

Exhibit No. 2  
Issue: Certificate of  
Service Authority  
Witness: James F. Bryan  
Type of Exhibit: Direct  
Testimony  
Company: American  
Operator Services, Inc.  
Case No.: TA-88-218

BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Application )  
of American Operator Services, Inc. )  
for a Certificate of Service Authority )  
to Provide Intrastate Operator-Assisted )  
Resold Telecommunications Services )

Case No. TA-88-218

AMERICAN OPERATOR SERVICES, INC.  
DIRECT TESTIMONY OF  
JAMES F. BRYAN

Exhibit No. 2  
Date 9-20-88 Case No. TA-88-218 et al  
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STATE OF MARYLAND )  
COUNTY OF MONTGOMERY )

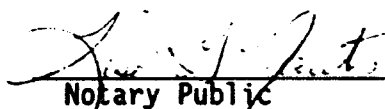
Comes now James F. Bryan, being of lawful age and duly sworn, and affirms as follows:

1. My name is James F. Bryan, and I hold the position of Director of Industry and Regulatory Affairs with American Operator Services, Inc., d/b/a National Telephone Services, Inc.

2. I have prepared the attached testimony, page 1 through 33, and Schedules A through W, and swear and affirm that the answers therein are true and correct to the best of my knowledge.

  
James F. Bryan

Subscribed and sworn to before me on this 4<sup>th</sup> day of August, 1988.

  
Notary Public

My commission expires: \_\_\_\_\_

"My Commission expires  
On July 1, 1990."

DIRECT TESTIMONY OF JAMES F. BRYAN

Q. 1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is James F. Bryan. My business address is 6100 Executive Boulevard, Rockville, Maryland 20852. I am employed by American Operator Services, Inc. d/b/a National Telephone Services, Inc. ("NTS"), as Director of Regulatory and Industry Affairs.

Q. 2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a degree of Bachelor of Science in Commerce from the University of Virginia McIntyre School of Commerce in 1976 where I concentrated in finance and minored in accounting. Prior to joining National Telephone Services in February, 1986 as controller, I was employed by a food packaging firm as controller and by a regional trucking common carrier as chief financial officer. In May 1987, I assumed my current responsibilities at NTS.

Q. 3. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the services and operations of NTS in support of its application for a Certificate of Service Authority.

- Q. 4. YOU INDICATED THE NAME OF THE COMPANY IS AMERICAN OPERATOR SERVICES, INC. D/B/A NATIONAL TELEPHONE SERVICES, INC. WOULD YOU PLEASE EXPLAIN THE USE OF THE TRADE NAME?
- A. When the Company was founded in Atlanta, Georgia in 1985, it was incorporated as National Telephone Services, Inc. In December of 1987, it was deemed advantageous to reincorporate the Company in Delaware. Unfortunately, the name National Telephone Services, Inc. was not available in Delaware, so the new corporation was named American Operator Services, Inc.

Since the reincorporation/merger was completed, business has been continued under the existing trade name of National Telephone Services while management seeks to obtain unqualified right to the name on a nationwide basis. Accordingly, the correct corporate reference is American Operator Services, Inc. d/b/a National Telephone Services.

- Q. 5. IS IT THE COMPANY'S INTENT TO USE THE NAME NATIONAL TELEPHONE SERVICES OR NTS ON A PERMANENT BASIS?
- A. That is correct. I will, therefore, use the trade name throughout the balance of my testimony.

Q. 6. PLEASE PROVIDE A BRIEF BACKGROUND AND HISTORY OF NTS.

A. As I mentioned previously, the original corporation was incorporated in Georgia in August, 1985. NTS was founded to compete with AT&T in what was one of the few, if not only, remaining non-competitive segments of the telecommunications industry--operator assisted long distance services. Operations began in December, 1985 with service in the Atlanta area. NTS has experienced very rapid growth since that time and now has approximately 800 employees, including approximately 650 operators located at operator switching centers in Orlando, Florida; Atlanta, Georgia; Rockville, Maryland; Chicago, Illinois; and Hayward, California.

Coincident with the reincorporation of the company in August, 1987, corporate headquarters was relocated from Atlanta to Rockville, Maryland, a suburb of Washington, D.C.

Q. 7. WHO ARE THE COMPANY'S KEY OFFICERS?

A. NTS' management team has a wealth of business and telephone experience. Joseph F. Switzer, Jr., President, was First Vice President--Sales, of the Robinson Humphrey/American Express Company prior to founding NTS/NTS. Gabriel Battista, Senior Vice

President--Sales and Operations, served as President of US Sprint's Eastern Business Market Group prior to joining NTS. Joe Basile, Vice President of Operations, held a variety of technical positions at MCI prior to joining NTS. Brad Mutschelknaus, General Counsel and Secretary, was Director of External Affairs at US Sprint before joining NTS. Leslie Collins, Controller, came to NTS from the big eight accounting firm of Ernst & Whinney. Additional biographical information on these and other key NTS management personnel is appended hereto as Schedule A. In my view, this management team unquestioningly possesses the experience and expertise to ably manage the company.

Q. 8. WHERE IS NTS INCORPORATED, AND IS IT AUTHORIZED TO TRANSACT BUSINESS IN MISSOURI?

A. NTS is a Delaware corporation. A copy of the company's Certificate of Incorporation is appended hereto as Schedule B. The company has obtained a Certificate of Authority from the Secretary of State to transact business in Missouri. A copy is attached hereto as Schedule C.

Q. 9. WHAT IS NTS' FINANCIAL CONDITION?

A. The financial condition of NTS--a privately held company--is excellent. As of March 31, 1988, NTS's assets exceeded \$31 million. Perhaps more importantly, NTS recently crossed the

magical profitability threshold for the first time in March and revenue is strong at over \$7 million monthly and growing quickly. NTS registered its first quarter of solidly profitable operations in the second quarter of this year. Copies of NTS's most recent financial statements are attached hereto as Schedule D.

Q. 10. WHAT IS THE CURRENT LEVEL OF NTS' BUSINESS?

A. NTS is currently originating traffic in approximately forty states and expects to be originating traffic in the forty-eight contiguous states before the end of the third quarter, 1988. NTS is currently processing in excess of 2.25 million calls per month.

Q. 11. IS NTS AUTHORIZED TO PROVIDE INTRASTATE SERVICES IN OTHER STATES?

A. Yes. NTS is authorized to provide intrastate services in 24 states today. The following 18 jurisdictions either do not regulate resellers such as NTS or require only a registration: Texas, Virginia, New Jersey New Mexico, Louisiana, Montana, Idaho, South Dakota, North Dakota, Colorado, Michigan, Oklahoma, Pennsylvania, Tennessee and Utah, New Hampshire, Rhode Island and the District of Columbia. In the following six (6) states, NTS has been awarded a certificate of public convenience and necessity to provide operator services: New York, California, Florida, Illinois, Maryland and Oregon. Of course, NTS is authorized by the FCC to provide interstate services in all fifty states. In addition, the FCC has awarded NTS a certificate to provide international resale services as well.

Q. 12. PLEASE DESCRIBE THE NATURE OF NTS' BUSINESS.

A. NTS is engaged in the business of providing telecommunications services that require the assistance of an operator or which must be billed to a number other than the one on which the call originated. These services are provided from customer premises equipment owned or operated by a subscriber that contracts with an operator services provider such as NTS. NTS' principal subscribers are hotels, hospitals, universities and owners of large banks of pay phones, generally located at major travel centers such as airports, convention centers and truck stops. NTS provides service to many of the major hotel chains, including Holiday Inn, Marriott, Stouffers and Sheraton, and many of the major hospital chains, including AMI, Humana, and Hospital Corporation of America. The major universities served by NTS include Vanderbilt University and the University of Kentucky. NTS was also selected as the operator services provider to the payphones at Nashville Metropolitan Airport, the first major airport in the country to utilize competitive operator services, and at Atlanta's Hartsfield International Airport, one of the nation's largest airports.

Q. 13. PLEASE DESCRIBE HOW A CALL IS HANDLED.

A. There are several types of calls that are handled by NTS. In addition to the particular requirements of the calling party, the way in which a particular call is handled depends in part on the



arrangements which NTS has made with the subscriber. It is also dependent on the type of equipment the calling party is using. Generally, however, the calls fall into one of four separate groupings - (1) calling card and credit card calls; (2) third party calls; (3) collect calls; and (4) person-to-person calls. Schematic drawings illustrating the handling and processing of calls by NTS are set forth in Schedule E, attached hereto.

Q. 14. PLEASE DESCRIBE CALLING CARD AND CREDIT CARD CALLS.

A. Calling card calls are those where the user uses a Bell System or other local telephone company calling card to establish credit and to provide the billing information. When a customer uses a calling card, he may punch in the calling card charge number, which usually consists of the user's 10 digit personal telephone number plus a four digit personal identification number (PIN). This information is collected on data tapes of NTS, together with information relating to the called number and the time and length of call. On a regular basis, NTS segregates this information by local exchange telephone company and furnishes those companies with the information needed to bill end users.

Alternatively, a caller may choose to wait until an operator comes on the line and provide the necessary information to the operator. When this is the case, or where operator interception is required because the caller is using a rotary telephone, the operator collects the information and associates it with the other information relating to the call. Because billing name and address information is not routinely available from the local exchange companies, it is necessary to rely on these entities for billing and collection.

NTS also permits users to charge calls on cards of credit card companies with which it has a billing and collection arrangement. At the present time, NTS offers billing via VISA, MasterCard and American Express, and it is currently negotiating with other credit card companies. The purpose of permitting the use of credit cards is to broaden the choices available to the user and to permit him to complete calls without the necessity of obtaining a special card for this purpose from his local operating company.

Q. 15. PLEASE DESCRIBE HOW NTS HANDLES A COLLECT CALL.

A. When a caller wishes to have the called party pay for a call, it is necessary that an operator intercept the call and obtain permission from the called party to charge the call to the called number. In practice, this means that a specially trained NTS

operator comes on the line and requests the necessary information about the calling party that is then provided to the called number. Upon acceptance, the billing information is associated with the time and charges so that the call may be billed. These charges are billed to the called number and the local operating company where the called number is located does the billing and collection for NTS.

Q. 16. PLEASE DESCRIBE HOW NTS HANDLES A THIRD PARTY CALL.

A. A third party call is similar to a collect call, except that the call is charged to a party that is neither the caller or the called party. In the case of a third party call, the operator must actually call the third party to obtain confirmation that he will accept the charges, as well as to obtain billing information.

Q. 17. PLEASE DESCRIBE HOW A PERSON-TO-PERSON CALL IS HANDLED.

A. In the case of a person-to-person call, an operator remains on the line until she can confirm that the individual to whom the caller wishes to speak is on the line. This can entail significant holding time and may even require the operator to dial several different numbers to reach the desired person.

Q. 18. PLEASE DESCRIBE HOW NTS OBTAINS THE FACILITIES THAT IT USES IN THE PROVISION OF ITS SERVICES.

A. As a non-facilities based, value-added reseller of telecommunications services, NTS does not own telephone transmission facilities. Rather, NTS purchases these facilities, both under contract and under tariff, from facilities-based interexchange carriers such as MCI, AT&T and US Sprint. In addition, it obtains transmission facilities from such companies as Lightnet, NTN and Southernet. NTS' combines these facilities to create a digital network with excellent transmission quality.

NTS utilizes feature Group D (FGD) access in most instances. Feature Group B (FGB) access is used where the original line cannot be presubscribed to NTS or where the originating equipment is not capable of utilizing a FGD access code. FGB access may also be utilized where FGD facilities are not available or where pay phone and hotel/motel volumes must be combined to justify such facilities. For large institutions, dedicated access such as T1 or DS3 may be obtained to take advantage of economies of scale. Finally, where no other access is available or justified, in-WATS may be used to access the NTS system. Diagrams depicting NTS' network design and call processing are attached hereto as Schedule F, G and H.

Q. 19. PLEASE DESCRIBE HOW NTS OBTAINS PAYMENT FOR THE SERVICES THAT IT RENDERS.

A. NTS bills users using the billing and collection services of local exchange carriers, except in those instances where the call is billed to a credit card company or to a hotel room. NTS has effective billing agreements with all BOCs, including Southwestern Bell and with most major independent LECs. NTS maintains its own data bank that contains, in addition to information on the call, the necessary information for billing purposes. Data tapes containing the call information are sent to the appropriate billing party. The billing party associates the information given, which in the case of billing to a telephone company calling card is the telephone account number to which the call is to be billed, with the information in its own files to bill the proper party. The billing party makes the collections and remits the payments to NTS.

Q. 20. ONE ISSUE ON WHICH THE COMMISSION HAS EXPRESSED INTEREST IS WHETHER THE LOCAL EXCHANGE COMPANIES SHOULD BE ALLOWED TO DISCONNECT LOCAL SERVICE FOR NONPAYMENT OF CHARGES FROM "AOS" COMPANIES. WOULD YOU COMMENT?

A. NTS' only position on this issue is that, to the extent that local disconnect is allowed for nonpayment of any IXC charges, then it must be offered on a nondiscriminatory basis. In fact, I am

advised by Counsel that this position is one which is settled as provided in Appendix B of the Modified Final Judgement. This appendix to the MFJ requires that, where local disconnect is offered to any IXC, Billing and Collections services be offered to all IXCs on equal terms and conditions.

Q. 21. HOW DOES NTS NOTIFY CALLERS THAT IT WILL PROCESS THEIR CALLS?

A. Notification of which operator services company is handling a particular call is an important but difficult question. The consumer deserves sufficient notice to enable the consumer to choose whether or not to utilize the company's services. On the other hand, overly cumbersome notification procedures can add both significant cost and delay. Moreover, notice requirements which differ for AT&T and other operator services providers can only be described as an anticompetitive discrimination. Thus, a careful balancing needs to be made in this area--the rightful needs of consumers vs. the interests of efficiency, economy and fairness. There are basically two available vehicles for providing notice to callers: (a) operator announcements and (b) postings at subscriber locations. Operator announcements are within the control of the operator services provider, whereas postings at subscriber locations are within the exclusive control of the premises or equipment owner. NTS uses operator announcements to proudly introduce itself to the end user.

Allow me to explain our policies in more detail. First, when a caller dials on a 0+ basis and the call is processed automatically, a "Thank you for using NTS" announcement is made prior to outpulsing the terminating number. The caller can discontinue his call attempt immediately following the announcement without incurring any charges. All calls on the NTS system answered by a live operator are answered "NTS operator, (name of operator), how may I help you?" immediately notifying the end-user that NTS will be completing the call. In addition, at the close of each operator handling sequence, the end user is told "Thank you for using NTS," again giving the end user an opportunity to discontinue the call attempt. In addition, of course, NTS operators explain precisely who they are in response to end-user inquiries.

Additional notification of NTS' services can be made through the use of tent cards and stickers at subscriber locations. NTS provides such tent cards to its hospitality subscribers at no charge. A copy is attached hereto as Schedule I. Although NTS encourages its subscribers to post such notices, NTS has no right to enter the premises of a subscriber to physically place notices itself. Also, as NTS does not own the CPE, it has no direct control over notices which might be placed on the phones themselves.

It is important to note that these notification procedures in combination significantly exceed those employed historically by either AT&T or the Bell Operating Companies (BOCs). Moreover, NTS always is open to considering new and better ways of making such notifications, provided that the procedures do not place it at a competitive disadvantage vis-a-vis AT&T.

NTS must observe that much of the consumer confusion in this area stems from AT&T's advertising to convince customers that 0+ calls will nearly always be routed to AT&T. (See Schedule J hereto.) NTS and other nondominant operator service providers cannot rightly be expected to bear sole responsibility for clarifying confusion resultant of a misleading advertising campaign launched by its chief competitor.

Q. 22. PLEASE DESCRIBE HOW NTS CHARGES FOR ITS SERVICES.

A. NTS' charges are made pursuant to its price lists and tariffs. It maintains both federal and state price lists or tariffs that contain the charges for its services. Schedule K hereto is NTS' proposed initial tariff for services provided within Missouri.

Q. 23. WHAT RATES DOES NTS PROPOSE TO CHARGE END USERS FOR INTRASTATE MISSOURI CALLING.



- A. NTS' rates are structured similarly to Southwestern Bell's. NTS charges both a per minute measured rate varying by the time of day and distance of the call, and a fixed operator service charge which varies according to the call type.

NTS applies six (6) different rate schedules. NTS' proposed initial intrastate rate tables are attached hereto as part of Schedule K. These six rate tables correspond to NTS' six existing interstate offerings. Although the interstate rates for each of these offerings differ, in the interests of simplicity, NTS has proposed to charge the same intrastate rates for each of the six service offerings.

NTS' proposed initial rates are identical to those already approved by the Commission for Southwestern Bell ("SWB") with a few exceptions. First, whereas SWB charges an operator service set up charge plus measured usage rates for short haul interexchange calls, NTS charges a flat rate of \$.80 per call for automated interface calling card calls of 20 miles distance or shorter. Second, whereas SWB has separate charges for direct dialed versus

live operator dialed calling card calls, NTS proposes a single operator assisted set up charge which matches the set up charge assessed by SWB for live-handled operator calls. This differentiation is in recognition of the fact that NTS must pay SWB sizeable amounts to verify, bill and collect calling card charges for NTS, making it uneconomical for NTS simply to match the SWB calling card operator service set up charge. And, third, NTS' evening period discounts begin two hours later than SWB's, reflecting the fact that NTS' peak hours are later than SWB's.

Q. 24 GIVEN THE EXISTING SIMILARITY BETWEEN NTS' RATES AND SWB'S RATES, SHOULD THE COMMISSION SIMPLY REGULATE NTS RATES BY CAPPING THEM AT SWB OR AT&T RATES?

A. No. The Commission should exercise extreme caution in comparing nondominant operator service provider rates to SWB or AT&T operator services rates. Although SWB or AT&T operator services rates can serve as a generalized standard to use in establishing a "zone of reasonableness" for rates charged by other operator service providers, they are not strictly comparable and, thus, cannot justly serve as a ceiling rate for all operator services for several reasons.

First, NTS' service is a specialized offering with a specialized package of services. In a sense, it should be regarded as a "value-added" operator services offering.

Second, NTS does not have the same cost structure as SWB or AT&T. SWB and AT&T have a daytime peak hour, whereas NTS' peak is in the evening hours.

Because of a continuing and invidious discrimination in BOC billing charges, NTS' billing and collection costs are dramatically higher than SWB's and AT&T's. And NTS pays sizeable commissions to all of its customers, while SWB and AT&T do not. These are just a few examples.

But the best reason why the Commission can rest assured that NTS will charge just and reasonable rates is that the marketplace will not allow NTS to do otherwise. NTS' subscribers are very concerned about the rates charged end users because they know that overcharging will reflect poorly on the subscriber as well as the operator services provider.

For example, a recent trade publication reported that the Hyatt hotel chain, one of the largest chains in the country, "keeps close tabs on how the nondominant operator service companies are performing and their rates." Indeed, Hyatt recently "got Telesphere to roll back its rates." The same publication reported that hotels are "sensitive to customers' convenience, time constraints and charges," and that such hotels place an "emphasis on control of charges to customers." It further quoted a Westin

hotel official as saying that he would not "jeopardize (his) guests as far as service, quality or the charges made to them." (See Schedule L hereto.) A second trade publication recently reported that hotel chains are "carefully evaluating the operator services industry for absolute proof that a change will not alienate their guests." (See Schedule M attached hereto.)

In addition, end user dissatisfaction with charges is very costly to the operator services provider. A dissatisfied user simply will hang up the next time he accesses the operator services provider. NTS and other operator services providers must have repeat customers to stay in business for long. Similarly, the negative publicity attendant to over-charging dissuades end users from utilizing independent operator services providers. It does an operator services provider no good to contract with a subscriber location if the end-user hangs up each time he reaches the firm's operator.

Thus, the rates of independent operator services providers are regulated by market forces. Recent reports of overcharging may be largely attributed to an immature industry that still is seeking its appropriate rate levels. The fact remains that an independent operator services provider who charges unreasonable rates will simply be forced out of business over time.

Of course, both the FCC and state regulatory bodies retain ample complaint jurisdiction to resolve specific cases of unreasonable behavior or to sanction any unethical service provider.

Q. 25. DOES NTS PROPOSE TO CHARGE DIFFERENT RATES FOR INTERLATA VERSUS INTRALATA CALLING?

A. No. NTS' costs vary depending upon the type of operator assisted call placed, the distance of the call, and the duration of the call. Because of access charge and billing rate differentials, NTS costs for providing interstate services also differ from intrastate services. However, NTS' cost of providing intrastate services does not vary simply because a call does or does not traverse a LATA boundary. Consequently, the proposed intrastate charges do not vary on a LATA basis.

Q. 26. THE MISSOURI COMMISSION HAS EXPRESSED AN INTEREST IN THE PRACTICE OF BILLING "SUBSCRIBER OR LOCATION SURCHARGES" TO AN END USER. WOULD YOU PLEASE DESCRIBE THE MEANING OF A "SUBSCRIBER OR LOCATION SURCHARGE?"

A. Such a charge is prescribed by a location or COCOT owner to be billed to the end user by the operator service provider ("OSP") acting as the location or COCOT owner's agent. The charge is in addition to the OSP's rates and is normally rebated directly to the subscriber.

Q. 27. DOES NTS HAVE A POSITION AS TO WHETHER THESE SURCHARGES ARE APPROPRIATE?

A. Fundamentally, NTS believes that the market will (and is now) act to appropriately control these surcharges. Accordingly, regulatory action to restrict the billing of surcharges or to limit their size should be, over time, unnecessary.

However, NTS is not completely comfortable with the practice or with the size of many surcharges now encountered. NTS would not oppose and would definitely comply with an order prohibiting surcharges not specified in an OSP's tariff, so long as the requirement were applied equally to all service providers.

Q. 28. ARE THERE ANY REASONS WHY IT WOULD BE PARTICULARLY INAPPROPRIATE TO TIE NTS' RATES TO AT&T'S?

A. Yes. AT&T is our largest, most formidable competitor. Since AT&T presently has virtually all of the interLATA operator services business; our growing market share comes at AT&T's expense. This circumstance makes it highly inappropriate to cap our rates at AT&T's rates. Should AT&T decide that we are competing too successfully, AT&T could simply utilize its market power (and consequent ability to cross-subsidize services) to reduce rates to predatory levels and drive competitors such as NTS from the market.

Q. 29. HOW DOES NTS HANDLE EMERGENCY CALLS?

A. All 911 emergency calls are diverted by either the LEC or subscriber CPE prior to reaching NTS' network.

Q. 30. THE COMMISSION HAS EXPRESSED INTEREST REGARDING CALL PROCESSING TIMES OF NONDOMINANT OSP'S. WOULD YOU COMMENT ON THIS ISSUE?

A. In my view, there are two separate aspects of public interest in this area. First and most important is the need to expeditiously process "0-" dialed emergency calls. NTS' procedures for processing such emergency calls have been previously discussed and are, in the opinion of NTS management, sufficient to protect the public interest. It must be recognized, however, that this processing can begin only after the call has been received by the NTS switch.

The second aspect of call processing time affects directly the customer convenience in using the service. In our opinion, the marketplace will work particularly effectively in regulating the quality of this portion of the service delivery. NTS is constantly under pressure from its subscribers to improve its call set-up times, particularly from larger, sophisticated subscribers.

In summary, there exists a significant, valid public interest in the overall call processing time where "0-" emergency calls might be received. As the greatest portion of the processing is consumed in network functions outside of NTS' control, however, NTS suggests that, should the Commission determine that rules are appropriate in this area, a rulemaking be initiated to establish standards for all OSP's including the LEC's and AT&T.

For non-911 emergency calls, NTS utilizes the following call handling procedures. Upon receipt of any emergency call, the NTS operator asks the caller to recite the number of the telephone the caller is calling from. This enables NTS to pinpoint the caller's location. The operator then asks the caller to hold and summons an NTS operator supervisor. The supervisor quickly determines the nature of the emergency and calls the appropriate emergency number in the caller's locality. (NTS maintains a listing of such emergency numbers for all localities it serves.) Once the emergency service answers, the supervisor connects the caller to the emergency service. NTS provides this service without charge.

Q. 31. DOES NTS BILL FOR INCOMPLETE CALLS?

A. As a nondominant IXC, NTS occasionally must subscribe to nonpremium access. In such situations, NTS may not receive answer supervision signaling from the LEC. Consequently, NTS like all other nondominant IXCs sometimes must employ an answer supervision



surrogate based upon reasonable assumptions. Thus, occasionally, an incomplete call can be billed in error. This circumstance is both unintentional and unavoidable. However, NTS' firm policy is to liberally issue credits for all calls which customers inform us were not completed.

Q. 32. WHY DO YOU BELIEVE THAT THE SERVICES PROVIDED BY NTS ARE IN THE PUBLIC INTEREST?

A. NTS and others in the independent operator services industry bring at least five (5) important benefits to the public.

1. NTS Provides Competition to AT&T. Operator services is the last monopoly stronghold of AT&T. No alternative facilities-based interexchange carrier has its own operators. (Although US Sprint has introduced operator services, it utilizes the operators of an independent operator services provider--National Data Corporation.) As a consequence, AT&T has had little incentive to improve its own operator services and operator network, or to develop innovative new product offerings. Moreover, through the exercise of its monopoly power, AT&T has been able to price operator services with little regard for costs. AT&T's decision in 1983 to arbitrarily stop paying commissions to traffic aggregators and payphone location owners is an example.

