Manager-Regulatory and Public Affairs for Contel of Missouri, Inc., Contel System of Missouri, Inc. and Webster County Telephone Company (hereinafter collectively referred to as "Contel").
- Q. What are your responsibilities as Manager-Regulatory and Public Affairs for Contel in Missouri?
- A. I have responsibility for regulatory, tariff, inter-company and public affairs matters.
- Q. How long have you held your present position?
- A. Since October, 1987.
- Q. Please state your past experience in the telephone industry.
- A. In June, 1972, I joined Continental Telephone Company of Illinois in Palestine, Illinois as Local Business Office Manager for ten exchanges. I held this position until December, 1973 when I was transferred to State Commercial Staff, which was located in Sycamore, Illinois. In June,

1974, I was transferred to North District Marketing Department in Dekalb, Illinois, to serve as Regulatory Accountant Representative assigned to Northern Illinois University. I worked in this area until June, 1977, when I was transferred to the Central Region Office which was, at that time, located in Clayton, Missouri. I served as Personnel Development Manager for the Central Region with responsibility for management training and development, as well as college recruiting.

I left this position in April, 1979 to begin work with the newly formed Indiana division as Customer Service Manager for the Seymour, Indiana service center area with responsibility for service to 20,000 customers in ten exchanges. In May, 1982, I accepted the newly created position of Administrator of Public Affairs for the Indiana division. In this position, I had the responsibility for tariff, regulatory, legislative, inter-company and public affairs matters. I left this position in October, 1987, to begin my present assignment.

Q. What is your educational background?

A. I graduated from Southeast Missouri State College, Cape Girardeau, Missouri in May, 1972, with a Bachelor of Science degree in Business Administration. I am currently enrolled

in the Washington University Executive Masters of Business Administration Program.

Q. Have you previously testified before any regulatory Commissions?

A. Yes. I have testified before the Indiana Utility Regulatory Commission.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony has two purposes. First, I will describe problems that Contel and its customers have encountered as a result of the development of Alternative Operator Services (AOS) in the State of Missouri as well as Contel's efforts to cope with those problems. Secondly, I will discuss Contel's position on the development of competition in operator services.

Q. Please describe the nature of Contel's operations.

A. Contel is a telecommunications company providing local exchange telecommunications services within those areas certificated to it by the Missouri Public Service Commission. Contel is currently certificated to provide service to 170 Missouri exchanges. Contel also provides intraLATA interexchange telecommunications services in accordance with the Primary Toll Carrier (PTC) Plan recently approved by the Commission in Case Nos. TO-84-222 et al.

Q. Does Contel provide operator assistance services?

A. Yes, Contel provides such services to its customers and to customers of other local exchange carriers (LECs). Contel's operators work out of its offices in Wentzville, Missouri.

Q. What is AOS?

A. AOS is an emerging industry in which operator assistance is provided to end users by someone other than the traditional communications common carriers. It is not the nature of the service that is new so much as the identity of the provider.

Q. Has Contel experienced any problems as a result of the development of AOS in Missouri?

A. Yes. Within just the last several months, Contel's customer service representatives around the State have been receiving numerous inquiries and complaints related to AOS. Although Contel has just recently begun receiving calls from its customers about this matter, certain patterns seem to be developing.

Q. Would you please describe Contel's experience.

A. Inquiries and complaints appear to fall into several broad categories although these categories are not completely independent. For example, the principal problem appears to be confusion. Many customers have received bills directly from AOS providers and have called us because they could not

reach the AOS billing agent, do not understand the bill or do not understand why they are receiving a separate bill. It appears that they have visited a hotel or motel or have stayed at a hospital or college or have used a customer owned pay telephone and were unaware that operator assisted calls were handled by an AOS provider. In any case, end users are calling Contel customer service representatives for explanations and requests for adjustments on their bills. It is a problem that many of them believe Contel should be able to resolve.

Q. What other types of inquiries or complaints has Contel received?

A. Another frequent complaint Contel has received is a dispute concerning the point of origin of an operator assisted call. Some customers have had calls appear on their bills from places they deny having been on the date on which the call was made.

This is apparently the result of operator assisted calls being dumped by an AOS provider onto the switched network at the operator's location. As a result, the calls are billed as if they originated from the location of the AOS operator's office. Dumping an operator assisted call as I have described is also known as "splashing."

Q. Why is splashing a concern to Contel?

- A. Because of the difficulty it presents to Contel in resolving customer inquiries and complaints. Contel has no reason to know that such a call has been splashed and no practical way of determining that the originating location is an operator service center short of calling the number from which the call originated and inquiring as to the identity of the called party. As a result, complaints about splashing of operator assisted calls are difficult to resolve to either the customer's or company's satisfaction. Unfortunately, this can lead to poor customer relations and, in a broader sense, general dissatisfaction with the state of telephone service in Missouri.
- Q. What efforts has Contel made to assist its customers with AOS related inquiries or complaints?
- A. First of all, Contel has undertaken to alert its customers about the existence of providers of AOS. In addition, Contel's customer service representatives are attempting to explain to its customers that complaints or inquiries about bills rendered by an AOS provider can only be resolved by calling that provider. Finally, Contel is making every effort to resolve point of origination complaints by identifying splashed calls, if possible, and making appropriate adjustments to customers' bills to reflect the true point of origin.

Q. Can any more be done?

A. More should be done to inform the public that operator assisted calls may be handled by companies other than traditional telecommunications common carriers. This is particularly important in view of the fact that it is the subscriber (i.e. the hotel, motel, hospital, university or COCOT owner) that has made a competitive choice between operator service providers and not the end user who is ultimately billed for the service. Contel is doing all it can to educate its customers about AOS. However, AOS providers (or their subscribers) should bear the ultimate responsibility of alerting end users that operator assisted calls may be handled by non-traditional providers.

Q. Are AOS different than other alternative telecommunications service offerings?

A. Yes. The thing that sets AOS apart is that the end user is not generally situated so that he may make an informed choice between providers. It is, the subscriber that has had an opportunity to compare the alternatives. The end user, to whom the operator services are actually rendered, is at the mercy of the subscriber. This distinguishes AOS from other telecommunications offerings such as customer premise equipment and long distance services where the

customer may choose based on price, quality and other considerations.

Q. Does Contel oppose the entry of AOS providers into the Missouri telecommunications market?

A. No. However, Contel believes that operator services are in a period of transition between a monopolistic and competitive posture and, as such, should be regulated to ensure that AOS is in the public interest. The development of competition in operator services should not be at the expense of the end user.

Q. Would you please summarize your testimony.

A. I have described the nature of the problems that Contel has thus far encountered concerning AOS in Missouri. Those problems are primarily customer confusion and billing disputes which have resulted from direct billing and splashing of operator assisted calls. I have also discussed Contel's efforts to address these problems. Finally, I have stated Contel's view on the development of competition in operator services.

Q. Does this conclude your direct testimony?

A. Yes.