The mere fact that NTS and other independent operator services providers have gained a toehold in the market has forced AT&T to improve its operator services offerings. AT&T recently stated that it has decided to upgrade its operator network and introduce a number of enhanced operator services products. (See Schedule N hereto.) AT&T also filed its Hospitality Network Service tariff and initiated a payphone Commission plan recently. These developments are not happenstance--they are driven by the competitive pressure felt for the first time by AT&T in the operator services area.

2. NTS Seeks to Offer Freedom of Choice in the 0+ Market.

Historically, all 0+ calls were routed to AT&T (interLATA) or SWB (intraLATA) and billed by AT&T or SWB. End users desirous of using other interexchange carriers or billing mechanisms simply were out of luck.

NTS' intention is to offer end users both a choice of interexchange carriers and a choice of billing mechanisms in the 0+ arena. NTS already offers the end user a menu of billing possibilities. Customers can utilize their LEC calling cards, charge to bank credit cards (i.e. VISA, MasterCard, American Express), or have charges posted to their room account.

Once agreements with underlying carriers are finalized, NTS will introduce its carrier choice plan as well. NTS' plan is to execute agreements which will enable it to route calls--at the option of the caller--on the AT&T network at AT&T travel card rates, the MCI network at MCI travel card rates, the US Sprint network at US Sprint FON card rates and other calls over the combined NTS resale network at rates developed by NTS. Once implemented, this system will in essence introduce equal access to the transient user 0+ market.

It bears noting that even today NTS is "handing off" callers who desire AT&T services to AT&T for handling. (Despite the fact that NTS incurs a nonrecoverable access charge averaging \$.45 per call in such instances.) Thus, end users at NTS locations already have at least two choices for their 0+ calling--NTS and AT&T. That is double the number of choices the caller has from locations presubscribed to AT&T for 0+ services.

3. NTS Soon Will Offer a Host of New Services Designed for the Convenience of the Transient Caller. Independent operator services is a "boutique" industry offering specialized communications services tailored to meet the specialized communications needs of the transient caller.

NTS soon will initiate a host of services not offered previously to these users. Examples include voice mailbox services, voice message store and forward services, electronic yellow pages and concierge services. The possibilities are limited only by the imagination. NTS subscribers are very desirous of obtaining these services (see Schedule O hereto). NTS is moving quickly to bring them to market.

Indeed, the first such "new" service--voice message store and forward service--is in testing now. Once implementation is completed, end users who reach a busy or unanswered line will receive a digitized voice invitation to leave a message after hearing a tone. If the caller chooses to leave a message, the NTS switch will continue ringing the designated line every fifteen minutes until someone answers. When the line is answered, the NTS switched will deliver the taped message. This service should be generally available by approximately September 1.

4. NTS Commissions Promote the Availability of Public Phone Services. Obviously, the public interest is well-served by the widespread availability of state-of-the-art public phones. The COCOT industry is poised to make ever more advanced public phones available in a swiftly growing number of locations. The commissions paid by NTS enable the COCOT industry to make this promise a reality by giving the owner a fair share of the 0+ revenues generated by his locations. (See Schedule P hereto.)

5. NTS Offers Traffic Aggregators the Compensation Which They Justly Deserve. It has been recognized that IXC's can serve large volume purchasers more efficiently than small users, and that it is appropriate to pass a portion of the savings realized along to the subscriber.

Large users invest substantial sums in equipment and systems required to aggregate traffic. In the 1+ market, these users recoup their investment through volume discounted WATS and Private Line services. However, due to its monopoly status in operator services, AT&T historically has been able to ignore the demand for similarly discounted 0+ services. The 1983 unilateral action of discontinuing the payment of commissions on 0+ traffic was a prime example of this ability.

NTS simply has stepped in to satisfy this consumer demand by paying reasonable commissions to 0+ traffic aggregators (such as hotels, motels, universities and hospitals), thereby enabling them to recoup their sizeable investments in CPE. (See Schedules Q and R hereto.) It is important to note that the majority of hotel traffic has shifted from 1+ dialing to 0+ dialing over the past decade, making it exceedingly difficult for hotels to recover their telecommunications expenses via resold 1+ services.

NTS fears that the public's interest in receiving these important benefits has been largely ignored in the rash of recent negative publicity regarding independent operator service providers. This is especially disturbing since NTS believes that much of this negative publicity has been fueled by unfair, false or grossly exaggerated reports of industry abuses. For example, much of the media attention can be traced to a consumer alert issued on January 25 by the Virginia State Corporation Commission (VSCC) that was later described as a "witch hunt" by a leading trade magazine. After investigating the VSCC's claims that nondominant operator service rates were excessive, the magazine found that the claim was "exaggerated and based on incomplete evidence." (See Schedule S hereto.)

Q. 33. ARE YOU SUGGESTING THAT THERE HAVE BEEN NO INSTANCES OF UNREASONABLE BEHAVIOR BY OPERATOR SERVICES COMPANIES?

A. No. I would no more suggest that independent operator services providers have been perfect than I would state that the service of the monopoly operator services firms has been flawless.

There can be no denying that independent operator services providers have made certain mistakes over the past few months which have led to consumer complaints. Such mistakes are self correcting. Due to pressure from end users and subscribers, media

attention and regulatory complaints, most of these companies have changed their business practices considerably. NTS, for example, substantially reduced and restructured its rates in response to these pressures.

In addition, the Commission should be aware that a serious attempt at industry self-regulation is underway. Through the recent formation of an industry association--the Operator Services Providers of America (OSPA)--we have for the first time adopted a set of ethical business practices in the industry. This industry Code of Responsibility requires members to provide reasonable notice, charge reasonable rates and provide quality customer service. A copy of the Code of Responsibility is appended hereto as Schedule T for your information.

Q. 34. WHAT FORM OF REGULATION IS NTS SEEKING?

A. NTS is a nondominant pure reseller of interexchange telecommunications services. As explained above, NTS lacks market power and, thus, is effectively regulated by market forces. Consequently, NTS seeks to be regulated as a competitive telecommunications company providing competitive telecommunications services, and be regulated in the streamlined manner Commission regulates other certificated resellers within Missouri.

- Q. 35. THE MISSOURI COMMISSION HAS NOT YET PROMULGATED RULES REGARDING THE PROVISIONING OF COMPETITIVE OPERATOR SERVICES IN THE STATE. SHOULD DISTINCTION BE MADE REGARDING THE REGULATION OF "1+" AND "0+" SERVICES, WOULD YOU COMPLY WITH THE ISSUED REGULATIONS?
- A. NTS looks forward to assisting the staff and the Commission in its evaluation of the regulations appropriate for our services. Of course, NTS will comply with all lawful orders of the Commission.
- Q. 36. HOW DO YOU RESPOND TO END USER COMPLAINTS?
- A. We include a toll-free 800 number on every billing statement which the end user may use to reach our customer service center. The customer service center is staffed each day from 8:00 am to 8:00 pm (EST or EDT) weekdays with customer service representatives who are trained to respond expeditiously to both end user inquiries and end user complaints. In appropriate instances, the customer service representatives are authorized to credit the end-user's account. NTS' policies regarding issuing such credits are quite liberal.
- Q. 37. DOES NTS POST ITS TOLL FREE NUMBER AT SUBSCRIBED PHONES SO THAT USERS CAN IMMEDIATELY REGISTER SERVICE RELATED COMPLAINTS OR INQUIRIES?
- A. As I indicated previously, NTS has no right of access to a subscriber's premises to place notices regarding complaint or inquiry procedures. Presuming "0-" access to the competitive OSP



is allowed in the jurisdiction and that the subscriber's CPE is programmed to forward "0-" calls to NTS, that user could register his/her complaint or inquiry with the NTS operator. In those instances where "0-" calls are directed to the LEC by mandate, or where FGD access is used and the "00" IXC operator access is not implemented, it may not be possible to access an NTS operator without dialing 0+ an interLATA number. In such a circumstance, a user may have no information regarding NTS inquiry or complaint procedures until the bill is received.

Q. 38. HOW DO YOU PROPOSE TO HANDLE REGULATORY COMPLAINTS?

A. A member of my staff at NTS headquarters in Maryland receives and responds to all informal complaints sent to federal and state regulators. We take such complaints very seriously and make effort to respond expeditiously and satisfactorily both to the complainant and the regulatory body involved.

I should observe that the volume of such complaints has been quite moderate. Last month, for example, only eleven (11) informal complaints were lodged against NTS at the FCC. This was resultant of over 2.25 million calls by over one million end users!

Q. 39. ARE YOU FAMILIAR WITH THE NARUC STAFF SUBCOMMITTEE ON COMMUNICATIONS AND COST ALLOCATIONS TASK FORCE ON AOS REPORT?

A. I am, and have attached a copy as Schedule U.

Q. 40. DOES NTS HAVE A POSITION OR COMMENTS ON THE REPORT AND RECOMMENDATIONS CONTAINED THEREIN?

A. Yes, attached as Schedule V are comments which previously have been supplied to members of the Communications Committee and others. Also attached as Schedule W is a copy of the resulting resolution as passed by the Communications and Executive Committees.

I find it particularly significant that the form of the resolution was modified from "Recommended Guidelines for Alternative ..." to "Recommended Guidelines for Consideration by Regulatory..." (emphasis added). The Communications Committee quite correctly recognized that they had for too little information and/or evidence available to them to recommend specific regulatory approaches at that time.

Q. 41. DO YOU HAVE ANY ADDITIONAL COMMENTS?

A. For the past decade, federal and state regulators have striven to break down entry barriers in the communications business. Regulators have endeavored to create an open market in which new entrants are free to come in and satisfy consumer needs. It is precisely this market situation that led to the creation of NTS in particular and the independent operator services industry generally. Through action or inaction, the dominant carriers in

the operator services field created a marketplace demand. Entrepreneurs soon recognized this unsatisfied need and created services--independent operator services--to satisfy it. In this way, operator services companies have both met an immediate public need and compelled the dominant carriers to improve their services. The success of the independent operator services industry truly is an example of the nation's pro-competitive policies at work.

Q. 42. PLEASE SUMMARIZE YOUR TESTIMONY.

A. NTS proposes to offer a host of services in response to public demand. And NTS has the financial strength, technical competence and managerial expertise required to deliver these services in a quality manner.

Q. 43. DOES THIS CONCLUDE YOUR TESTIMONY.

A. Yes. Thank you.

SCHEDULE A

American Operator Services, Inc. has assembled an outstanding management team. Brief summaries of qualifications of key team members follow:

**JOSEPH F. SWITZER, JR. - President**

The founder of National Telephone Services, Inc., the predecessor to American Operator Services, Inc., Mr. Switzer is responsible for, among other things, the marketing and sales functions. Prior to founding NTS, Mr. Switzer was First Vice President - Sales of the Robinson Humphrey/American Express Company. Joining that organization in August 1980, Mr. Switzer was promoted to Assistant Vice President in 1982, Vice President in 1983, and First Vice President in 1985. When named First Vice President, Mr. Switzer was one of the youngest officers of that rank in the entire American Express organization.

Prior experience includes banking officer positions with Manufacturers Hanover Bank in New York City, and the First Atlanta Corporation in Atlanta.

**GABRIEL A. BATTISTA - Senior Vice President; Sales and Operations**

Mr. Battista is responsible for all line sales and operations functions. Mr. Battista's experience qualifies him exceptionally well for this position. Previous positions include:

US Sprint                      President; Eastern Business Group  
   President; Mid-Atlantic Division

GTE TELENET                  Vice President; Sales and Field Marketing

Other significant positions have involved general management, market development, and acquisition management, both within and outside the telecommunications industry. Mr. Battista's experience is extremely broad, on both a domestic and international basis. His educational credentials are:

B.S.E.E.            Villanova University  
M.S.E.E.            Drexel University  
M.B.A.              Temple University

**JOSEPH BASILE - Vice President of Operations**

Mr. Basile is responsible for managing the Branch Technical Operations and Customer Relations, operator centers and customer service functions. Mr. Basile's prior experience includes over five years with MCI Telecommunications, including the following positions:

Operations Manager; Northwest Division  
Senior Manager, Customer Service; Pacific Division  
Senior Manager, Engineering; Southeast Division  
Senior Manager, Operations; Southeast Division

**BRAD E. MUTSCHELKNAUS - General Counsel and Secretary**

Mr. Mutschelknaus directs the company's legal and regulatory affairs, and oversees its industry relations activities. Prior to joining AOSI, Mr. Mutschelknaus was the Director of Regulatory and External Affairs for US Sprint Communications Company. Previously, he served as a Senior Attorney for GTE Sprint Communications, General Attorney for Satellite Business Systems and Associate at the law firm of Cadwalader, Wickersham & Taft. He received a Juris Doctor degree from Georgetown University in 1980.

**LESLIE COLLINS - Controller**

Ms. Collins is responsible for managing all financial, accounting and auditing matters for the company. Prior to joining NTS, Ms. Collins held a variety of positions at the big eight accounting firm of Ernst & Whinney.

**JAMES F. BRYAN - Director, Industry & Regulatory Affairs**

Mr. Bryan is responsible for negotiation and administration of Telco billing and collection contracts, general issues regarding LEC relationships and regulatory compliance. Mr. Bryan joined the Company's predecessor in February 1986 as Controller, a position he held until May 1987. Previous positions included Chief Financial Officer; Benton Brothers Film Express and Controller, Southern Tea Company.

**DONALD BOLAR - Director of Engineering**

Mr. Bolar is responsible for acquisition of the leased facilities used to access the Company's network and to complete the call once processed by the operator-handling system. Mr. Bolar has over ten years of progressively responsible management experience in the telecommunications field, including the following positions:

**AT&T/Bell Communications Research**

District Manager, Special Services/Network Planning  
District Manager, Network Architecture

**MCI Telecommunications**

Senior Manager; Traffic Engineering and Network  
Implementation

**LDX Network**

Director; Planning and Application Engineering

**DAN SMITH - Director of Operator Services**

Mr. Smith is responsible for managing the operator workforce ultimately responsible for delivery of the Company's service offering. He also manages the department which administers the post-billing function. Mr. Smith has 20 years of telecommunications experience, including:

**Contel**

Director; Network Market Planning

**Metromedia Long Distance**

Director; Network Engineering

**Satelco**

Vice President; Operations

**Southwestern Bell**

Numerous positions over a 13-year period.

SCHEDULE B





# State of DELAWARE

## Office of SECRETARY OF STATE

I, Michael Harkins, Secretary of State of the State of Delaware,  
do hereby certify that the attached is a true and correct copy of  
Certificate of Incorporation  
filed in this office on October 2, 1987



*Michael Harkins*  
Michael Harkins, Secretary of State

BY: C. Wyatt

DATE: February 4, 1988

757275006

21396-52

CERTIFICATE OF INCORPORATION  
OF  
AMERICAN OPERATOR SERVICES, INC.

FILED

OCT 2 1952

*[Handwritten signature]*

FIRST: The name of the Corporation is AMERICAN OPERATOR SERVICES, INC.

SECOND: The location of the registered office of the Corporation in the State of Delaware is at 229 South State Street, City of Dover, County of Kent. The name and address of its registered agent in the State of Delaware is The Prentice-Hall Corporation System, Inc., 229 South State Street, Dover, Delaware 19901.

THIRD: The purpose of the Corporation is to engage in providing operator services and any other lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is Five Million (5,000,000) shares of voting common stock, with a par value of one cent (\$0.01) per share (the "Common Stock"). Shares of the Common Stock of the Corporation may be issued for such consideration and for such corporate purposes as the Board of Directors of the Corporation may determine from time to time by resolution.

Each share of issued Common Stock of the Corporation shall bear such transfer restrictions as shall be set forth in the By-

laws of the Corporation or any agreement or agreements entered into by one or more of its stockholders or the Corporation and its stockholders.

The number of authorized shares of Common Stock shall not be increased except by the affirmative vote of the holders of a two-thirds (2/3rds) majority of the Common Stock entitled to vote.

At all elections of directors of the Corporation, each stockholder shall be entitled to as many votes as shall equal the number of votes which (except for such provision as to cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of Common Stock multiplied by the number of directors to be elected by him, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as he may see fit.

FIFTH: The name and mailing address of the incorporator is as follows:

<u>NAME</u>	<u>MAILING ADDRESS</u>
Ross E. Eichberg	Patton, Boggs & Blow 2550 M Street, NW Washington, D.C. 20037

SIXTH: The stockholders of the Corporation shall not be entitled to any pre-emptive rights whatsoever with respect to the issuance of additional shares of stock of the Corporation.

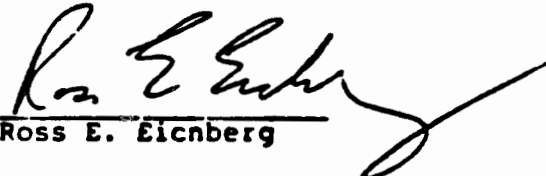
SEVENTH: The Corporation is to have perpetual existence.

**EIGHTH:** The Board of Directors of the Corporation shall have the power to make, alter, and repeal the By-laws of the Corporation, subject to the reserved power of the stockholders to make, alter and repeal the By-laws. Unless otherwise provided in the By-laws of the Corporation, elections of directors need not be by written ballot.

Each person who at any time is or shall have been a director or officer of the Corporation, and is threatened to or is made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he is, or was, a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, trustee, or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit, or proceeding to the fullest extent provided under Section 145 of the General Corporation Law of the State of Delaware. The foregoing right of indemnification shall in no way be exclusive of any other rights of indemnification to which such director, officer, employee, or agent may be entitled, under any By-law, agreement, vote of stockholder or disinterested directors, or otherwise.

NINTH: A director may hold any office of profit in the Corporation in conjunction with the office of director, and may enter into contracts or arrangements or have dealing with the Corporation, and shall not be disqualified from the office of director thereby, nor shall he be liable to account to the Corporation for any profit arising out of any such contract, arrangements, or dealing to which he is a party or in which he is interested by reason of his being at the same time a director of the Corporation; provided, however, he abstains from participating in the deliberations and resolution of the Board of Directors relative to such contracts, arrangements, or dealings, and that he discloses to the Board his interest therein.

IN WITNESS WHEREOF, I hereby sign and execute this Certificate of Incorporation in the City of Washington, District of Columbia, this 1st day of October 1987.

  
Ross E. Eichenberg

SCHEDULE C

# STATE OF MISSOURI



**ROY D. BLUNT**  
**SECRETARY OF STATE**

**CORPORATION DIVISION - CERTIFICATE OF AUTHORITY**

WHEREAS,  
 AMERICAN OPERATOR SERVICES, INC.

USING IN MISSOURI THE NAME  
 AMERICAN OPERATOR SERVICES, INC.

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE.

NOW, THEREFORE, I, ROY D. BLUNT, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 16TH DAY OF FEBRUARY, 1988.

*Roy D. Blunt*  
 \_\_\_\_\_  
 Secretary of State



\$60.00

SCHEDULE D



**AMERICAN OPERATOR SERVICES, INC.**  
**BALANCE SHEET**  
**MARCH 31, 1988**  
**(All amounts in thousands)**

**ASSETS**

<b><u>Current Assets</u></b>		
Accounts Receivable		\$ 14,504
Deposits		1,562
Prepaid Expenses		198
		-----
Total Current Assets		\$ 16,264
Fixed Assets	\$ 9,890	
Less: Accum. Depreciation	<u>1,110</u>	
Net Fixed Assets		8,780
Net Intangible Assets		9,258
		-----
TOTAL ASSETS		\$ 34,302
		-----

**LIABILITIES AND SHAREHOLDERS EQUITY**

**CURRENT LIABILITIES**

A/P and Accrued Expenses		\$ 8,211
Notes Payable		24,082
Capital Leases		346
		-----
Total Current Liabilities		\$ 32,639

**SHAREHOLDERS EQUITY**

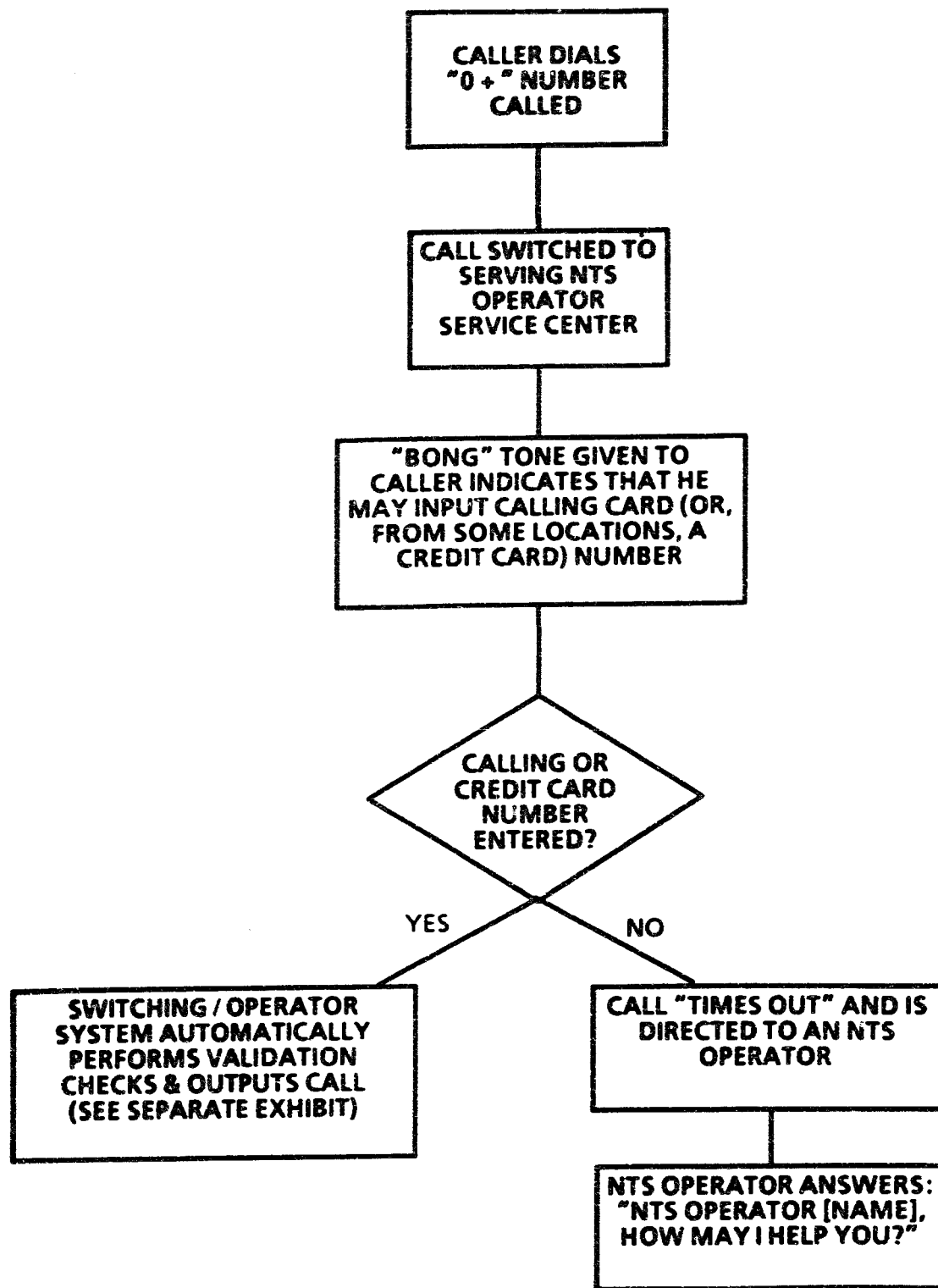
Common Stock	\$ 2,919	
Accumulated Deficit	<u>1,256</u>	
Net Shareholders Equity		1,663
		-----
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		\$ 34,302
		-----

**AMERICAN OPERATOR SERVICES, INC.**  
**INCOME STATEMENT**  
For the three months ended March 31, 1988  
(All amounts in thousands)

Revenue		\$14,298
<u>Direct Expenses</u>		
Operator Expense	\$ 1,573	
Telco Expense	5,766	
Billing Expense	718	
Commission Expense	<u>1,737</u>	
Total Direct Expense		9,794
		-----
Gross Margin		\$ 4,504
Overhead and Sales Expense		4,526
		-----
Income (Loss) Before Interest, Depreciation, and Taxes		(\$ 22)
Interest		368
Depreciation and Amortization		<u>866</u>
Income (Loss) Before Taxes		(\$ 1,256)
		-----

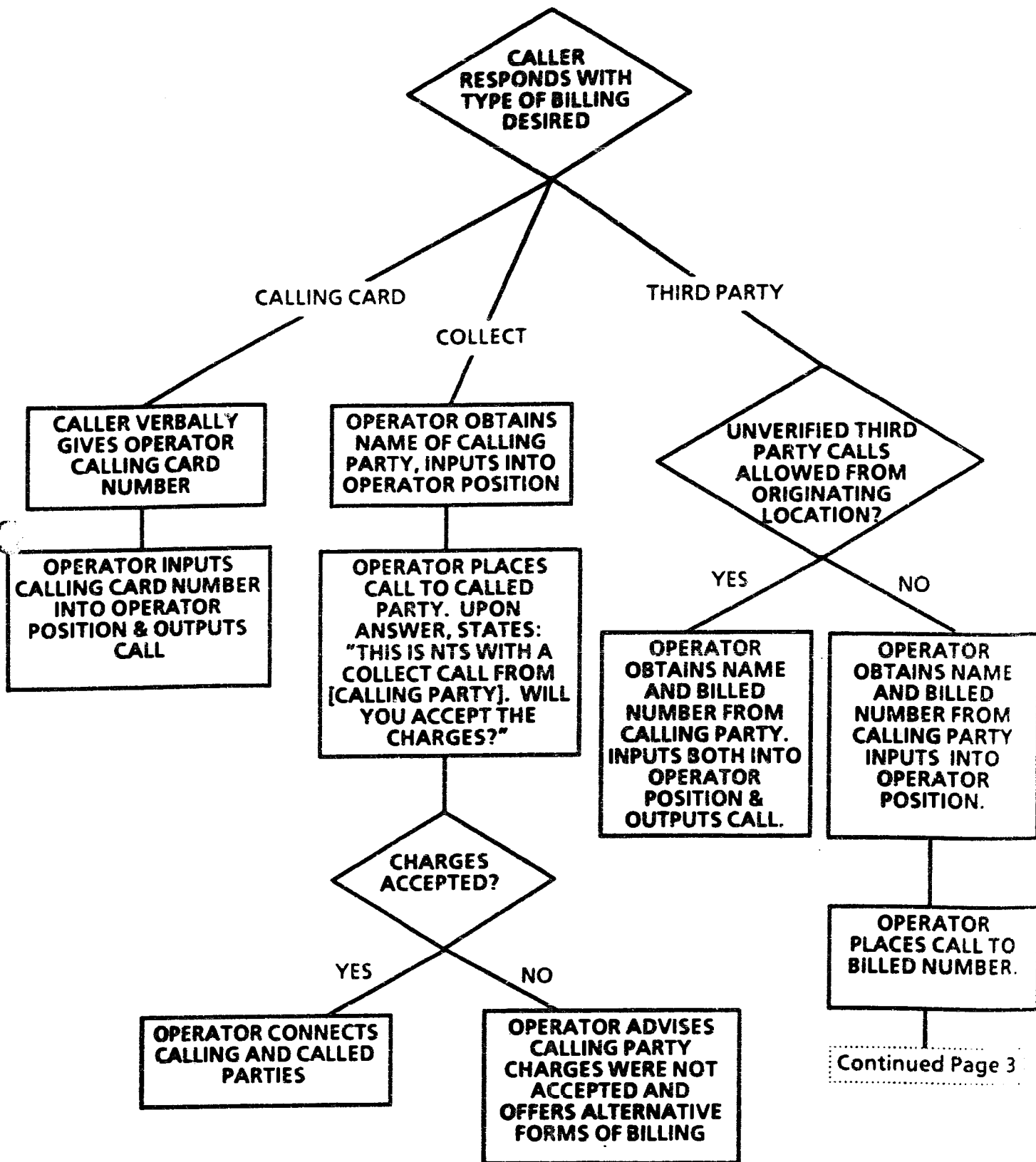
SCHEDULE E

**National Telephone Services, Inc.**  
**Call Process Control Chart**



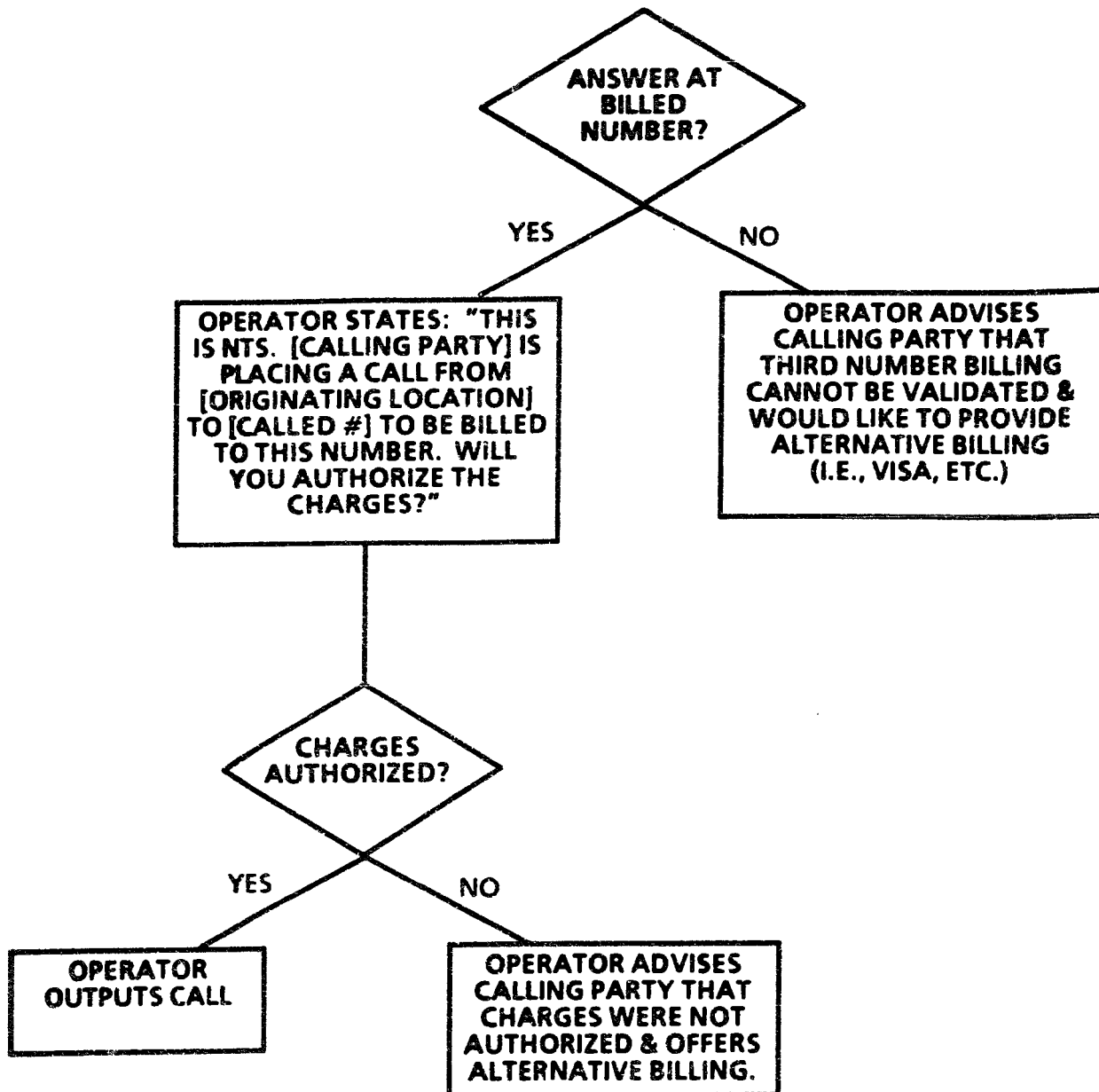
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National Telephone Services, Inc.  
Operator Call Processing Procedure



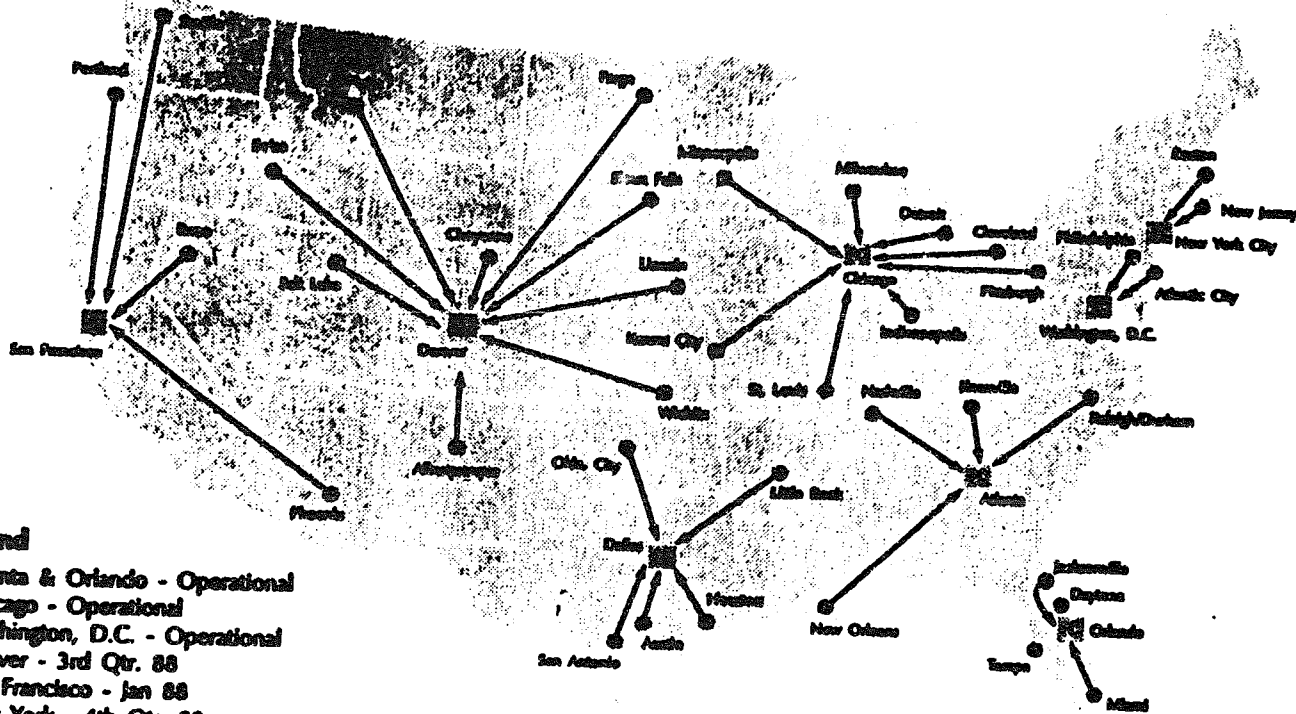
Continued Page 3

**National Telephone Services, Inc.  
Operator Call Processing Procedure**



SCHEDULE F

# NTS OPERATIONS CENTERS



## Legend

- Atlanta & Orlando - Operational
- Chicago - Operational
- Washington, D.C. - Operational
- Denver - 3rd Qtr. 88
- San Francisco - Jan 88
- New York - 4th Qtr. 88
- Dallas - 4th Qtr. 88



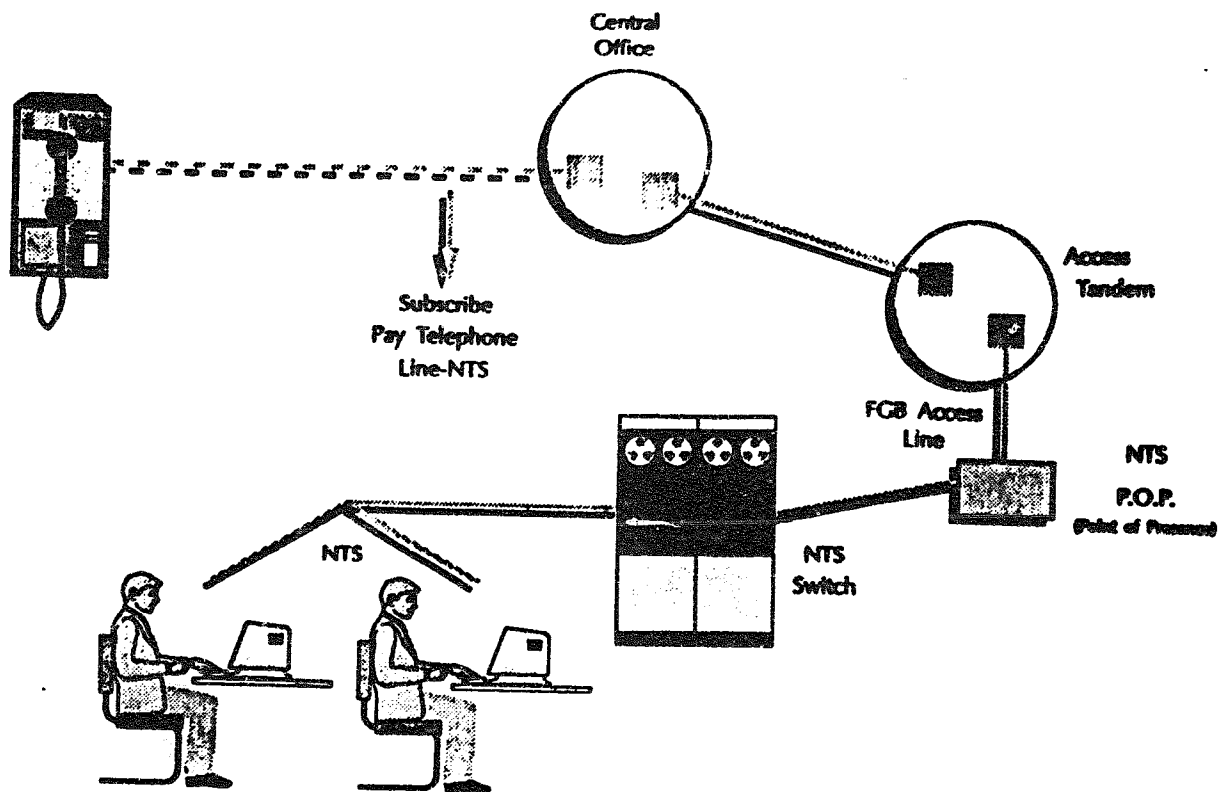
SCHEDULE G

***NATIONAL***  
***TELEPHONE SERVICES, INC.***

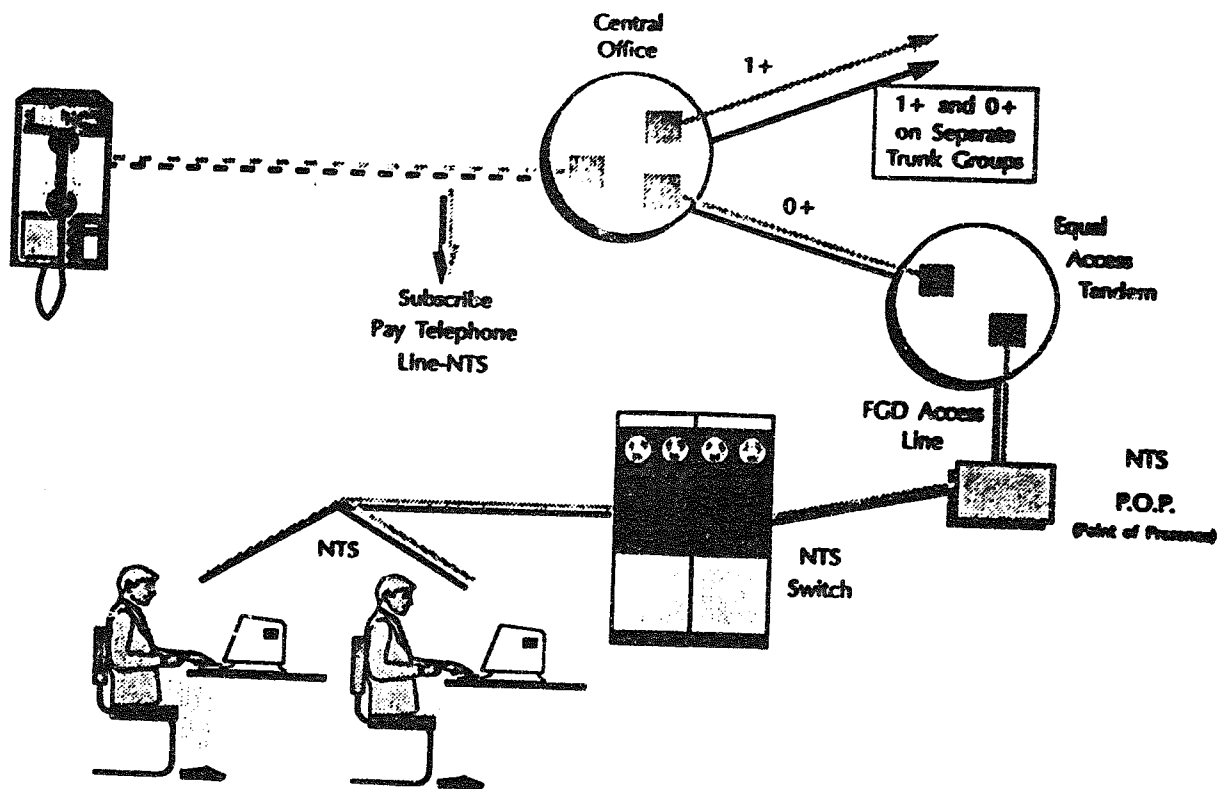
***OPERATIONS***

***NATIONAL***  
***TELEPHONE SERVICES***

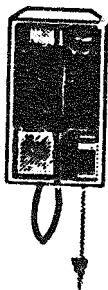
# SMART PHONE (NON-REGULATED)



# REGULATED PHONE



# NATIONAL TELEPHONE SERVICE



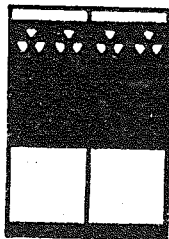
ALL 0+ CALLS

# NATIONAL TELEPHONE SERVICE



ALL 0+ CALLS

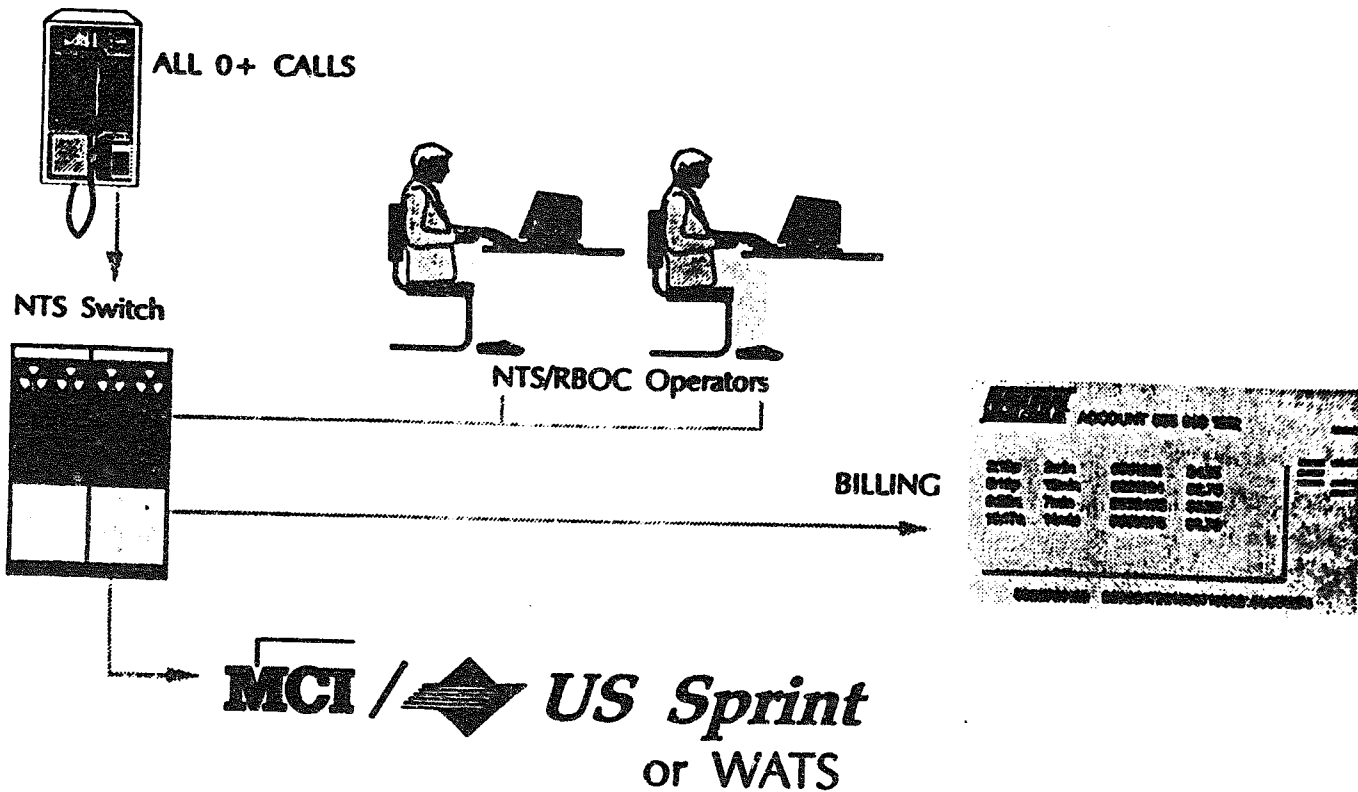
NTS Switch



MCI /  *US Sprint*  
or WATS

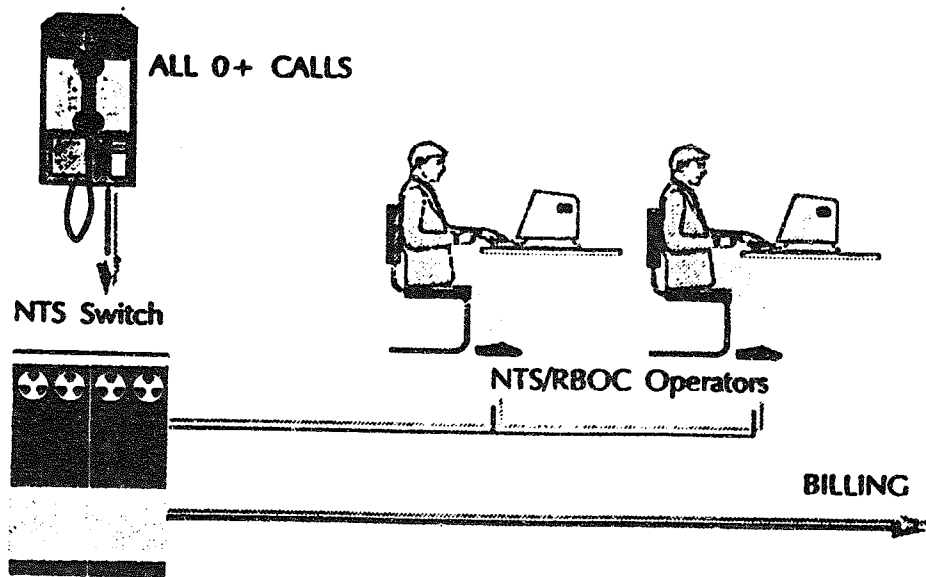
**NATIONAL**  
TELEPHONE SERVICE, INC.

# NATIONAL TELEPHONE SERVICE



**NATIONAL**  
TELEPHONE SERVICE, INC.

# NATIONAL TELEPHONE SERVICE

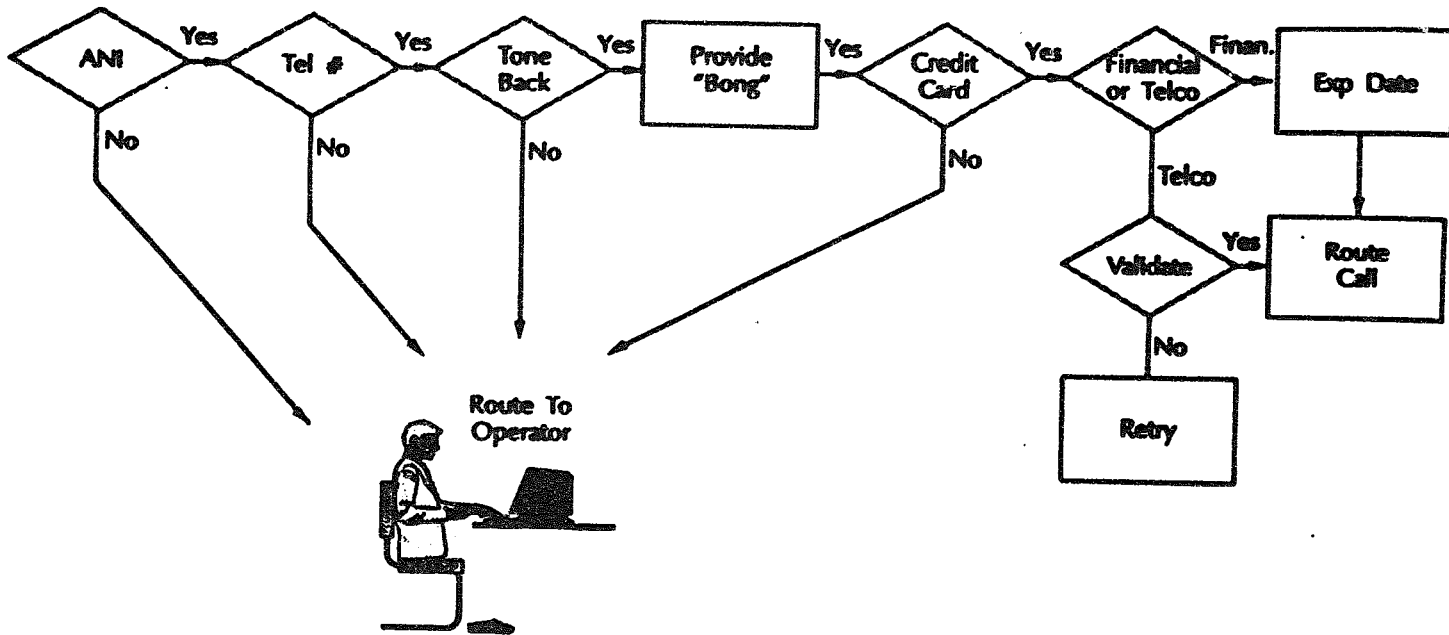


**MCI** /  **US Sprint**  
or WATTS

**NATIONAL**  
TELEPHONE SERVICE, INC.

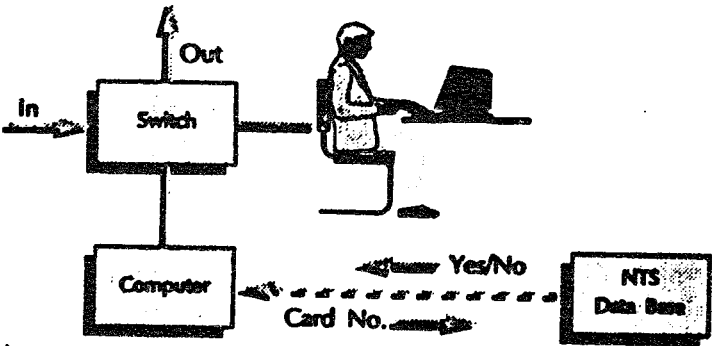


# FLOW CHART FOR CALL PROCESSING



# CREDIT VERIFICATION

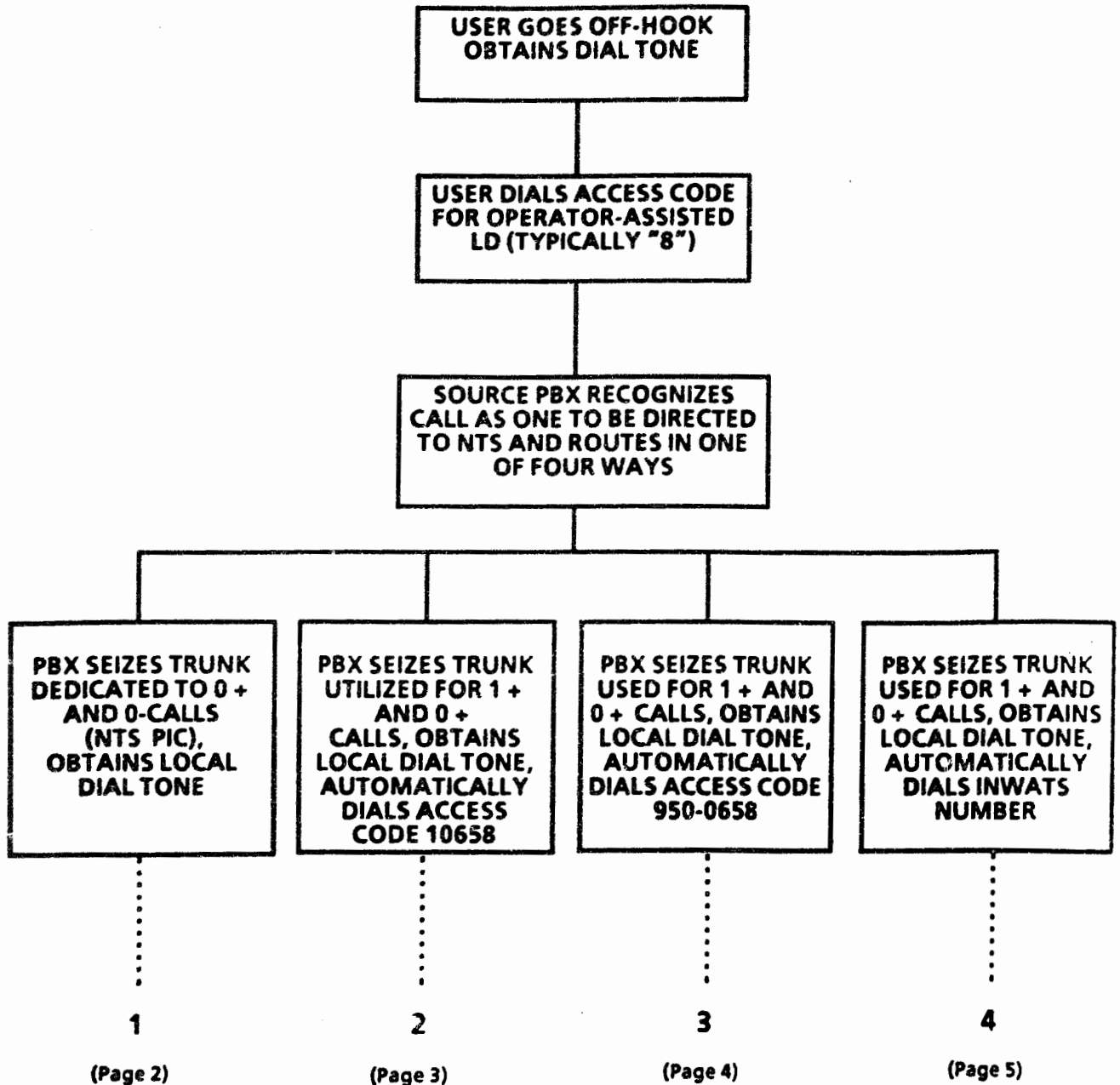
1. *Desire to purchase access into TELCO Calling Card data base for verification*
2. *MCI and Sprint Cards will be verified via data connect from NTS data base*

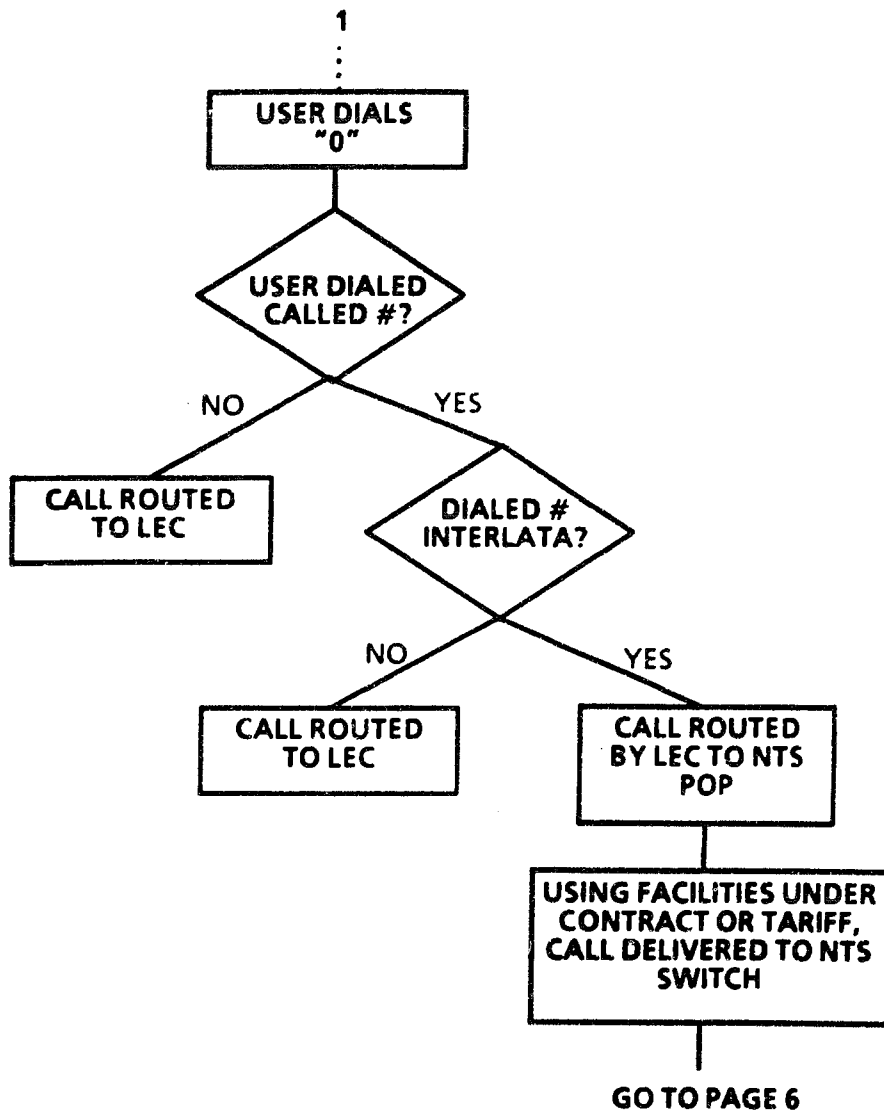


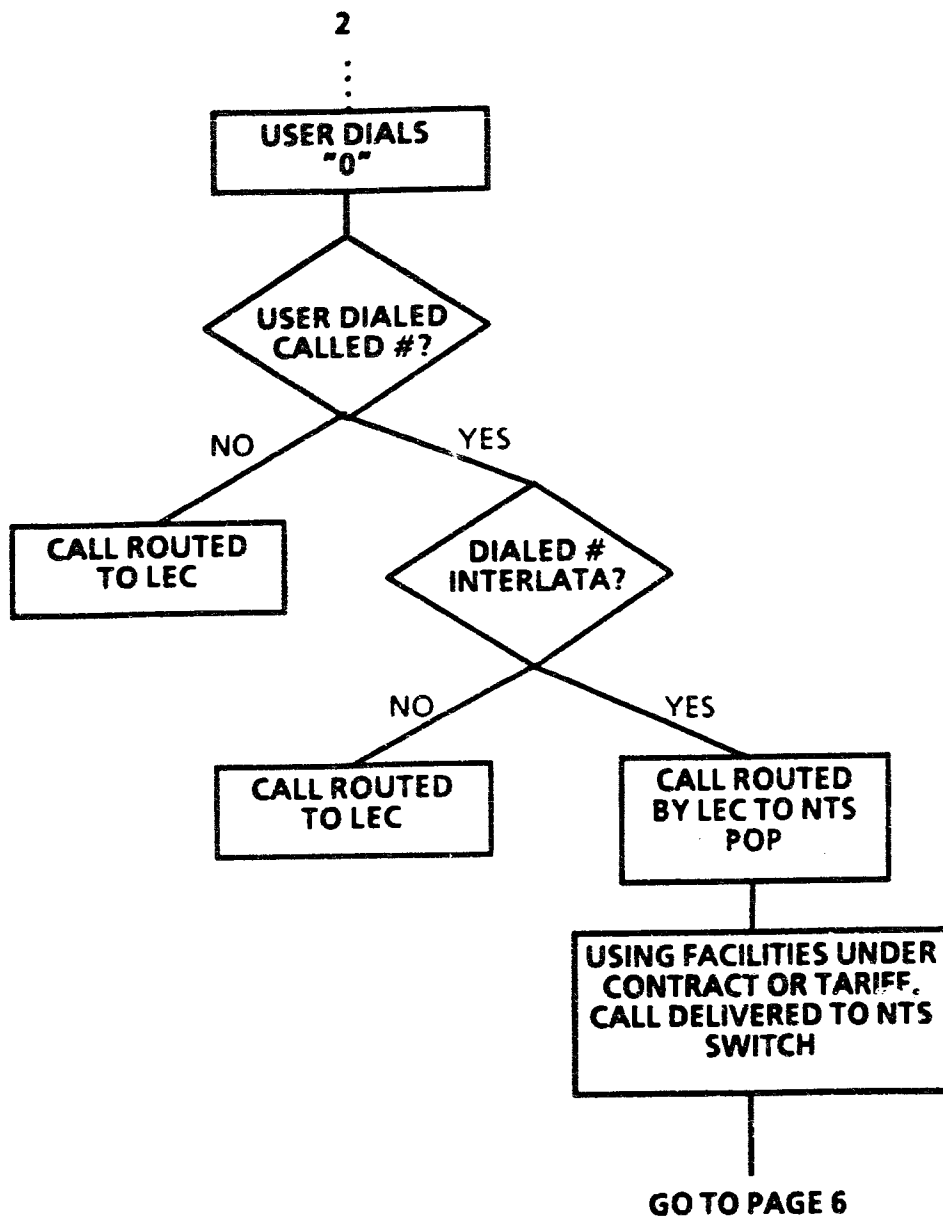
3. *VISA, MC, AMEX are validated via algorithm until such time bad debt exceeds cost of data link connection and bank charges for verification (Economic decision)*

SCHEDULE H

**National Telephone Services, Inc.**  
**Call Process Control Chart**



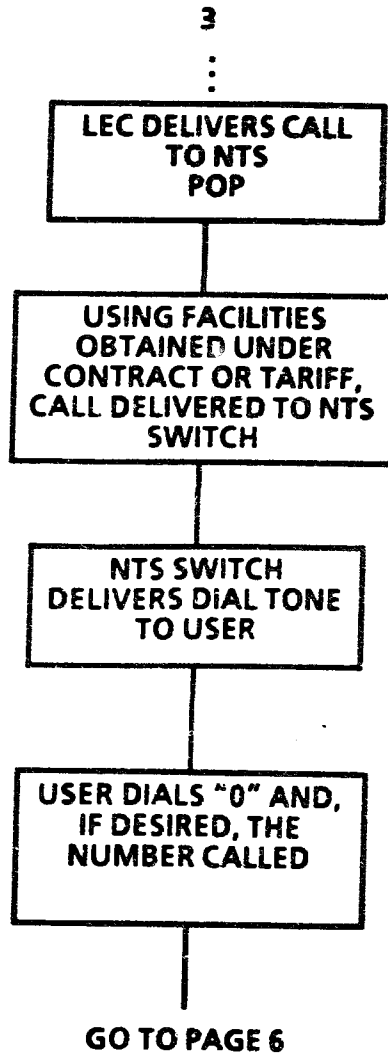




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**National Telephone Services, Inc.**  
**Call Process Control Chart**



4

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LEC DELIVERS CALL  
TO IXC  
POP FOR INWATS

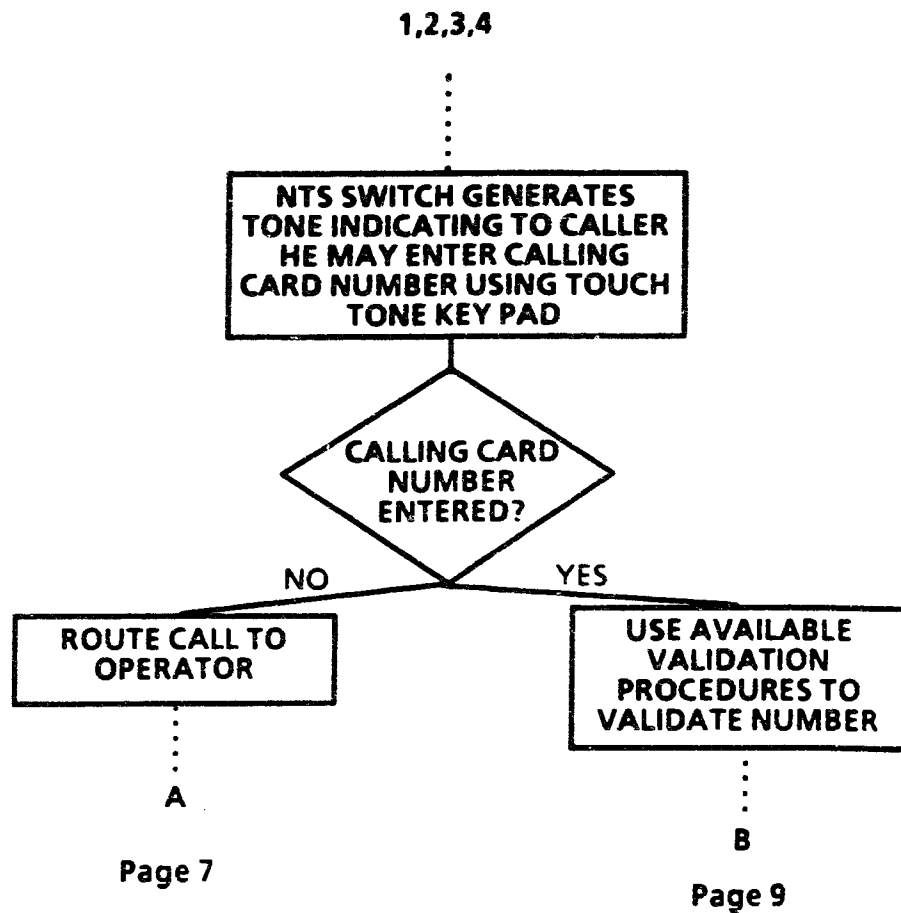
USING FACILITIES  
OBTAINED UNDER  
CONTRACT OR TARIFF,  
CALL DELIVERED TO NTS  
SWITCH

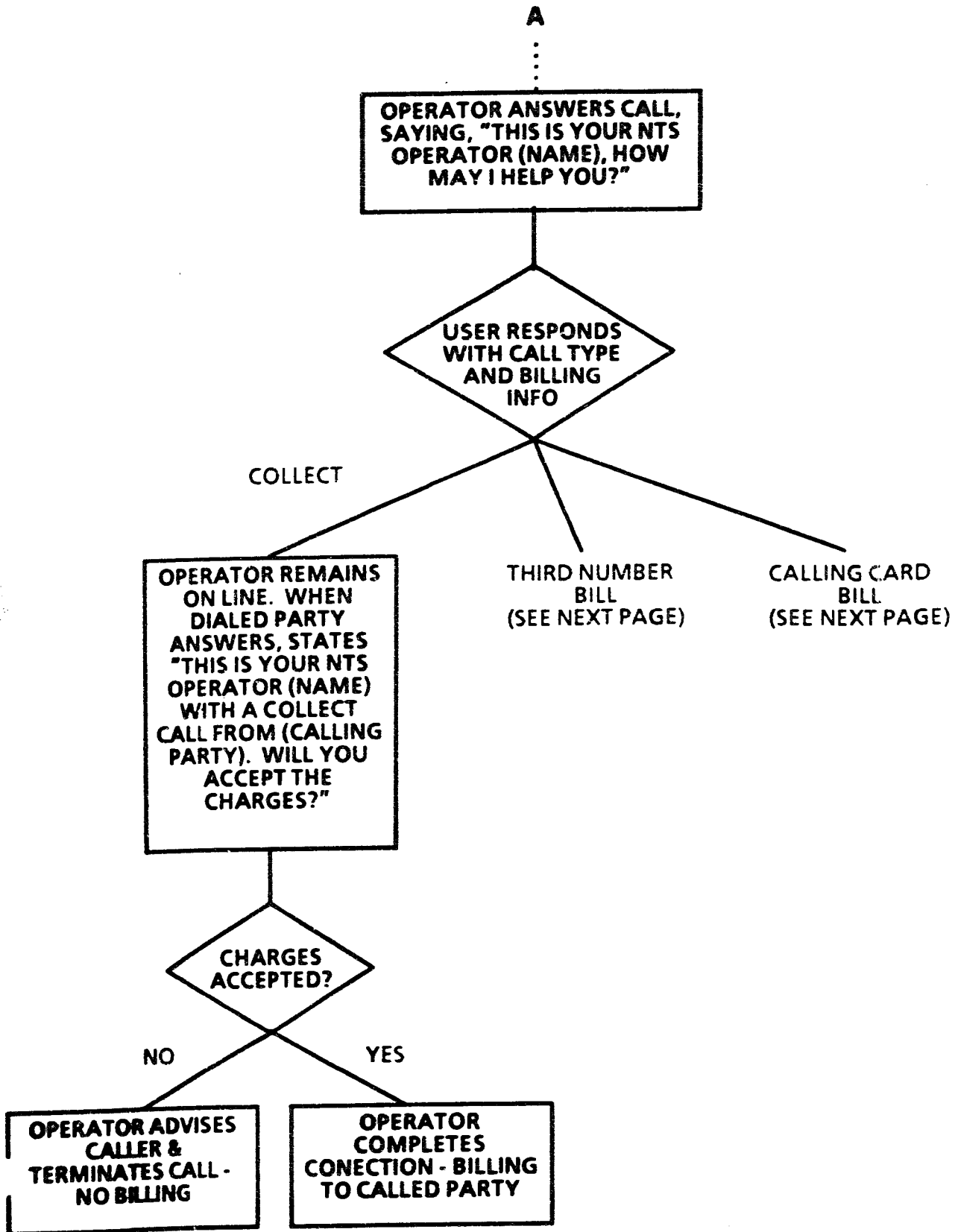
NTS SWITCH  
DELIVERS DIAL TONE  
TO USER

USER DIALS "0" AND,  
IF DESIRED, THE  
NUMBER CALLED

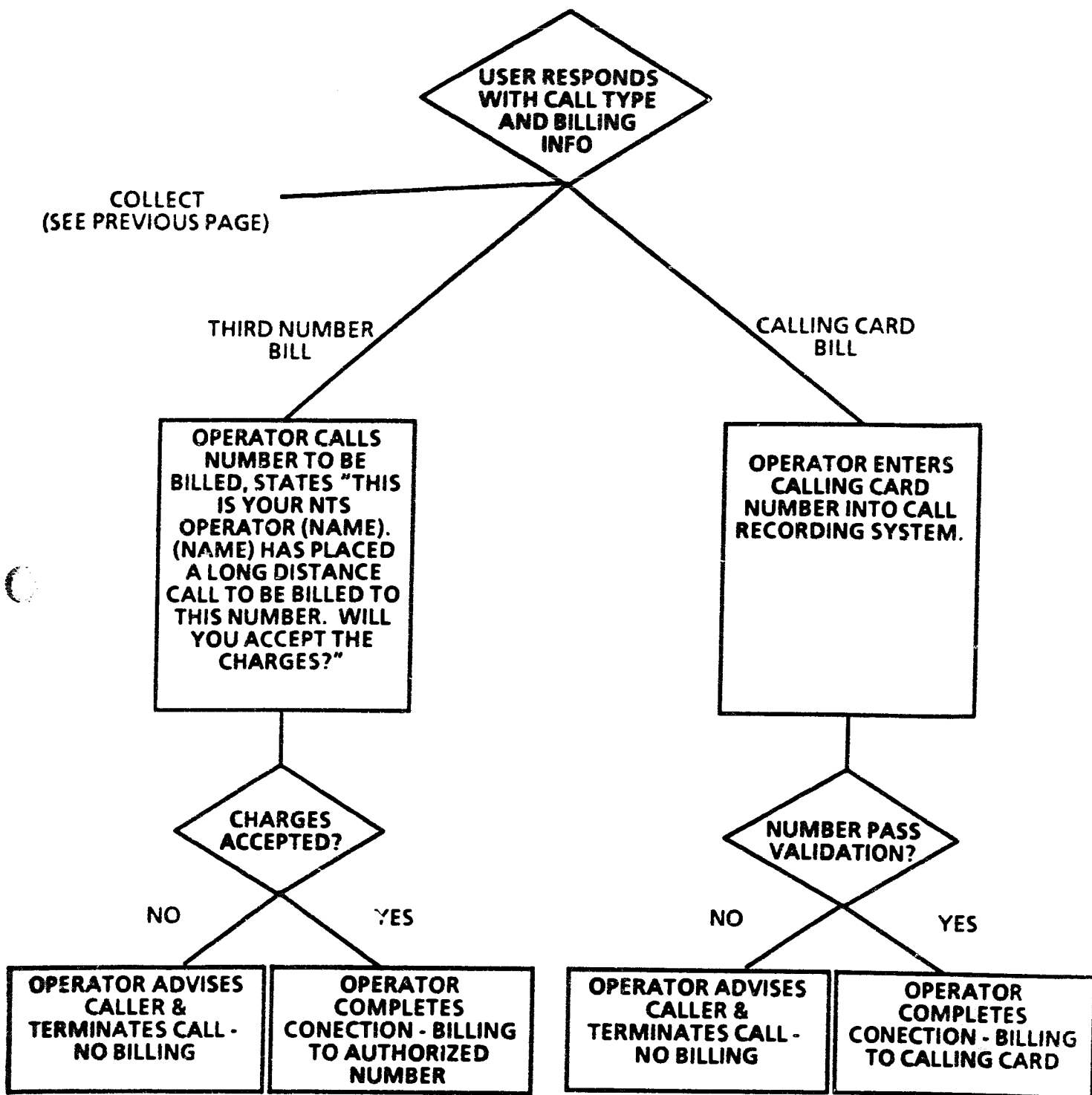
GO TO PAGE 6



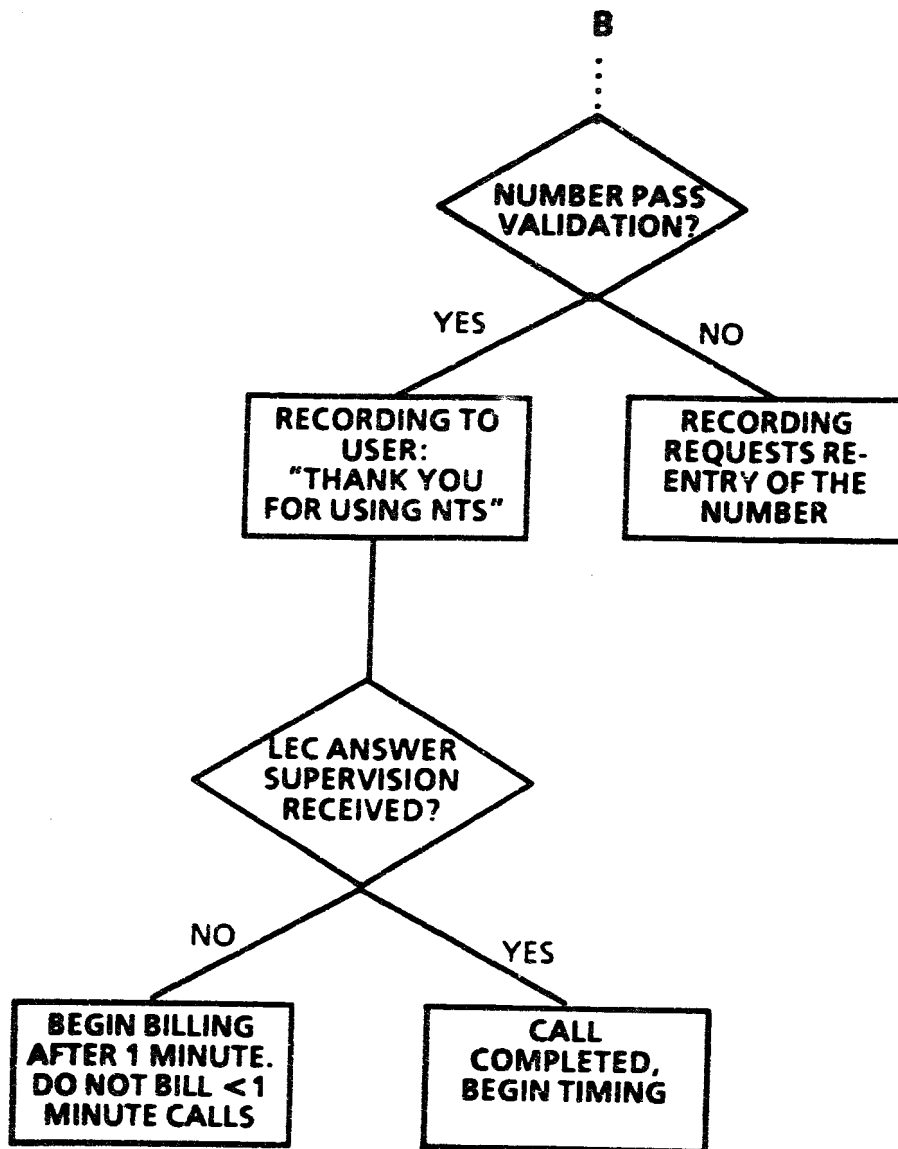




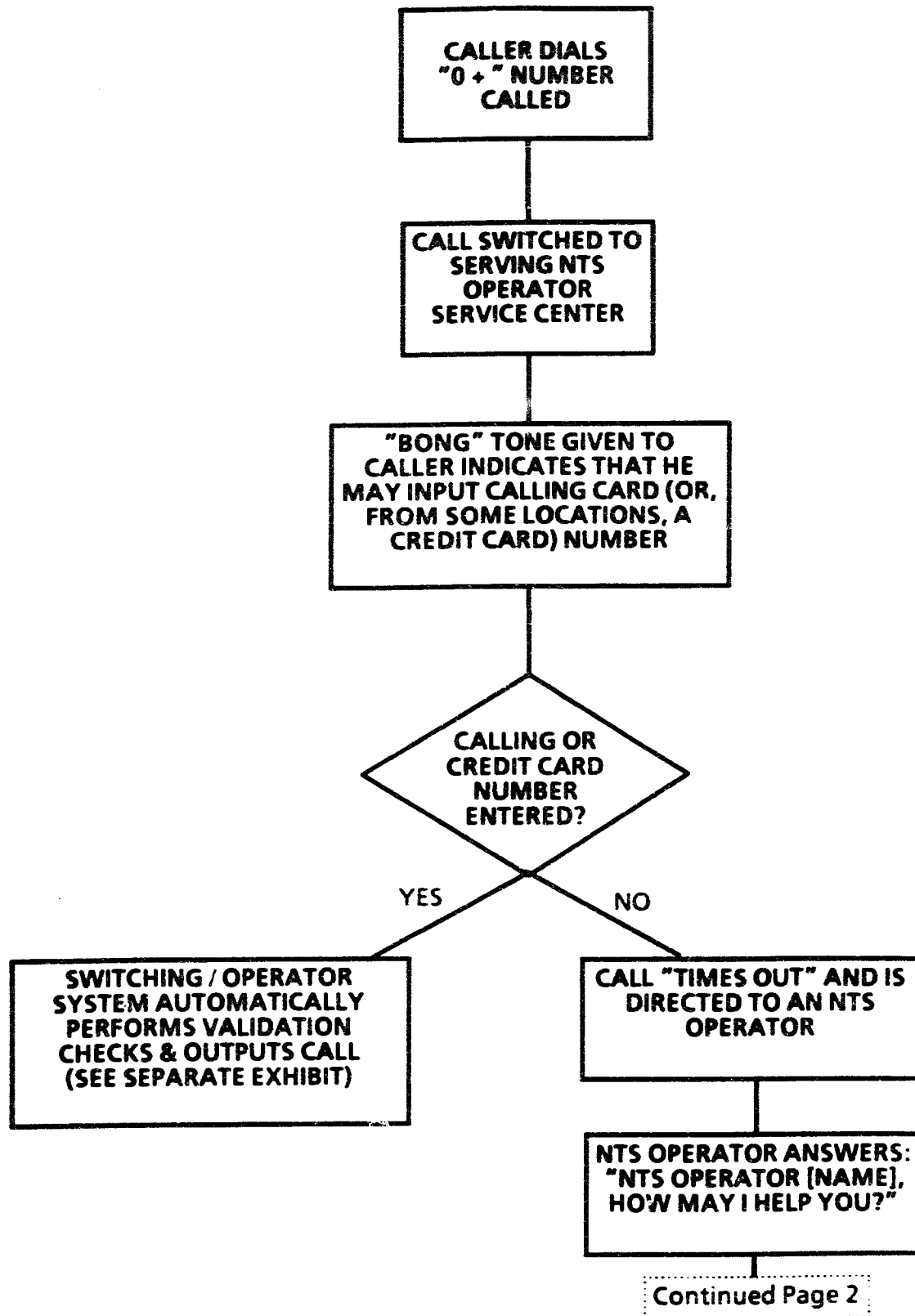
**National Telephone Services, Inc.**  
**Call Process Control Chart**



**National Telephone Services, Inc.**  
**Call Process Control Chart**



**National Telephone Services, Inc.**  
**Call Process Control Chart**



SCHEDULE I



Long distance operator services provided by

We hope your stay with us will be comfortable.

or to most telephone calling cards



to these credit cards

For your convenience...  
your long distance telephone calls  
may be charged:

For your convenience...  
your long distance telephone calls  
may be charged:

to these credit cards



or to most telephone calling cards

We hope your stay with us will be comfortable.

Long distance operator services provided by



SCHEDULE J



When you have the AT&T Card, the entire world suddenly becomes closer.

Almost every phone becomes an extension of your own phone. You just dial "0" plus the area code and the number you're calling\* then your card number after the tone, and your call is billed to your home or office phone.

You enjoy the convenience of calling from public phones without needing coins. And the economy of AT&T rates that are the next best value to AT&T direct dialed state-to-state calls.

The AT&T Card gives you reliable AT&T service through the advanced AT&T Network, whether it's from a hotel, airport, or a client's phone. And you always receive an itemized statement for your records.

So why not extend your reach today? Order your free AT&T Card.

**1 800 CALL AT&T  
Ext. 3103**

\*Dialing instructions apply to phones that have AT&T as their Dial 1 long distance carrier.

**Please send me  
my FREE AT&T Card.**

Please send me \_\_\_\_\_ new AT&T Card(s).

Please send me \_\_\_\_\_ replacement AT&T Card(s).

Simply fill out this coupon and mail it to:  
AT&T CARD SERVICES  
PO. Box 419118  
Kansas City, MO 64141-6118

You should receive your AT&T Card in 4-6 weeks.

Name (each as it appears on your mail piece) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

Area Code / Home Telephone Number \_\_\_\_\_

Your local telephone company \_\_\_\_\_

3103

The AT&T Card is available in most areas.

**Extend Your Reach.**



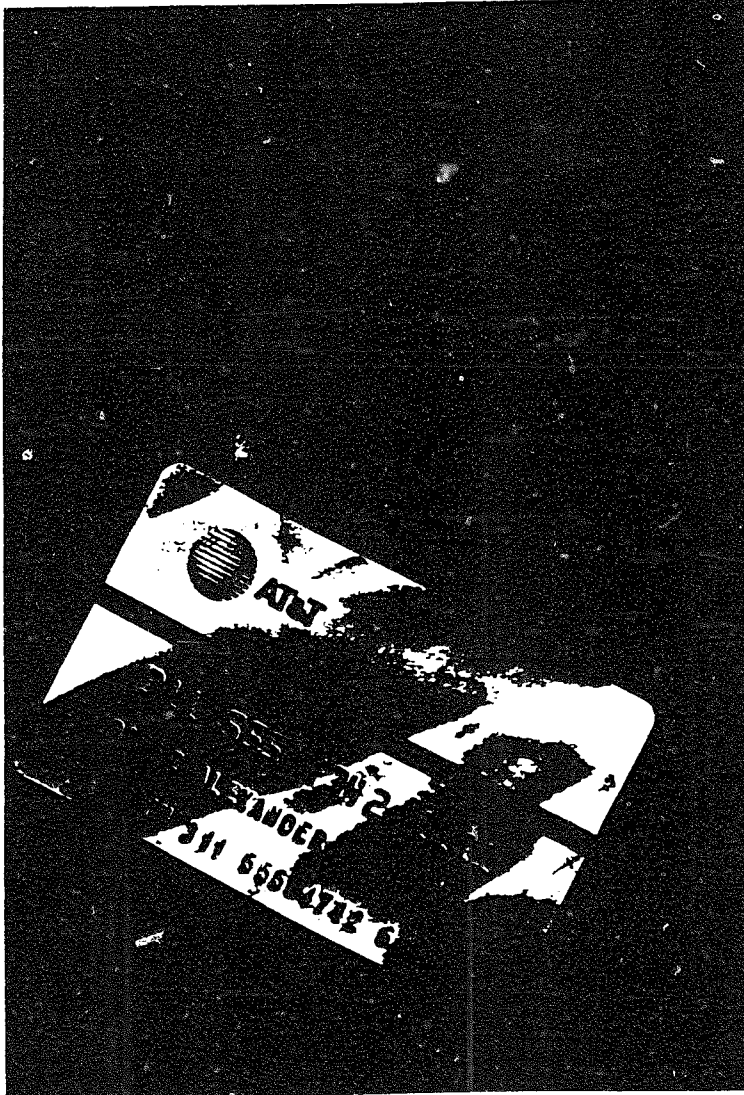
**AT&T**

The right choice.

F. ... January 11, 1988



## Fourteen Buttons In One.



We call it the "pound" button. And it helps you make lots of calls fast when you use your AT&T Card.

Here's how it works.

For your first long distance call, dial "0," plus the area code and number you're calling,\* then your Card number after the tone. Now you're into the AT&T Network.

When you complete that call, don't hang up. Just press the pound button (or the "New Call" button on AT&T Public Phones). Now enter your next area code and number. After that call, press the pound button again for your next long distance call. And so on.

You never have to redial your 14-digit AT&T Card number.

You'll find that when you're making a lot of calls, one button is better than 14, every time!

Extend your reach. Order your free AT&T Card today.

1-800-CALL-ATT  
TXN 1556

\*Dialing instructions apply to phones that have AT&T as their Dial 1 long distance carrier.



**AT&T**

The right choice.

SCHEDULE K

AMERICAN OPERATOR SERVICES, INC.

OPERATOR ASSISTED  
RESALE TELECOMMUNICATIONS SERVICES

CHECK SHEET

This tariff contains Original pages 1 to 27 inclusive, each of which is effective on the date shown thereon.

Issued: April 25, 1988

Effective: May 1, 1988

Issued by: James F. Bryan  
Director - Telco and Regulatory Relations  
6100 Executive Boulevard, Rockville, MD 20852

AMERICAN OPERATOR SERVICES, INC.

OPERATOR ASSISTED  
RESALE TELECOMMUNICATIONS SERVICES

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CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

OTHER PARTICIPATING CARRIERS

None

TARIFF FORMAT

Page Numbering - Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially. From time to time new pages may be added to the tariff. When a new page is added between existing pages a decimal is added to the preceding page number. For example, a new page added between Pages 3 and 4 would be numbered 3.1.

Explanation of Symbols - When changes are made in any tariff sheet, a revised sheet will be issued cancelling the tariff sheet affected. Changes will be identified on the revised pages(s) through the use of the following symbols:

- (C) - to signify changed regulation.
- (D) - to signify discontinued rate or regulation.
- (I) - to signify increased rates.
- (M) - to signify material relocated from one page to another without change.
- (N) - to signify new rate, regulation, or text.
- (R) - to signify reduced rate.
- (S) - to signify reissued material.
- (T) - to signify a change in text, but no change in rate or regulation.

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1. DEFINITIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a subscriber's location to American's location or switching center.

American - Used throughout this tariff to mean American Operator Services, Inc.

Authorization Code - A numerical code, one or more of which may be assigned to a subscriber, to enable American to identify the origin of service user so it may rate and bill the call. Automatic numbering identification (ANI) is used as the authorization code wherever feasible.

Automatic Numbering Identification (ANI) - A type of signalling provided by a local exchange telephone company which automatically identifies the local exchange line from which a call originates.

Common Carrier - A company or entity providing telecommunications services to the public and subject to the jurisdiction of the Missouri Public Service Commission.

Measured Charge - A charge assessed on a per minute basis in calculating a portion of the charges due for a completed Operator Assisted Call.

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1. DEFINITIONS (Cont'd)

Operator Assisted Calls - Calls placed by dialing O+(area code)+(exchange)+(line number), i.e. "O+", or by dialing "O", with all subsequent dialing being performed by the telephone operator, i.e. "O-". The following are examples of calls normally placed in this manner:

Calling Card Calls - Calls for which charges are billed, not to the originating telephone number, but to a telephone calling card issued either by a local exchange or long distance telephone company for this purpose. An automated interface or an operator's intervention is required to record and validate the calling card number to which the charges are to be billed.

Collect Calls - Calls for which charges are billed, not to the originating telephone number, but to the destination or termination telephone number. An operator's intervention is required to obtain agreement from the called party to accept the charges.

Credit Card Calls - Calls for which charges are billed, not to the originating telephone number, but to a general purpose credit card, such as VISA, Mastercard, or American Express. An automated interface or an operator's intervention is required to record and validate the credit card account number to which the charges are to be billed.

Person-to-Person Calls - Calls which are placed under the stipulation that the caller will speak only to a specific called party. An operator's intervention is required on calls of this type to determine whether the specified called party is available to accept the call, satisfying the stipulation under which the call was placed.

Room Charge Calls - Calls for which charges are collected by the subscriber, normally a hotel or motel, from the guest or occupant of the room from which the call originated. Calls of this type require that American communicate the call detail and charges back to the originating subscriber location following completion of the call.

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1. DEFINITIONS (Cont'd)

Third Party Calls - Calls for which charges are billed, not to the originating telephone number, but to a third party telephone number which is neither the originating nor the terminating telephone number. An operator's intervention is required to record the telephone number to which the charges are to be billed and to obtain agreement from the third party to accept the charges.

Operator Services - The automated interface services or the operator intervention services provided in connection with placing an Operator Assisted Call.

Operator Service Charge - A non-measured (fixed) charge which is added to a measured charge in calculating the total tariff charges due for a completed Operator Assisted Call.

Subscriber - The person or legal entity which enters into arrangements for American's operator assisted telecommunications services and is responsible for compliance with applicable tariff regulations.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signaling, metering, or other similar communications.

User - The calling party utilizing the services of American and responsible for the payment of charges, unless that responsibility has been accepted by others, such as in the case of collect, third party and room charge calls.

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AMERICAN OPERATOR SERVICES, INC.

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2. APPLICATION OF TARIFF

- 2.1 This tariff contains the regulations and rates applicable to intrastate operator assisted resale telecommunications services provided by American for telecommunications between points within the State of Missouri. Operator assisted services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff.
- 2.2 The operator assisted services of American are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.
- 2.3 The rates and regulations contained in this tariff apply only to the operator assisted services furnished by American and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of American.
- 2.4 The services of American are furnished to patrons, patients, students, and other authorized users of the terminal telephone or other facilities of privately owned coin operated telephone station providers, hotels, motels, hospitals, airports, colleges, universities and other subscribers. American enters into arrangements with such subscribers providing for the availability of American's nationwide services, including the intrastate services offered under the terms and conditions of this tariff. In some cases, these arrangements also provide for the assessment of location surcharges, in the amount and form determined by the subscribers, and the subscriber is responsible for proper notification thereof to the authorized users of its terminal facilities and services. Such surcharges are not included in the charges set forth in this tariff, which charges constitute the full and total charges for the services provided by American.

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AMERICAN OPERATOR SERVICES, INC.

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3. GENERAL REGULATIONS

3.1 Services

The operator assisted services of American consist of the provision of collect, approved telephone company calling card, credit card, room charge, billed to a third number (third party), and person-to-person call services provided to users pursuant to arrangements established by American's subscribers. The applicable rates and conditions for these services are set forth in Section 5 of this tariff.

3.2 Use of Services

- 3.2.1 American's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.
- 3.2.2 The use of American's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.
- 3.2.3 The use of American's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 3.2.4 American's services are available for use twenty-four hours per day, seven days per week.
- 3.2.5 American does not transmit messages, but the services may be used for that purpose.
- 3.2.6 American's services may be denied for nonpayment of charges or for other violations of this tariff.

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3. GENERAL REGULATIONS (Cont'd)

3.3 Liability of American

- 3.3.1 American shall not be liable for loss or damage sustained by reason of any failure in or breakdown of facilities associated with American's operator assisted services or for any interruption or delay of services, whatever shall be the cause of such failure, breakdown, or interruption and whether negligent or otherwise and however long it shall last. In no event shall American's liability for any service exceed the charges applicable under this tariff to such service.
- 3.3.2 American shall be indemnified and saved harmless by any subscriber, user or by any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its operator assisted services; and against all other claims arising out of any act or omission of a subscriber or of any other entity in connection with the operator assisted services provided by American.
- 3.3.3 American is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the operator assisted services of American.
- 3.3.4 American shall not be liable for any personal injury, or death of any person or persons, and for any loss or damage sustained by reason of acts, mistakes, omissions, errors or defects in providing its operator assisted services, whatever shall be the cause and whether negligent or otherwise.
- 3.3.5 American shall not be liable for and shall be indemnified and saved harmless by any subscriber, user or other entity from any and all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any subscriber, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement

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3. GENERAL REGULATIONS (Cont'd)

or destruction of the premises of any subscriber, user or any other entity or any other property whether owned or controlled by the subscriber, user or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the subscriber, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by American which is not the direct result of American's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of American.

3.3.6 American shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, and any law, order, regulation or other action of any governing authority or agency thereof.

3.4 Responsibilities of the Subscriber

3.4.1 The subscriber is responsible for placing any necessary orders and complying with tariff regulations and for assuring that users comply with tariff regulations. The subscriber is also responsible for the payment of charges for calls originated at the subscriber's numbers which are not collect, third party, calling card, or credit card calls.

3.4.2 The subscriber is responsible for charges incurred for special construction and/or special facilities which the subscriber requests and which are ordered by American on the subscriber's behalf.

3.4.3 If required for the provision of American's services, the subscriber must provide any equipment space, supporting structure, conduit and electrical power without charge to American.

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3. GENERAL REGULATIONS (Cont'd)

- 3.4.4 The subscriber is responsible for arranging access to its premises at times mutually agreeable to American and the subscriber when required for American personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of American's services.
- 3.4.5 The subscriber is responsible for maintaining its terminal equipment and facilities in operating condition and for the prompt repair or replacement of any such equipment or facilities, not in operating condition.
- 3.4.6 The subscriber must pay American for replacement or repair of damage to the equipment or facilities of American caused by negligence or willful act of the subscriber, users, or others, by improper use of the services, or by use of equipment provided by the subscriber, users, or others.
- 3.4.7 The subscriber must pay for the loss through theft of any American equipment installed at subscriber's premises.

3.5 Responsibilities of the User

- 3.5.1 The user is responsible for payment of the charges set forth in this tariff unless the responsibility for such payment has been accepted by the called party, a third party, or a subscriber.
- 3.5.2 The user is responsible for compliance with the applicable regulations set forth in this tariff.
- 3.5.3 The user is responsible for establishing its identity as often as necessary during the course of a call.

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3. GENERAL REGULATIONS (Cont'd)

3.5 Responsibilities of the User (Cont'd)

3.5.4 The user is responsible for identifying the station, party, or person with whom communication is desired and/or made at the called number.

3.6 Cancellation or Interruption of Services

3.6.1 Without incurring liability, American may immediately discontinue services to a subscriber or may withhold the provision of ordered or contracted services:

- (A) For nonpayment of any sum due American for more than thirty days after issuance of the bill for the amount due,
- (B) For violation of any of the provisions of this tariff,
- (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over American's services, or
- (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting American from furnishing its services.

3.6.2 Without incurring liability, American may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of subscriber and American's equipment and facilities and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

4. CHARGES AND BILLING ARRANGEMENTS

4.1 Computation of Charges

4.1.1 The total charge for each completed operator assisted call consists of two charge elements: fixed operator service charge, which will

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4. CHARGES AND BILLING ARRANGEMENTS (Cont'd)

4.1 Computation of Charges (Cont'd)

be dependent on the type of billing selected (i.e., calling card, charge third party or other) and/or the completion restriction selected (i.e., station-to-station or person-to-person); and a measured charge dependent on the duration, distance and time of day of the call. The measured charge element is specified as a rate per minute which applies to each minute of call duration, with a minimum charge for each call of one minute, and with fractional minutes of use thereafter counted as one full minute.

4.1.2 The distance of a call is determined using standard vertical and horizontal (V&H) coordinate procedures to calculate the airline mileage from the local exchange telephone company central office serving the originating location to the central office serving the destination location.

4.2 Billing Arrangements

4.2.1 Collect, Calling Card, and Charge Third Party Calls

Charges for calls of this type will be included on the user's or called or third party's regular home or business telephone bill pursuant to billing and collection agreements established by American with the applicable telephone company.

4.2.2 Credit Card Calls

Charges for credit card calls will be included on the user's regular monthly statement from the card-issuing company.

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4. CHARGES AND BILLING ARRANGEMENTS (Cont'd)

4.2.3 Room Charge Calls

When requested by the user, and authorized by the subscriber, the charges may be provided for inclusion on the hotel or motel bill of the user. In such cases, American will provide a record of the call detail and charges to the hotel or motel for such billing purposes.

4.3 Validation of Credit

American reserves the right to validate the credit worthiness of users through available credit card, calling card, call number, third party telephone number and room number verification procedures. Where a requested billing method cannot be validated, the user may be required to provide an acceptable alternate billing method or American may refuse to place the call.

4.4 Contested Charges

For consideration of any disputed charge, a user must submit in writing to American, within 30 days of the date the bill is issued, the call details and the bases for any requested adjustment. American will promptly investigate and advise the user as to its findings and disposition. Any undisputed charges must be paid on a timely basis.

4.5 Billing Entity Conditions

When billing functions on behalf of American are performed by local exchange telephone companies, credit card companies or others, the payment of charge conditions and regulations of such companies apply, including any applicable interest and/or late payment charge conditions.

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5. SERVICE CLASSIFICATIONS AND RATES

The specific rates applicable to the operator assisted services furnished by American are dependent on the type of access utilized to originate calls with American and conditions of service attendant thereto. The following service classifications reflect such access distinctions and conditions.

5.1 Switched Access A Classification

5.1.1 Description

This classification involves access to the services of American over access facilities obtained by American from local exchange telephone companies. Calls are originated utilizing equipment provided or programmed by American to automatically dial either a seven digit local (950-0658) or eleven digit toll free WATS (1-800) access number when the user dials "0". Upon acknowledgement of receipt of the call by American, the equipment automatically forwards the authorization (identification) code followed by the destination area code and telephone number. A signal is transmitted to the user to permit entry of a calling card number or, if desired, to await a physical operator intercept to handle the placement of collect, charge third party, credit card, and person-to-person calls.

5.1.2 Conditions of Service

This service is primarily furnished to users of privately-owned coin operated telephone stations. Users of this service are required to have an authorized telephone company calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the called party or a third party.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.1 Switched Access A Classification (Cont'd)

5.1.3 Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To &amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.  
Evening Rates Apply: 7 P.M. - 11 P.M.  
Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station                    \$1.05\*  
Person-to-Person                        2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$0.80.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.2 Switched Access B Classification

5.2.1 Description

This classification involves access to the services of American over equal access facilities obtained by American from local exchange telephone companies. The user dials "0" plus the destination area code and telephone number and, upon receipt of an acknowledgement signal, inserts a calling card number or, if desired, awaits a physical operator intercept to place collect, room charge, charge third party, credit card, or person-to-person calls.

5.2.2 Conditions of Service

This service is primarily furnished to guests of hotel/motels and patients at hospitals. Users of this service are required to have an authorized telephone company calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the subscriber or by the called party or a third party.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.2 Switched Access B Classification (Cont'd)

5.2.3. Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To &amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.  
Evening Rates Apply: 7 P.M. - 11 P.M.  
Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station	\$1.05*
Person-to-Person	2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$0.80.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.3 Switched Access C Classification

5.3.1 Description

This classification involves access to the services of American over equal access facilities obtained by American from local exchange telephone companies. The user dials "0" plus the destination area code and telephone number and, upon receipt of an acknowledgement signal, inserts a calling card number or, if desired, awaits a physical operator intercept to place collect, charge third party, credit card, and person-to-person calls.

5.3.2 Conditions of Service

This service is primarily furnished to airline passengers, meeting hall attendees and others using subscriber-owned telephone stations at high traffic locations, such as airports and convention centers. Users of this service are required to have an authorized telephone calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the called party or a third party.

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5. Service Classifications and Rates (Cont'd)

5.3 Switched Access C Classification (Cont'd)

5.3.3 Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To &amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.

Evening Rates Apply: 7 P.M. - 11 P.M.

Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station                      \$1.05\*

Person-to-Person                         2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$.80.

Issued: April 25, 1988

Effective: May 1, 1988

Issued by: James F. Bryan  
Director - Telco and Regulatory Relations  
6100 Executive Boulevard, Rockville, MD 20852

AMERICAN OPERATOR SERVICES, INC.

OPERATOR ASSISTED  
RESALE TELECOMMUNICATIONS SERVICES

5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.4 Dedicated Access A Classification

5.4.1 Description

This classification involves high volume access to the services of American over dedicated access facilities obtained by American from local exchange telephone companies. The user dials "0" plus the destination area code and telephone number and, upon receipt of an acknowledgement signal, inserts a calling card number or, if desired, awaits a physical operator intercept to place collect, charge third party, credit card, and person-to-person calls.

5.4.1 Conditions of Service

This service is primarily furnished to guests of high volume hotel/motel chains and students residing in college or university dormitories. Users of this service are required to have an authorized telephone calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the subscriber or by the called party or a third party.

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OPERATOR ASSISTED  
RESALE TELECOMMUNICATIONS SERVICES

5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.4 Dedicated Access A Classification (Cont'd)

5.4.3 Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To &amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.

Evening Rates Apply: 7 P.M. - 11 P.M.

Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station \$1.05\*

Person-to-Person 2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$0.80.

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RESALE TELECOMMUNICATIONS SERVICES

5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.5 Dedicated Access B Classification

5.5.1 Description

This classification involves high volume access to the services of American over dedicated access facilities obtained by American from local exchange telephone companies. The user dials "0" plus the destination area code and telephone number and, upon receipt of an acknowledgement signal, inserts a calling card number or, if desired, awaits a physical operator intercept to place collect, charge third party, credit card, and person-to-person calls.

5.5.2 Conditions of Service

This service is primarily furnished to students residing in college or university dormitories. Users of this service are required to have an authorized telephone calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the subscriber or by the called party or a third party.

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RESALE TELECOMMUNICATIONS SERVICES

5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.5 Dedicated Access B Classification (Cont'd)

5.5.3 Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To</u> <u>&amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.  
Evening Rates Apply: 7 P.M. - 11 P.M.  
Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station	\$1.05*
Person-to-Person	2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$0.80.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.6 Dedicated Access C Classification

5.6.1 Description

This classification involves high volume access to the services of American primarily over dedicated access facilities, but at some locations over equal access facilities, where the cost of such access facilities is totally or substantially borne by the subscriber. The user dials "0" plus the destination area code and telephone number and, upon receipt of an acknowledgement signal, inserts a calling card number or, if desired, awaits a physical operator intercept to place collect, charge third party, credit card and person-to-person calls.

5.6.2 Conditions of Service

This service is primarily furnished to guests of high volume hotel/motel chains, students residing in college or university dormitories and users of the services of long distance interexchange telephone companies. Users of this service are required to have an authorized telephone calling card or an acceptable credit card, or must have the responsibility for payment of charges accepted by the subscriber or by the called party or a third party.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.6 Dedicated Access C Classification (Cont'd)

5.6.1. Rates and Charges

(A) Variable Charge Element:

<u>Airline Miles</u>		<u>Initial Minute</u>			<u>Additional Minutes</u>		
<u>Over</u>	<u>Up To &amp; Incl.</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>	<u>Day</u>	<u>Evening</u>	<u>Night</u>
0	20	\$.00	.00	.00	.00	.00	.00
20	23	.27	.22	.18	.20	.16	.13
23	28	.42	.34	.27	.23	.18	.15
28	33	.46	.37	.30	.25	.20	.16
33	40	.48	.38	.31	.27	.22	.18
40	50	.50	.40	.33	.29	.23	.19
50	60	.54	.43	.35	.32	.26	.21
60	80	.56	.45	.36	.35	.28	.23
80	100	.57	.46	.37	.36	.29	.23
100	125	.58	.46	.38	.39	.31	.25
125	150	.61	.49	.40	.42	.34	.27
150	190	.64	.51	.42	.44	.35	.29
190	300	.67	.54	.44	.47	.38	.31
300	430	.68	.54	.44	.49	.39	.32
430	UP	.70	.56	.46	.51	.41	.33

Day Rates Apply: 8 A.M. - 7 P.M.

Evening Rates Apply: 7 P.M. - 11 P.M.

Night Rates Apply: 11 P.M. - 8 A.M.

(B) Fixed Operator Service Charges:

Station-to-Station                      \$1.05\*

Person-to-Person                        2.40

\*Except for automated interface calls of 20 airline miles or less where the only charge is a fixed charge of \$0.80.

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5. SERVICE CLASSIFICATIONS AND RATES (Cont'd)

5.7 Directory Assistance

Access to directory assistance is obtained by dialing 0 + 555-1212 for local listings and 0 + (area code) + 555-1212 for other listings. A flat charge of \$0.60 applies for each connected call to directory assistance.

5.8 Special Arrangements

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SCHEDULE L

# PAY PHONE NEWS

A TELESTRATEGIES PUBLICATION

VOLUME 2 NUMBER 1

## Corporate Hotels Hold Off on AOS, While Franchises Sign on in Droves

Although corporate management of most of the large hotel chains said they do not advocate signing up with alternative operator service (AOS) companies for their hotels, individual hotels are still signing on in droves. One industry source has it that one-fifth of the total hotel rooms in the country will have AOS by the end of 1988—that's more than a half-billion rooms.

But at the corporate level—with one prominent exception—there is wariness and outright fear. Companies like Walt Disney World, Sheraton, Ramada Inns and Holiday Inns told us they do not recommend their hotels sign up with any AOS companies. In some cases, if they have the authority,

it is forbidden altogether. Marriott hotels would not even talk about the AOS issue, finding it too sensitive. The exception, Hyatt Corp., is experimenting with different AOS companies in all its hotels.

Why does corporate management balk while member hotels sign up for AOS by the hundreds per week? The discrepancy may be due to the structure of hotel chains. Most chains consist of corporate-owned or managed hotels, along with franchises that are separately owned or leased properties. The corporate-owned hotels represent the top 15% of hotels in size and quality. They are a crucial market segment, since only the

top 27% of all hotels generate 60 minutes per month of operator-assisted traffic per room, according to statistics from Microdevices Inc. President Kenneth Carter. The remaining 73% generate too little traffic to be profitable for AOS operators.

The franchised properties are under different levels of corporate control. In some cases they must follow strict rules

on decor and the draped bed sheets, and television outlets are equally controlled. But make no rules on AOS, while still others use the name only and allow complete freedom.

**Corporate Hotels Call for Caution**  
The corporate-owned hotels are usually downright cautious about AOS. Their prices tend to be plus per night—and the operators' convenience and charges.

The corporate managers for this article—some who talked with AOS companies agreed that they were not

## Hyatt Not Afraid of AOS, Keeps Close Tabs on Tests

In contrast to the other major hotel chains we interviewed, Hyatt Corp. is testing AOS services in all its approximately 90 corporate-owned domestic hotels.

The company is evaluating various AOS alternatives through its telecommunications manager's contract with Marrion Telephone Network (MTN Services), Lombard, Ill.

"We are not committed to any one company at the time, nor do we expect to commit in the next few months," Hyatt's assistant telecommunications director Carol Davis, told us. Among the companies that have been or are currently involved in tests with Hyatt are: ITL, Com Systems, LD-USA, and Microdevices Inc. By far the largest number of Hyatt hotels, however, some 70 hotels, are on now on line with Telephone Network Inc., Oak Brook, Ill.

MTN is constantly evaluating different AOS services, said MTN regional sales manager George Prescott. "If done correctly, AOS can be an important revenue source for hotels," he said. But MTN keeps close tabs on how the AOS companies are performing and their rates. When Hyatt said it was interested in "complete transparency to cost"—that is rates and service indistinguishable from AT&T's—MTN got Telephone to roll back its rates. "Now they are only marginally greater than AT&T rates and are time-of-day and distance sensitive," Prescott said.

To facilitate hotels trying AOS service without a long-term commitment, MTN will negotiate a month-to-month contract if the hotel picks up some of the installation costs for dialers and special beds, he said.

Hyatt is closely monitoring its AOS tests, Hyatt's Davis said. Staff conducts test calls throughout the system and responds to all complaints to the hotel and public utilities commissions on an individual basis.

Hyatt recently completed a test of a value-added AOS service in five of its hotels and is keeping the service. The "American Program" is offered by Microdevices Inc. of Dallas in conjunction with Allnet long distance service. In addition to operator service, American offers an 800 messaging, concierge, and conference call services. The concierge service allows two-digit access to "premium guest services for business travelers," either the hotel's own services or for car rental, restaurant and travel reservations.

The Microdevices service uses "return loop switching," which involves installing an automatic call processor in each hotel which converts 6+ to 1+ calls and routes them directly to the Allnet network, eliminating time-consuming back-office. Live operator calls are placed through Microdevices' Dallas-based oper-

## Katz Companies Snag Safeway Pay Phone, Catalyst AOS Contracts

Among to be the largest pay phone operator in the country, as well as a major presence in alternative operator services (AOS), a group of three companies founded by Sheldon Katz announced

several major contracts. In two of the largest deals, K-Telcom Corp. agreed to provide pay telephones to all Safeway Supermarkets, while K-Telcom's sister company American Telephone Systems signed on Catalyst Marketing Corp. as its national distributor.

K-Telcom is the private pay phone wholesale and retail vending arm of the Los Angeles-based trust of companies founded by Katz, his family and associates. The March 1988 Safeway agreement calls for K-Telcom to install, maintain and service 300 phones in 200 stores in the northern half of the state. The company is already operating some 300 pay phones in 150 Safeways in Southern California via an October 1987 agreement.

K-Telcom beat out Pacific Bell and many private pay phone vendors to win the Safeway contract, which took 12

months to decide. Part of what Safeway, said K-Telcom Chairman Sheldon Katz, is the company's installation and maintenance agreement with AT&T Tele-



Live operators are provided by Data Corp. and Illinois Consortium Telephone Co.

ATS attracted the attention of mond Beach, Fla.-based Catalyst Marketing Corp. and persuaded President Carl Smith to switch Catalyst's exclusive distribution agreement from Com Corp. to ATS. Smith told Pay Phone News, "The existing mix of com-

Continued on page 2



# Corporate Hotels Hold Off on AOS

Continued from page 1

making any decisions about AOS until (1) they could get a contract that met their need for customer satisfaction with emphasis on control of charges to customers, (2) the quality of AOS service improves, (3) AOS companies can document the charges to customers, thus the commissions paid to hotels, (4) the AOS industry shakes out to fewer, more reliable companies, (5) a decision is made on the AT&T Hospitality Network Service (HNS) tariff.

Weston has been investigating AOS companies for some time, and is "actively talking with several companies," but has not found one that would "cross all the T's" in meeting corporate's demands, said Weston's telecommunications manager Larry Barth. Barth said he has heard "too many horror stories" about the problems of AOS service. "Basically, I like the idea of the extra revenue, but would not want to jeopardize our service for a service quality or the charges made to them," he said.

Weston will not sign a contract with an AOS company unless they offered rates no more than AT&T's, allowed Weston to pick the long-distance carrier—their choice being MCI, gave Weston supervision of the quality of calls (set-up times, nag-times, quality of line, etc.), and gave some guarantee and proof of what

the guests are being charged.

Barth's boss Peter Hochstim, telecom department director, added his concerns. "There is no way of policing what the AOS companies are actually charging since they do not show any accounting of the calls to hotel management, and there is no guarantee then that they are paying the full commission promised," he said. "When you start to get guest complaints, it is too late because you already have all your money. Then how do you get restitution from an AOS company for lost customers? Is it really worth the risk?"

Weston corporate management has a directive that its hotel managements are not to sign up with AOS companies and should refer all inquiries back to Hochstim's office. The company has a similar directive for private pay phones.

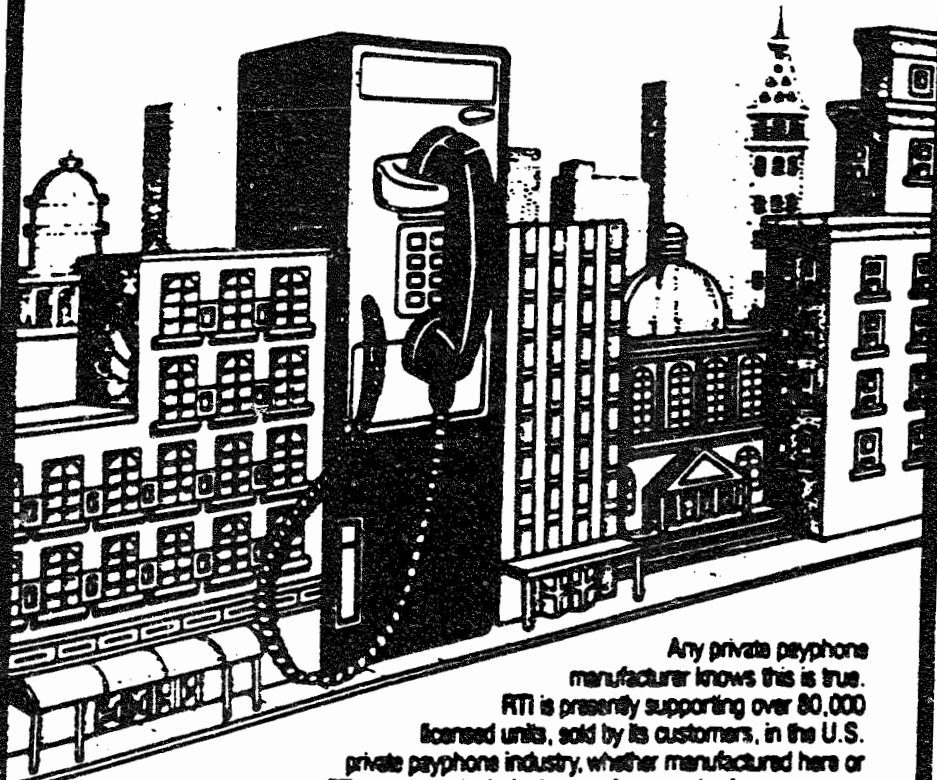
Weston has a strong corporate struc-

ture and only 35 doors. These properties are in concerns and manage-

**Others Also Holding Off**

Other chains are also waiting for the shakedown. Several similar directors of their member hotels, however, have little or no non-corporate-owned program. Western International, based in Tyler, Texas, is a study of AOS, and will sue debtors to its 1,800 franchisees. Best Western Telecommunications consultant Teddy Startzman is holding off on using its 90 corporate-managed hotels had no count, however, of the franchised operations. Best Western hotels do a lot of clients of most of the companies, an industry con-

## Today's payphone has to be as smart as a phone company... or it isn't worth a dime



Any private payphone manufacturer knows this is true. RTI is presently supporting over 80,000 licensed units, sold by its customers, in the U.S. private payphone industry, whether manufactured here or abroad. RTI customers include dozens of companies from start-ups to members of the Fortune 500. All of these phones have two intelligent things in common: the advantages of RTI scanning and sophisticated technology. Does Yours? If not, get in touch with RTI and let us help make something really 'smart' happen for you.

At this rate... something is happening.



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**Sherraton Corp.**, a hotel Corp. based in Boston, has a directive out similar to that. "Our policy for the corporation is that they should not be used unless management recognizes price schedule and quality of service improved," said corporate telecommunications manager Bill Oates.

Sherraton controls 30 corporate offices, its 300 franchisees covers telecommunications programs, many of them have AOS contracts.

At the corporate hotels, AOS companies were used, but "we were dissatisfied and that has been removed." On significant problems with companies, sometimes the operator is not on at all, no verification cards, insufficient billing and (hand-written operator log) bill corporate AT&T cards. "A factor that made these decisions companies they tried was that we had no way to charge to guests charges set by AOS companies is high," he said.

Even though the complaints did not approach the ones made by AOS companies still a significant amount of Oates said. The company is not turning its back on AOS for:

"There is a definite market for this country and major AOS contracts have moved to address the market the last six months," he said. "We are looking again at AOS in the next six months." He said Sherraton was waiting to see what transports the AT&T HNS tariff, noting that AOS was expected to come up with packages more appropriate to hotel needs. They will also be checking out the "other companies joining Gray—major interchanges carriers, possibly the BOCs."

"There is definitely a positive AOS well as an AT&T solution for the Oates said. "We are not discussing revenue at all." He suggested that AOS companies "may find their niche in a market by providing many services such as messages, special rates, and other value-added services."

**Pending Decision on HNS**

Sherraton's Oates and other corporate managers and one of the factors that hold off on AOS decisions is

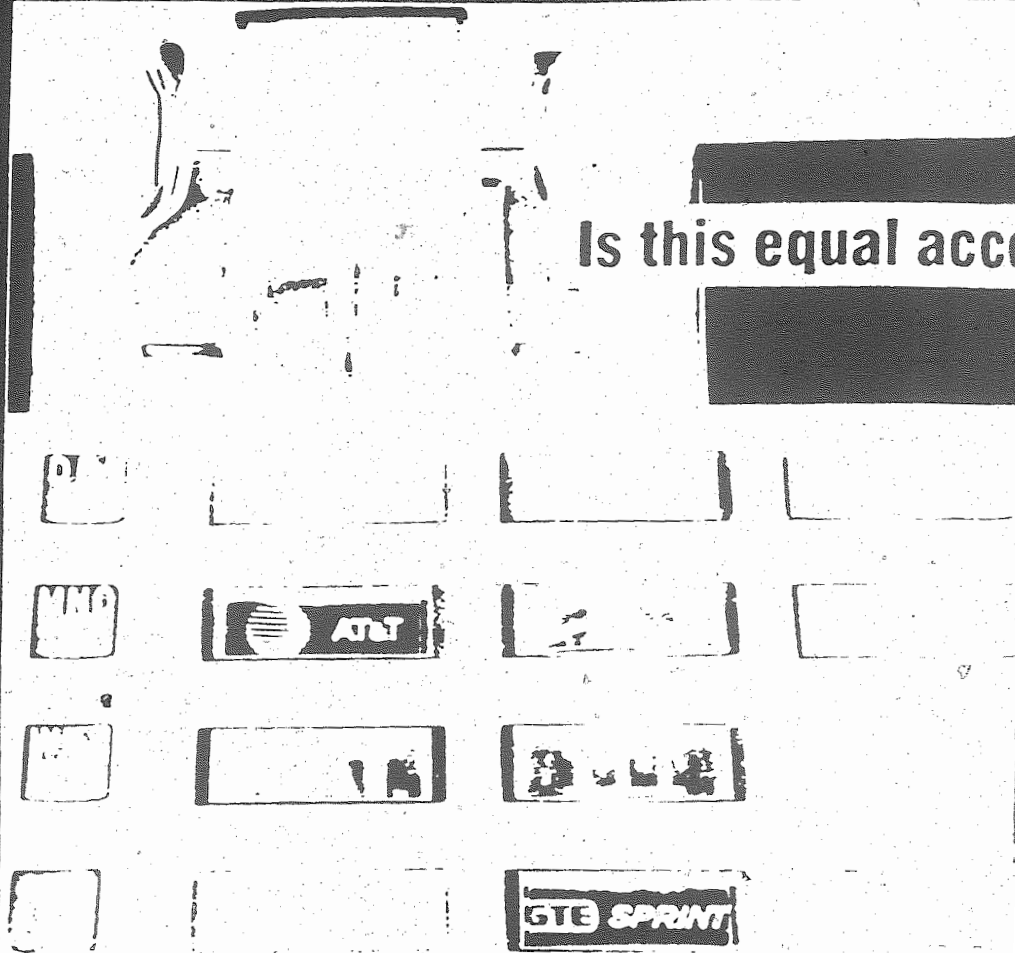
SCHEDULE M

# PAYPHONE

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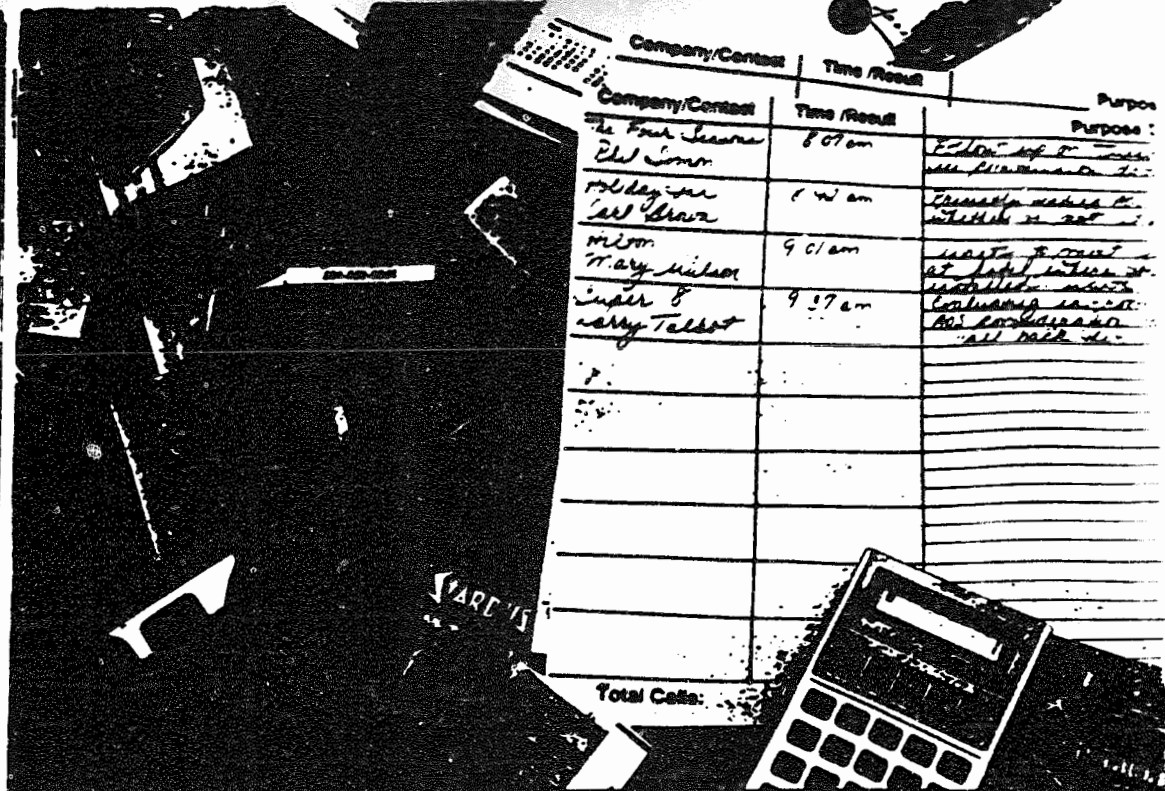
Volume 4, No. 4, April 88



- 14. . . Long-distance carriers scramble for equality.
- 36. . . Is Virginia too eager to hang AOS?
- 40. . . Hotels: Hospitality proves to be a tough sell. ↙

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# HOTELS

The profits are plenty, but are AOS providers up to the challenge?

by Olivia Carmichael  
Contributing writer

An aggressive battle is being waged by alternative operator services companies to pry the lucrative hotel/motel market away from AT&T, a company that can boast it represents the status quo for an industry hesitant to accept major change.

AOS has become a hot topic in the lodging industry, primarily because of its revenue-generating potential. Hotel and motel telecommunications managers report being bombarded by hundreds of AOS

salesmen hoping to get a piece of the action.

These intense marketing efforts, however, have barely scratched the surface of the hospitality market. Although many hotel and motel chains are testing AOS offerings at certain locations, many more are carefully evaluating the operator services industry for absolute proof that a change will not alienate their guests.

Kevin King, vice president of Tel Vest Systems in Irvine, Calif., said AOS penetration in the hotel/motel industry is relatively small. "We are definitely in the infancy stage," King said.

Although his company has contracts with 390 hotel/motel properties nationwide, King said this figure is small compared to what is available. "I would say if a company like ours were to get half of 1 percent of the overall marketplace available, we would be doing quite well," he said.

Frank Santos, financial manager for Quality Inn International of Orlando, Fla., agrees AOS market penetration is weak, but added that the situation is changing. "I think in 1988 we are going to see more and more of the lodging industry converting to AOS," Santos said.

Figures compiled by the American Hotel & Motel Association reveal the magnitude of the industry. In studies conducted in mid-1987, the AHMA found that 44,500 U.S. lodging properties housed 2.73 million rooms.

The revenue potential is equally great. Quality Inn International, a hotel chain with properties targeting four markets and attracting a large tourist base, has enhanced its

monthly earnings by \$1,000 per property. The thanks for the added income goes to AOS, Santos said.

Joe Valleia, director of operations at the Thunderbird Hotel and Casino in Las Vegas, Nev., would not disclose revenue figures or the provider Thunderbird uses, but said the profits are "considerable" with AOS. He added that he found AOS service to be comparable to — but not better or worse than — AT&T's. "I am satisfied with my AOS company in all areas," Valleia said.

The Radisson Hotel chain, based in Minneapolis, is testing AOS at a few of its locations. Those properties using an AOS company receive between \$2,000 to \$3,000 each per month in commission checks, according to Jim Johnson, telecommunications analyst for the chain.

Although revenue is the primary reason hotels and motels are musing over AOS, there are less obvious reasons for making the switch. King of the West believes amenities are a prime reason hotels are looking at AOS. His company, for example, offers message desk concierge service and electronic yellow pages access.

Santos of Quality Inn International noted his chain is happy with service from National Telephone Services Inc., one of two AOS companies serving his chain. Citing NTS representatives as "very professional, very pleasant to work with," Santos perceives a distinct enthusiasm among his AOS vendors. "I'm not sure that I ever had that kind of relationship with AT&T."

Not all operator services companies can meet the often strict service criteria set forth by large chains. Duane Stark, director of systems development for Doubletree, which includes 30 Doubletree hotels and 13 Capri motels, explained his company is testing AOS at its Dallas hotel.

Stark said it is important for the hotel that its AOS service "looks to our customers like AT&T. It must accept all credit cards, including AT&T cards, even though these won't pay commission. We can't tip off to our customers that we are using a service different from AT&T."

The AOS provider must also allow the hotel chain to control up-front

charges, Stark said. "We don't want surcharges." Billing, too, must be as good as, or better than, AT&T's, he added. Doubletree will continue testing AOS "until we are satisfied," Stark said. "I would say for about six months." Once Doubletree's operator services program is in place, the chain will implement private pay phones in its lobbies.

Despite the potential to make money with AOS, some hotel chains, such as Sonesta International Hotels of Boston, prefer to remain with AT&T. They say they are satisfied

with the incumbent service provider and don't want the "basics" associated with a change.

Others, such as La Quinta and Super 8 Motel chains, are vehemently opposed to private pay phones and AOS services, claiming these two industries are filled with disreputable companies. They do, however, concede that once the inexperienced and unprofessional companies are weeded out, they may consider giving AOS and private pay phones a chance.

Don Jarman, president of Hospitality Technology Inc., a subsidiary of

## Vandal-Resistant Handsets & Accessories:

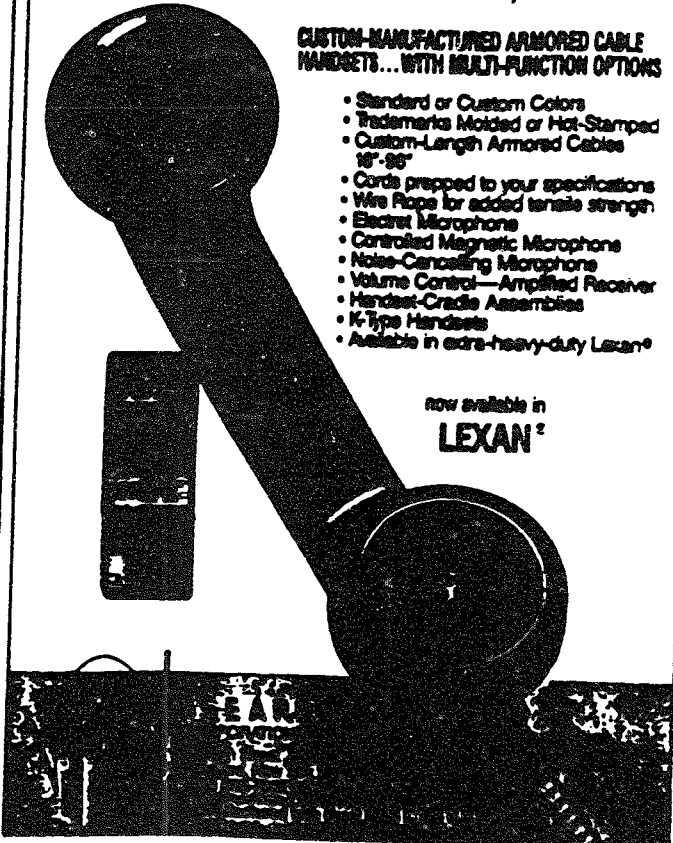
The right quality... the right price.

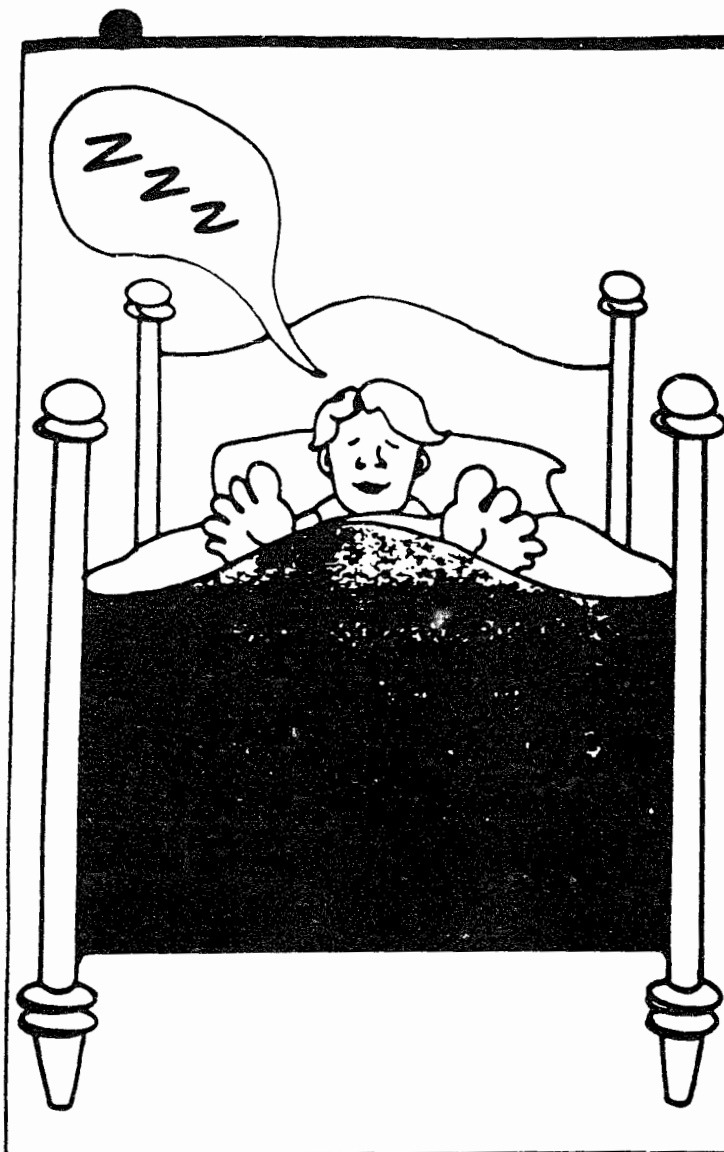
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the Boston-based Super 8 chain, complained AOS salesmen "promised the world to motel chains, but can't deliver the goods."

"We're staying out of the battle," Jarman said. "I have been approached by at least 35 companies, (and) there is internal fighting between (them) all."

Jarman tested AOS at some properties and "they fell on their rear."

*"We all started out in this industry thinking commissions are what it's all about. Nobody would really care how badly they were screwing the customer."*

— Kevin King, Tel Vest

end." He was deluged by complaint letters from guests at these test sites, he said. Jarman does not feel the present quality of operator services compares with AT&T's.

Although franchise owners of the 500 Super 8 motels have the ultimate decision of whether or not to contract with an AOS company, Jarman has written a letter stating his opposition to a switch.

"Right now it looks like we're making a big mistake and leaving a lot of money on the table, but I don't think we are. I think we're going to have happy guests and we're going to rent more rooms."

Ed Hildum, director of telecommunications for San Antonio, Texas-based La Quinta is also opposed to

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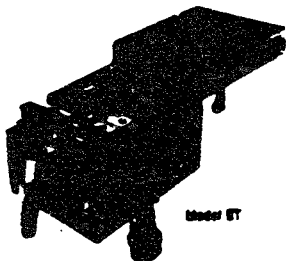
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AOS because he feels hotel guests are too often overcharged. He added that guests are becoming savvy when it comes to long-distance costs. "Many of our guests upon check-in (are) asking who handles our '0 + ' calls," Hildum said. "They are becoming educated as a result of negative experiences."

Hildum fears that an unregulated AOS industry will lead to a regulated hotel industry, in which properties will be required to post who handles long-distance calls. "I for one do not want a billboard placed on my walls saying who we are using."

All corporate-owned and managed Hilton properties are served by AT&T and local exchange carriers, explained Diane Finn, communications specialist. One reason for not using AOS, Finn explained, is that AOS companies cannot accept the AT&T corporate calling number. "If they pass off (calling card traffic) to AT&T, that's fine," Finn said. "But a lot of them don't."

Hilton has another request of its operator service that most AOS providers would have a tough time meeting — communicating with foreign guests. And so far, AT&T is

looking at getting a small piece of the big pie rather than a big piece of the small pie. This has brought about a very competitive atmosphere between our company and our competitors as to who offers actual AT&T daytime evening 15% mileage sensitive rates.

AOS company executives expect competition to intensify this spring as operator services providers take advantage of AT&T's crippled Hospitality Network Service tariff, frozen until late June by the Federal Communications Commission.

According to Lester Freeman, president of Central Corp., the five-month suspension gives AOS companies a chance to stabilize their technology as well as pursue a deeper market penetration.

Harvey Berg, general manager of Los Angeles-based Operator Assistance Network, added that until AT&T reveals definite plans for the next few months, a clear indication of the effect of the suspension is unattainable. "The plan, as originally written, only applied to major hotel chains," Berg said. "Now rumors are that AT&T is looking to get more entry points at lower levels."

AT&T earlier indicated to *Payphone Magazine* that it was planning to introduce a revised HNS plan for smaller hotel chains. Once the FCC suspended action on the tariff, however, company spokesmen refused comment.

Regardless of AT&T's plans, the hospitality industry will continue to be a critical target for AOS firms. "Our company strategy is to concentrate almost entirely on hotels and hospitals," Freeman explained. "We clearly think it's the place to be for an AOS company."

According to King, the AOS companies that will survive will be those that offer rates competitive with AT&T and keep abreast of the latest technology.

King said AOS firms headed for trouble "are the ones whose livelihoods depend on charging typically 40, 50, 60 percent above AT&T rates," King said. "Many companies out there right now are operating in such a way that they really do need to charge that much just to keep their doors open." ☐

the only operator services company equipped to handle the many French and Japanese guests frequenting Hilton locations.

Realists in the industry understand the position taken by hotels unwilling to enlist AOS companies. "We all started out in this industry thinking commissions are what it's all about," recalled King. "Nobody would really care how badly they were screwing the customer."

"Now we're finding that the serious players in the AOS industry are

SCHEDULE N



# AT&T on Operator Services

By Lee Sities  
Associate Editor

**T**he first part of our INTERVIEW, which begins below, is with Jim Selzer, division manager, AT&T Operator Services Marketing. As such, he is responsible for the overall offerings of operator service products, profitability, and new products and services as they relate to AT&T customers.

Prior to holding this position, Mr. Selzer was the area manager for AT&T in Denver, Colo. Mr. Selzer has been with AT&T for a total of 21 years and started his career with Southwestern Bell, where he worked for 17 years prior to divestiture.

The second part of our interview, which begins on page 22, is with Mark Sinclair, national market manager, lodging industry, AT&T Business Group. Mr. Sinclair will be responsible for managing

lodging industry marketing efforts to support AT&T's recently filed Hospitality Network Service tariff.

Mr. Sinclair has worked for AT&T for seven years and previously held the position of telemarketing specialist with AT&T's Regional Technical Center. Mr. Sinclair's qualifications also include the degree of Master Hotel Supplier, a certification that is awarded by the American Hotel and Motel Association for the successful completion of courses and examinations dealing with the hotel/motel industry.

The HNS tariff, which if approved will become effective on Jan. 1, 1988, represents AT&T's move to compete with the operator service companies and other long distance carriers who are marketing their services to

hotels/motels, hospitals, and universities. Among other provisions, the tariff will allow AT&T to pay commissions to the hotel/motel, hospital, or university based on the grade of service provided by the institution's CPE and traffic volumes.

The tariff specifies traffic minimums as being 8 million minutes per month, 4 million minutes of 1+ and 4 million minutes of 0+ calls. The commissions range from \$.30 to \$.05 per 0+/0-message (completed call).

**PHONE +:** From time to time the terms HOBIC (Hotel Billing Information Center), HOBIS (Hotel Billing Information System), and TSPS (Traffic Service Position System) are used in connection with operator services. I

understand that these are former and current AT&T terms. Could you discuss what these terms mean?

# A

**SELZER:** HOBIC and HOBIS are engineering terms that were used in the old Bell System to describe the system by which time and charges were relayed to either the hotel or the caller.

We decided to rename these services "AT&T Quote Services" because it better describes what functions they perform. It is sort of an updated version of an old term.

The TSPS refers to the operator subsystem. This is the system that enables the operator to assist the caller in completing the call. It not only provides the necessary switching, but also the real-time rating, billing, foreign exchange access, and an automatic call distributor which assures prompt responses to an operator assistance request, or a 0+/0-call.

# Q

**PHONE +:** The concerns of backhauling and delay times are factors in choosing an operator services company. Could you explain how the AT&T operator service system interfaces with the network and the average time elapsed before operator intercept?

**SELZER:** I am not familiar with how alternative providers of operator services route their calls, so I can't comment on their system and any delays they may or may not experience. I can only comment on AT&T's system.

AT&T's hotel system, for example, is a direct patch. When a guest dials 8-0 (typical hotel dialing pattern for reaching an outside operator), it ties in directly to our trunk and then to an AT&T operator.

In many ways it is exactly like a 1+ call on a presubscribed line. If we are providing service to a hotel then they are presubscribed to AT&T long distance, so whether it is a 1+, 0+, or 0- call it ties into our trunk through our POP and into the AT&T network. The difference with a 0+ or 0- call is it's routed to our TSPS.

Once a call has been routed to our TSPS, operator intercept takes place in 2.5 to 3 seconds. Any delay time in addition to that is due to call set up in the hotel's system, the local network, and the LEC's Central Office switching systems.

Q

**PHONE +:** AT&T is often looked upon as having set the industry's standards. Why do you believe this is true?

**SELZER:** I think that in the larger part this is related to the fact that we were the first to provide these services. The customer is used to AT&T Operator Services. We have been providing services such as quote-backs, billing, instant credit, and reconnection for years. It is what customers have come to expect from an operator service company.

We have provided this standard and it is our intention to continue to be the premier brand. What I mean by that is that when you think of operator services, we want you to think of AT&T Operator Services. We want you to think of the AT&T standards of quality and service—services without compromise.

In addition to our current services, we are also exploring a lengthy list of new services that we believe our customers will want. The technology that we will be deploying will have the capability to provide many new enhanced services. It is AT&T's intention to remain at the forefront of the operator services industry.

**PHONE +:** AT&T rates are also often used as a comparison point; though, recently they have begun to come under

fire from the private sector as being unprofitable. With the issue of surcharges being a prominent debate in the operator services industry, what is AT&T's position on the use of surcharges?

A

**SELZER:** Our surcharges are well known. Our rates are a matter of public record. I feel that we've done a good job of supporting what we charge a customer. Our services are the best in the industry and they're priced according to that value.

If others don't care to compete at our rates that's their choice.

**PHONE +:** What are the AT&T surcharges for operator assisted calls?

**SELZER:** For a customer dialed, calling card call it is \$.80. For a person-to-person call it is \$3.00, and for a station to third party, collect, or operator dialed call it is \$1.55.

I would also like to note that a customer can use their Reach Out America Plan to pay for operator assisted calls or they can use an AT&T Gift Certificate.

**PHONE +:** How has competition from operator service companies affected AT&T?

A

**SELZER:** We know that there is competition in the marketplace. We know how they are competing, and we intend to compete.

**PHONE +:** At the recent TeleStrategies show in Miami, Noreen Hulteen, a staff manager for AT&T, said that any misrepresentation of AT&T association will be challenged. Could you explain what she was referring to?

**SELZER:** I'm not sure what she was

specifically referring to, but I can tell you that in an industry with this much change, we put an incredible amount of value on the AT&T name. Any misrepresentation of that name would definitely be challenged by AT&T

**PHONE +:** I have heard some people say that AT&T would like to get out of the operator service business, that it is a drain on revenues. Would you comment on this allegation?

**SELZER:** We believe that operator services is a major element of AT&T quality, personalized service. Some calls require human interface—and we do it seven million times a day.

As an example of the importance that we place on our Operator Services, we've recently committed to provide new switching equipment and technology up-grades for our Operator Services.

So, we consider it an important part of our on-going business.

Q

**PHONE +:** Does AT&T view its operator services as a profit center or as a means to the end of securing interstate usage minutes?

**SELZER:** The answer to that question is yes. Various aspects of our Operator Services are managed as a product line and, therefore, have profitability targets. Examples of these aspects are calling card, collect, and third party billed calls.

But other parts of our Operator Services such as instant refund credit, dialing assistance, and dialing instruction are provided at no charge. So as a whole, operator services is a value-added aspect of our network services. Though, we do try to make it efficient and profitable within itself.

When taken together, these aspects of our operator services provide benefits to our customers that increase the usage of our network.

## Mark Sinclair, National Market Manager, AT&T Business Group

Q

**PHONE +:** AT&T has recently filed a Hospitality Network Service tariff to become effective on Jan. 1, 1988. AT&T has stated that this is in response to the competition from interexchange and operator service companies. Yet it would appear from the filing that AT&T's main point of concern is loss of interstate traffic. Is this a fair appraisal?

**SINCLAIR:** Sure, AT&T wants the interstate traffic, and the interLATA traffic as well, but it is primarily an interstate market. This tariff will allow us to compete for that traffic in a manner that is consistent with the our competitors in the marketplace.

The point of the tariff is to obtain the interstate minutes and to compensate the institution that provides the minutes.

There is a lot of competition in this market and this is a way of addressing that fact and providing compensation to the hotel, hospital, or university, in recognition of the role that these institutions play in providing access to our network to their guests, patients, or students and faculty.

**PHONE +:** What was the primary reason for AT&T filing the HNS tariff?

**SINCLAIR:** There are really two main aspects to the tariff. The first is to recognize the role that the hotel/motel, hospital, or university plays in providing access to the network, and the second is the recognition that we are in com-



petition for this market.

We want to give the hotels/motels, hospitals, or universities a reason to stay with AT&T's service.

**PHONE +:** According to the HNS tariff, a firm must sign an agreement that stipulates that they will provide AT&T with a monthly minimum of 4,000,000 minutes each of 0+ and 1+ traffic for the period of one year. If a customer falls below the 4,000,000 total minute minimum for 0+ calls for three consecutive months, a penalty of \$.04 per minute below the minimum is assessed. How is this penalty assessed and what provisions are there for the seasonal fluctuations in the hotel/motel industry?

**SINCLAIR:** We recognize the seasonal aspect of the hospitality industry and we have provided a review of total yearly minutes. Through the review, we can determine a customer's standing with regards to their commitment to provide 48,000,000 minutes of 0+ traffic a year. In this way, a

customer who may have had to pay a penalty due to off season call volumes would receive a refund if the total yearly volumes were at or above the 48 million minute mark.

The minimum traffic requirements are designed to promote usage of the AT&T network and to serve as a basis for the commission schedule, they are not designed to penalize our customers. We believe that the year-end review provides a fair and equitable means to accomplish both ends, that of network usage and of adjustments for seasonal fluctuations.

**PHONE +:** Also included in the tariff is a grade of service requirement. Would you discuss this requirement and what is involved in the provision of this service?

A

**SINCLAIR:** That requirement basically refers to the number of calls that are blocked or that receive a busy signal during peak hours due to customer premises equipment or lack of access trunks provided. We are offering a higher commission schedule for those institutions that provide touch-tone telephones and a good P. grade of service.

The AT&T network standard for grade of service is P.01 (1 call blocked for every 100 calls made during peak hour). Obviously, an institution that provides a P.01 and touch-tone telephone service will receive the highest commission schedule. The commissions for this level of service would be \$.25 per message for the first 10,000,000 minutes per month and \$.30 per message for each additional message per month above the 10 million mark.

On the other end of the scale, an institution that provides a grade of service number higher than P.10 and touch-tone telephone service would receive \$.05 per message for the first 4 million

minutes per month.

The reason we included the grade of service requirements and incorporated them into our commission schedule was to promote service as close to the standards of the AT&T network as possible. It is our hope that this will result in CPE standards that will provide the guest,

patient, student, or faculty member with the best telephone service available. The better the service, the happier the caller, and the greater the customer satisfaction with both the institution and AT&T.

**PHONE +:** What would you say is the best selling point of the HNS offering?

**SINCLAIR:** I think that the best selling point is that we are now providing compensation to the institutions. In addition to which, the institutions can provide AT&T's quality services to ensure that anyone who uses their phones will experience the high level of service that they would want representing them.

## AT&T's Suggested Commission Schedule for the Hospitality Network Service Tariff

AT&T's Hospitality Network Service tariff has become a hot topic among both Operator Service Companies and the Hospitality industry (hotels/motels, universities, and hospitals). At stake is the high volume end of the hospitality market, which AT&T estimates will provide an additional \$118.4 million in gross revenues in 1988, \$84.7 million of which is expected to come from operator assisted calls.

The following description of the HNS tariff is quoted from "Revisions to AT&T Communications Tariff F.C.C. No. 1, Hospitality Network Service, Description and Justification, 1. Introduction, paragraph 1, lines 4-19 (footnote omitted).

"HNS is a new AT&T Switched Network service that is designed to be attractive to high volume AT&T switched service customers whose usage includes both '1+' and '0+' traffic. HNS is particularly useful in meeting the unique needs of hotels, hospitals, universities and other such customers—traffic 'aggregators' who resell 1+ calls to their guests and at the same time generate high volumes of 0+ calls. HNS provides customers

who have at least four million minutes each of 1+ and 0+ calling a rate of 18 cents per minute for 1+ calls, and a payment ranging from 5 cents to 30 cents for each 0+ call made from the customer's premises. In exchange, the customer must commit for a period of one year to deliver to AT&T at least four million minutes of interstate 0+ traffic per month and to pay the monthly recurring charge for 1+ calling regardless of its 1+ calling volume."

The recurring monthly charge is incorporated in the AT&T 1+ charge of 18 cents per minute. That charge is composed of a 9 cents per minute usage sensitive charge and a 9 cents per minute recurring charge. Based on the four million minute per month minimum, the cost of the recurring charge is set at \$360,000. The rate for additional minutes above the four million mark is an 18 cents per minute usage sensitive charge with no additional monthly recurring charge.

Cost of ordering the HNS services is set at \$100 per subscriber and \$10 per participating subscriber location. These

charges are designed to cover the costs of order processing and establishing billing arrangements to ensure that the costs are recovered directly from the users of the service.

The following table is AT&T's suggested commission schedule for operator assisted calls covered under the HNS tariff:

GRADE OF SERVICE	TYPE OF PHONE PROVIDED	
	Touch Tone (dollars per message)	Rotary
P01	.30*	.20
P05	.25	.15
P10	.15	.05
greater than P10	.05	not applicable

\* reflects commissions paid for more than 10 million messages per month; a \$.25 commission is paid for P.01, touch tone service with traffic volumes of 10 million messages per month or less.

SCHEDULE 0

# AOS—WHAT'S IN IT FOR TELCOS?

The opportunities to explore and exploit the possibilities offered by Alternative Operator Services should not be overlooked.

BY SUSAN MAZONSON

**A**LTERNATIVE Operator Services (AOS) is considered by some to be "the last frontier" of opportunity in a deregulated environment. This author contends that this is far from the last frontier, and that deregulation has yet to truly begin.

In the public payphone arena, for example, private (nontelephone company) payphones can be placed in any state commission-authorized area. But telephone companies' payphones are considered to be part of the network and thus still have certain placement requirements for reasons such as "public convenience and necessity." Likewise, Local Exchange Carrier (LEC)-provided operator services is a regulated activity, limited to intraLATA services. The verdict for AOS services is not out yet, but thus far, services have included intraLATA, interLATA, emergency, and value-added services.

But what might appear to be serious threats for telephone companies could emerge as silver linings. It must be understood, however, that unlike pre-divestiture days, there are no rewards without risks. A look at the bigger picture of AOS, the products and services needed and offered, and LEC services is warranted here.

## ► The AOS concept

Previous articles (by this author and others) have described the basic service and system components of AOS. This however, is an emerging business, and

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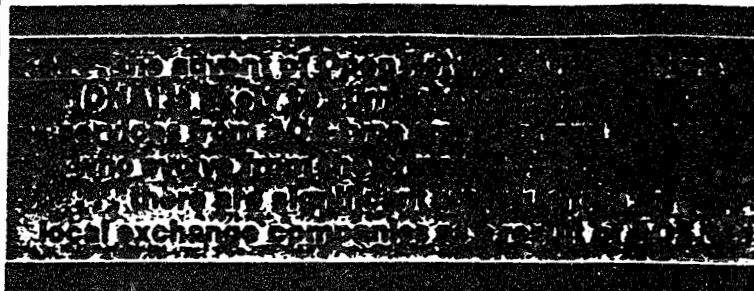
as such, it is certain to evolve.

In its simplest terms, AOS, not unlike traditional LEC and AT&T operator services, is a special call handling capability. This concept suggests broader applications than serving transient users (i.e., for calling card, third party, and collect calls). Special call handling involves any sort of telemarketing, dispatch, or other "value-added" services. Once the infra-structure is in place, additional service offerings are then a

there are significant opportunities for local exchange companies as a result of AOS. We must look at the LEC service offerings, needs of AOS, and other market demands that are or can be filled with both AOS and LEC offerings.

## ► Services and needs

The true "natural resources" of telephone companies are local transport, access to interexchange services and billing and collections services. All of



function of perceived market needs, network capabilities and capacities, and distribution alternatives. Already AOS companies are offering or evaluating such value-added services as teleconferencing, concierge services, electronic Yellow Pages, and various forms of in- and out-bound telemarketing applications.

For the future, the advent of Open Network Architecture (ONA) is likely to stimulate new enhanced services from AOS-type providers and those who evolve from the AOS concept.

The jury is still out as to the legal definition of AOS (e.g. are they carriers, enhanced service providers, etc.?). So the extent to which they will take advantage of network interconnectivity cannot yet be determined. Nevertheless,

these are required by AOS companies in some form. Alternatives, of course, do exist. AOSs can use some form of bypass facilities and can encourage end users to use other billing mechanisms, such as commercial or proprietary cards. But with the natural resources available to them through LECs, why would current AOS providers search for alternatives? In cases where in- or out-bound traffic reaches certain volume levels, it may be more cost-effective to directly connect with an Interchange Carrier's (IC's) Point of Presence (POP). Telephone company private lines or alternative carrier facilities can be used for this purpose. In states where intrastate and/or intraLATA toll competition is allowed, an AOS may use the facilities of an IC for such purposes.

*continued on next page*

The trend to joint ventures between AOS providers and ICs stimulates usage of nontelephone company facilities wherever possible. Another critical reason why AOSs often use nontelephone company services is ease of doing business with increasingly stronger relationships developing between AOSs and ICs, the process of planning networks becomes more streamlined, greater economies of scale are realized, and standard business practices evolve.

In the area of billing and collections services offered by telephone companies, the only apparent model or precedent is that used by telephone companies to serve the IC community. Hence, the services are designed for the needs of 1+, or traditional, "sent-paid" long distance calling. For alternate billed calls (i.e., operator assist, calling card, billed to third party, collect), special considerations must be addressed for billing and collections services. Most AOS calls billed through telephone company agreements are billed to the end user as "billed-to-third-party." This is so because there is no current means for AOS (or other service providers for that matter) to verify the telephone calling card number through the official validation system owned by AT&T (the Billing Validation Application, or BVA).

So, in reality, the actual calling card number (including the four-digit personal identification number) is not used. It is the line itself to which the call is being charged.

Also, with regard to billing and collection services, the process which AOSs (and any other service provider wishing to bill via telephone company calling cards) use is time consuming and expensive. The provider must have a contract with multiple entities to insure maximum coverage of calling card issuers. To do business with some telephone companies in certain parts of the country, for example, AOSs have to negotiate a separate contract for each state where that telephone company operates.

In addition, there is no standard billing and collections process. Even though most follow the same format (that is, many of the specific billing elements are the same), there are almost as many versions of prices as there are

telephone companies. This is not to say that there are not reasons for these differences. In fact, in a competitive environment, such differences are encouraged and in many cases necessary.

Even though billing and collection pricing and procedures differences should be respected and encouraged in response to environmental factors, there are other market needs that remain unfulfilled. These explain the development of third party, intermediary billing and collections services. These "clearing houses" are designed to ease the entry of AOSs and similar

junctions to the telephone company local exchange network. Where the telephone companies are either prohibited from offering certain services or where it could be done more efficiently by a third party provider, this notion opens up some exciting possibilities for telephone companies. These possibilities are yet to be fully explored.

#### ► The challenge

The ultimate challenge for telephone companies is to understand the true needs of service providers such as AOSs and the impact that they will have on

**"The ultimate challenge for telephone companies is to understand the true needs of service providers such as AOSs and the impact that they will have on various telephone company lines of business."**

enhanced services providers into the telephone company billing systems. In some cases, user consortiums are forming to diffuse the risk of time and money for multiple service providers and to offer additional services as the industry evolves.

Telephone company operators also are valuable network resources. In addition to providing 0+ intraLATA services, they must handle a variety of calls such as 0-, emergency, and directory assistance, that may not yield adequate return. Certain of these services could be offered to AOS or other intermediary providers with greater value added for all parties.

Indeed, the intense demand for calling card validation capabilities has instigated the Department of Justice to put further pressure on the telephone companies to offer "pre-LIDB" (Line Information Data Base—the telephone company replacement for the billing validation application currently owned by AT&T).

There may be other areas where some joint services could be offered, using the strengths of both the LECs and the AOSs. This could include information or "enhanced services offered as J-

various telephone company lines of business.

On one hand, these service providers are becoming more significant users of telephone company services. At the same time, there are incentives for AOS providers to seek alternatives. On the other hand, with the evolving nature of the AOS business, there are likely to be certain services that can be used by telephone companies or distributed to their users.

#### ► The next steps

The first step in meeting these challenges is to recognize the unprecedented synergies among various telephone company functions. Billing and collections, operator services, public communications, calling card and even business marketing and network planning groups need to stress a systems approach to meet market demands. Suddenly, departments that rarely had to communicate are now faced with strategic decisions that are critical to the overall telephone company operations. With the greater number of market possibilities, telephone companies must reevaluate their strategic options.

# AOS: LEGITIMATE AT LAST

The billion-dollar Alternative Operator Services Industry has everyone, from independent service providers, hotels and universities, fighting for their

BY MARK MIKOLAS

**A**LTERNATIVE Operator Services (AOS) is yet another piece of the AT&T pie that has been opened to competition by regulation. Now, OCCs (Other Common Carriers) and telephone companies are being joined by a new competitor in the field—service providers. All of this has wakened the giant AT&T and it's come up fighting to hold on to, or win back, a business it had always taken for granted.

Like a candy bar, everyone wants to keep it for themselves—or share only a small piece of it. Why not? AOS offers an annual revenue of \$4 billion to \$8 billion (depending on who's doing the measuring), but everyone agrees that the revenue potential is doing nothing but climbing.

## ► AOS means a choice

Alternative Operator Services means that you get an "alternative" to an AT&T operator when you dial 0+ to place a person-to-person, third-party, reverse charge or credit card call. Pri-

*Mark Mikolas, a freelance telecommunications journalist and speaker, is senior editor of Telephone News and Fiber Optics News, both published by Phillips Publishing.*

vate payphone vendors, hospitals, hotels, motels, airports and universities are examples of businesses with telephone switching capabilities who resell telephone service. If these businesses make a deal with an AOS provider, they then receive a commission for every 0+ call placed through their telephone system.

Billing for these calls can be charged to telephone calling cards, major credit cards, billed collect or billed to a third party. Many AOS providers negotiate a billing arrangement with the local telephone company and the AOS charges appear on the caller's home or business telephone bill.

Alternative Operator Service is attracting the attention of more and more players. US Sprint, which had trialed the service, experienced a 40% increase in operator service calls after announcing them in mid-1987. In the first quarter of 1988, MCI Communications began offering operator services. Initially, AOS is available only for MCI calling card users, but the company plans to offer basic operator service nationally later this year. More than 35 companies now offer regional or national AOS. Among them are International Telecharge, ITT Chernow Communications, AmeriCall Systems, NY Com, and Com Systems.

Large telecommunications equipment manufacturers, including Northern Telecom, GTE, and DSC Communications, have introduced specialized equipment with which Alternative Operator Services can be provided. Such equipment not only provides switching, but billing verification and time and charge quotations.

## ► The battle begins

In the face of so much competition, AT&T is fighting to remain the dominant operator service provider. In addition to providing the usual operator service capabilities, AT&T's operators also offer Spanish language assistance, dual party relay for the deaf, and 800 directory assistance. AT&T's Quote Service provides specialized billing for the lodging industry.

AOS providers are responding by offering enhancements of their own, such as coupling a voice store-and-forward capability with the AOS service at an intelligent payphone.

Let's illustrate: suppose your plane is delayed. You call home from the airport to tell your family to pick you up later, but their phone is busy and now it's takeoff time. With voice store-and-forward, a voice comes on the line and asks if you'd like to leave a message for the party you are calling. You then



# MEMO TO INDEPENDENT MANUFACTURERS REP'S

One of the popular sections of the TE&M DIRECTORY is the Manufacturer's Rep section. If you are an INDEPENDENT manufacturer's rep regularly calling on the users of telecommunications equipment and selling equipment, supplies or services, we invite you to participate in the 1988-89 TE&M DIRECTORY by completing the form below and returning it to:

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DEADLINE: April 25, 1988

## AT&T and the Other Common Carriers share of the action.

record a message, pay the same as you would for a call, board your plane and fly home. The system continues to dial your home telephone number until someone answers. When a person answers, the system plays back your message. Everyone's happy—including the payphone owner, the AOS provider and the long distance carrier—because a call was completed that otherwise would not have been.

### ► A few glitches

AOS is a capital intensive undertaking. But even with the money and the hardware, a start-up AOS provider faces the problem of billing verification. The Justice Department recommended in late January that a non-exclusive, non-discriminatory means to validating Regional Bell Operating Company (RBOC) local exchange carrier calling cards be made available to the industry.

The RBOCs are responding by offering access to their data bases, but their minimum billing requirements, which vary from \$7000 to \$15,000 per month, can be out of range for many providers. Middleman clearinghouses have grown up and have contracted with the RBOCs. They gather the business of smaller AOS providers without requiring any minimums.

While the billing problem has cleared

up, another problem recently has cropped up. Residents of Virginia have complained to the State Corporation Commission (SCC) that excessive long distance charges have appeared on their phone bills. The Virginia SCC stated that the charges are for making long distance calls through non-telco operators (AOS).

The SCC warned consumers that AOS providers charge rates which can be higher than rates charged by major long distance companies. The SCC explained that the consumer should determine if an AOS provider is used and ask for rates before making a call. The commission has written the FCC about the problem.

### ► The industry emerges

A new conference, Operator Services '88, is scheduled to take place June 22 to 24 at the Stouffer Waverly Hotel in Atlanta—marking a new formalization of this embryonic competitive industry. Topics such as the competitive environment and the relation between AOS and Information and Enhanced Services Providers will be addressed.

As Dave Lyons, president of NY Com, said, "After a long battle, the industry is finally up and running. Alternative Operator Services is finally legitimate."

# OPERATOR SERVICES WITH VALUE ADDED

With more than just profit in mind, the Network Control Module can take the pressure off providers caught up in price wars.

BY KENNETH CASNER

**I**F I've learned one thing in the 19 years since Carterfone, it's that product marketing is best done before product introduction. Major corporations, not related to telecommunications, dumped tens of millions into PBXs-of-the-future and a hundred manufacturers announced key systems that included the ultimate in user-defined functions.

What went wrong? Timing? The urgency to solve telecom problems no one knew they had? Oneupsmanship? The ability to raise money in a market that seemed more interested in glamor than substance? Maybe. Maybe all of the above.

Remember last year's darling of Wall Street? Privately owned, public payphones. Since deregulation, nearly 100,000 "smart" coin phones have made their way into former telco locations.

They had to be smart. Nonutility instruments can't take advantage of the CO intelligence available to a local telephone company. Answer supervision. Accurate call pricing. Online customer service. And, most important, credit card plus operator-assisted services.

### ► Learning the hard way

For the vendor of private payphones whose instruments have counters to save useful data, the amount of credit card and collect calls was a revelation. As much as 93% of potential revenue is still captured by AT&T, the winner and still champion.

Not to worry. There are glimmers of hope on the horizon. Pioneers in the

*Kenneth Casner is president of Microdevices, Richardson, Tex.*

Carter tradition have gone forth out of Dallas. Alternate Operator Services (AOS) are about to be set free.

The first AOSs to appear were created in the grand style of the carrier of carriers—a TSPS central office with TOPS positions fed by the public network. The only difference was that the AOS provider brought traffic to its location by WATS and delivered it via the most cost-effective network available.

The AOS switch is involved in every call for the complete duration of the call. No efficiency here, especially when you consider that only one out of every two calls handled results in revenue. And an unaccepted reverse charged or third party billed call requires two completed calls to handle.

Turning that potential revenue into income is no mean feat. First and foremost, BellCo Calling Card numbers are dialed in or read to an operator. In either case, there is room for error—an error that cannot be caught because there is no rhyme or reason to the card numbers. Most are a subscriber's combined home or business telephone number with a random four digit PIN. The ability to create your own credit card number is an irresistible come-on to those who would make free phone calls.

### ► Here's the good news

It's a fact. Less than 50% of calls placed by hotel guests are billed to their rooms. For business-oriented properties, it's more like 35%. The majority, it follows, are made using charge cards, reverse charged, third party billed or made through one of the discount carriers.

These statistics shouldn't be news. For eight years the lodging industry has been entitled to resell phone calls to its

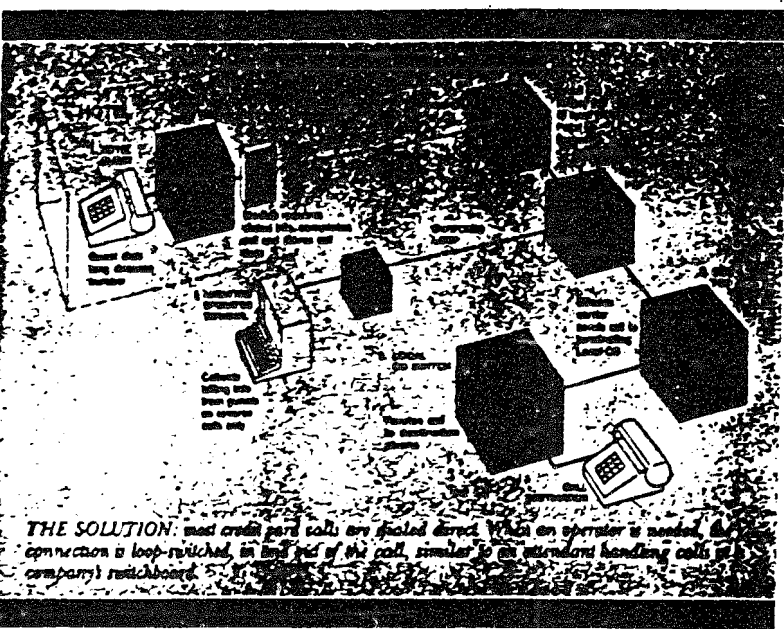
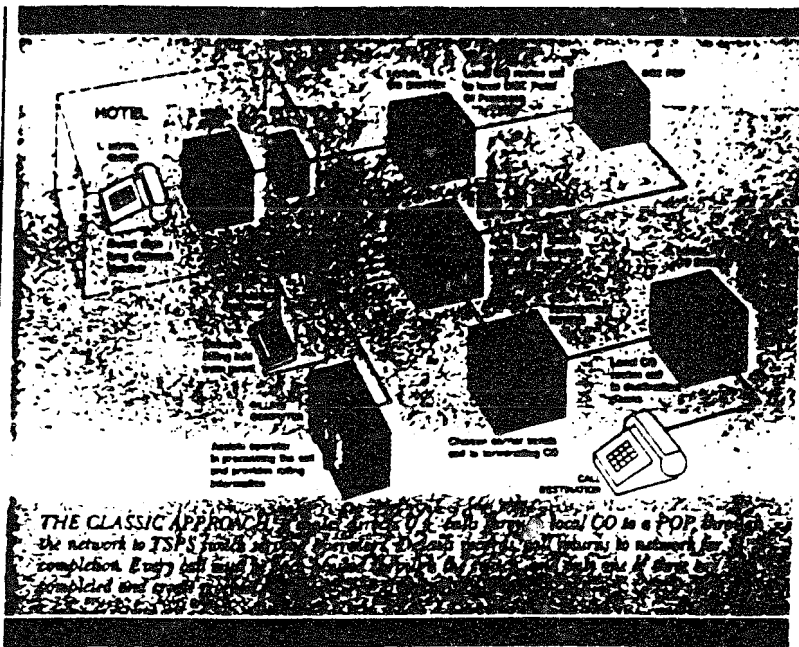
guests. FCC Report & Order 80-54 opened the door. Within a year, AT&T surprised all by terminating the traditional 15% commission paid to hotels on all long distance. As a result, both hotelier and call accounting manufacturer were convinced that the new equipment needed to do the job might pay for itself in a matter of months. Maybe even support a badly needed PBX, too.

As we all came to discover, AT&T had played its hand perfectly. Making the most out of a potentially bad break at the commission. As a result of unreasonable surcharges, often lumped in with less than authentic rates then applied to calls whose duration was questionable at best, many businessmen who formerly charged calls to their rooms now used a calling card. AT&T's \$1.55 surcharge first dropped to \$1.05 and then to \$.80. Combined with a 25% rate reduction, it made using the calling card an outstanding value.

### ► The profit leak

Although several companies offer options for both private payphone and hospitality services vendors, paying what seem like attractive commissions, most tack on hefty surcharges or sell minutes never used to make their operation profitable. This approach is unsound. First, it offers guests no alternative, and second, it promotes competition based on commission rates alone.

When the marketing team at Microdevices looked at ways to even the odds against the long term success of AOS, we identified several value-added services that soon became the focus of our design efforts. These were services that could be molded to each customer's requirements; that would compliment



our AOS offering; that would differentiate us from the competition.

We had two criteria to meet. First, our system could not change the way hotel guests use the telephone. At the same time it had to make its features available without requiring guests to read an instruction manual.

Alternate Operator Services must be more than a way for a carrier to increase per minute rates or a provider to cash in by adding minutes or new surcharges. It must be more than a hotel's access to the 0+ jackpot.

Our Network Control Module is a microcomputer subsystem that inter-

faces a hotel's PBX on the CO side in series with the central office long distance (HOBIC) trunks. It includes two minutes of various voice instructions, a database-driven routing system, storage for completed call records, extensive self diagnostics, an abbreviated dialing directory, a failure fallback mode and 1200 baud uploading of call records to our computer here in Dallas. More important, it makes available the value-added services we've addressed as being critical to our marketing plan.

**Microdevices brand of alternative 0+ long distance offers the advantage of charging calls to major bank and T&T cards as well as those issued by utilities.**

Just as unique is our approach to handling the network. Rather than depending on a centralized TSPS switch, we chose to send the majority of our traffic direct from our customer hotel to the called party, the majority, 86%, being guest dialed 0+ credit card calls.

**Message Desk—A unique adaptation of voice mail allows a guest to have a message delivered when his or her call goes unanswered. It's fully automatic.**

The Network Control Module detects when there is no answer or the guest is receiving a busy. The voice unit then explains Message Desk's alternatives. Once activated, the system attempts to deliver each message every 15 minutes for the next four hours.

**Le Concierge—Two digit access to important personal services, such as travel reservations, auto rentals, even an all night dentist. It's a custom programming job done to each hotel's specification.**

**Conference Call—Allows guests to set up their own meetings from any phone or meeting room. From three to 35, important get-togethers may be conducted. The conference capability is accessed through a two-digit number that puts a guest in touch with a special operator. Conferences may be convened on the spot or preplanned. In either event, all the work of setting it up is done by the Microdevices operator.**

The best part of the program is that everyone participates in the profits. The hotel, the carrier, and the marketing group. Even better, the guest carries away a certificate good for the use of Message Desk from any phone in the USA. How's that for innovation? ■

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TEAM, a telecommunications industry magazine, has been published since 1966. It is edited for the administrative executives in every department of the operating telephone and telecom industry... management, engineering, plant installation, maintenance and operating, commercial, marketing, traffic and accounting.

**TELEPHONE ENGINEER & MANAGEMENT (ISSN 0040-283X)** is published on the 1st and 15th of every month by Edgell Communications Inc. Corporate Offices: 7900 Old Oak Boulevard, Cleveland, Ohio 44130. Advertising, Editorial and Advertising Production Offices: 124 South First Street, Geneva, Ill. 60134. Accounting and Circulation Offices: 1 East First Street, Duluth, Minnesota 55802. Subscription rates: \$27 per year in the United States; \$35 per year in Canada. All other countries: \$65 per year. Out-of-industry \$41 per year. Single copies (prepaid only): \$3 in the U.S.; \$4.50 in Canada; elsewhere \$6.00; and \$3.00 for shipping and handling per order. Second class postage paid at Duluth, Minnesota 55806 and additional mailing offices. Copyright © 1988 by Edgell Communications Inc. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

**POSTMASTER:** Send address changes to TELEPHONE ENGINEER & MANAGEMENT, P.O. Box 6100, Duluth, Minnesota 55806.

BPA ARP



## EDITORIAL

# AOS

**T**HERE'S hardly a thing in this world that can't be screwed up by a person who puts his mind to it. And Alternative Operator Services—the theme of this issue—is no exception. Why, then, if this is the case, do we spend our time dealing with it? Because Alternative Operator Services (AOS) has become a significant service; because, if used properly, it has real possibilities; and because ignoring a problem seldom makes it go away.

The catch phrase "the last monopoly" has been applied to AOS. If, reason the entrepreneurs, operator services have been profitable to the local exchange carriers and to AT&T, and if the rules of the game now allow anyone to get in the business, then let's take advantage of it. It's called competition, and when competition is present, the user benefits. Usually.

When we dial "O" from the payphone outside the convenience store, and charge the call to a credit card, we pay a surcharge for the service. The same for a collect call, or a third-party call. I suspect not one subscriber in a thousand knows what that surcharge is, but we expect it to be reasonable.

If, however, that chain of convenience stores has contracted with a particular AOS vendor to provide service (in return for, say, a 20% commission on non-coin calls) then the operator charges may not be reasonable. The Florida Public Service Commission, for example, conducted an investigation by making a series of calls from phones served by an AOS. In a typical case the calls cost between two and three times the AT&T costs. In one case a commissioner paid \$11.10 for a two minute AOS handled call that would have cost \$1.28 on AT&T's network. Is this wrong? It depends on your viewpoint. The president of a Fort Lauderdale AOS company said "We charge more than AT&T, but that's not necessarily overcharging. I know nothing that's sacrosanct about AT&T rates. It's difficult for us to see why we have to use our competitor's rates as a base."

Maybe not. But when subscribers, over the years, have come to expect service at certain prices, then a change in that service or in those rates deserves more than casual comment. Apparently several public service commissions agree. Virginia now warns telephone users of high potential fees. So does Tennessee. And Florida. And Arkansas, Oregon, Alabama, Kentucky, West Virginia, and Mississippi.

That's the seamy side of the business.

But there is a positive side, also. Technology has and will continue to make giant strides now that the field is opened up. Marketing innovation will cause new services to become available. Efficiency will be a goal. And telephone companies might well be ideally positioned to participate in the new industry.

But let's hope that all the players remember what the "S" in AOS stands for.

Bob Stoffels  
BOB STOFFELS

# WHAT'S AOS AND WHERE IS IT GOING?

Alternative Operator Service (AOS) is a lucrative business for the entrepreneur and it has a good potential for growth in the future.

BY WILLIAM T. PEARSON

**T**HE divestiture of the Bell Operating Companies (BOCs) by AT&T in 1984 and the deregulation of paystations has brought entrepreneurs a plethora of new business opportunities. One of these is Alternative Operator Service (AOS).

Prior to divestiture, all operator services on 0+ calls (commercial credit card or calling card) were processed to the AT&T long distance network by an operator employed by an Independent telephone company, AT&T or a BOC. This was the case no matter where the call was originated (a paystation, hotel/motel, residence, business, etc.). It was and continues to be a lucrative business for AT&T. Entrepreneurs recognized the attractiveness of operator services and have entered the market by seeking ways to take the business away from AT&T. They have begun their siege by offering operator services to paystation owners and companies in the hospital-

*William T. Pearson is a business management consultant with headquarters in Omaha, Neb. He formerly was vice president-sales and marketing for Interline Communication Services, a subsidiary of U S West.*

ity business. Some have also begun selling operator services to universities and other large institutions.

## ► Services provided

Alternative Operator Service providers are not limited in the services they may offer to the public, however, most have "stuck to the basics." Since their inception, they have declined to offer enhanced services, but that will soon change. As soon as the market has been penetrated with 0+ service, enhanced services will be a reality.

Research conducted with 15 separate AOS companies revealed that services under consideration include: voice messaging, air travel reservations, hotel/motel reservations, appointment scheduling, gift forwarding and others.

There are limitations to AOS. The limitations are directly related to the quality of service, relationships with network providers, and provisions for billing calls. A limitation also exists in 0- service. AOS companies are not providing 0- service. As technology progresses, perhaps 0- service also will open to competition by AOS providers.

Technology, service and resource limitations have not prevented many from entering into the business. In the begin-

ning, there were less than 10 companies competing with AT&T; today there are more than 40. Two specific types of companies are providing AOS: those that have their own network in place, and marketing companies. They are all competing for a business relationship with companies which use operator services extensively, namely paystation owners and hotels/motels. The AOS marketing companies make the sale and pass the contract on to an AOS company which has its own network or has contracted with a long distance company to use its network. The marketing companies do not have their own networks.

## ► How AOS is provided

Assume you are a traveler and have just checked into your favorite hotel. You have been on the road for a few days, and it is time to call your home and office. After checking in, you go to your room and use the telephone.

As a traveler, you are accustomed to dialing 8 plus 0 plus the number you wish to reach. In a short period of time, a "bong" signal alerts you to enter your AT&T or BOC credit card number. After entering your credit card number, a recorded voice comes on the line and

*continued on next page*

## WHAT'S AOS?

continued

thanks you for using AT&T. Your call is then processed through the AT&T network to its destination. Sometime in the future, the billing for your call appears on your monthly telephone bill from your local telephone company.

AOS is provided in a very similar fashion. AOS companies are employing three methods for obtaining the billing information and placing the call on the network. The method used when the service was first offered was to utilize automatic dialers attached to the PBX which would dial an 800 in-WATS number and connect with an operator services company. The AOS company would then patch the call through on its network or some other long distance network.

Another method is to connect to a Feature Group A or Feature Group B number to access the operator service company. The call would then be routed to the operator service company's switch. All of the proper tones and dialing information are then passed to the operator's terminal. The operator is signaled to intercept the call and receive the billing information.

Many AOS companies are employing the above methods for processing a call. However, new entrants are employing Feature Group D access lines (and some of the original companies are converting). This permits the call to access directly to the AOS company's switch. This saves a great deal of time for call set-up and reduces the need for dialers.

The overwhelming difference is that your call is not processed on the AT&T network. The "bong" is not from AT&T. AOS companies have replicated the AT&T "bong" in the switch, making the difference unnoticeable to the long distance caller. The caller places the call by entering 8 (if the call is from a hotel or motel room) then 0 followed by the desired number. The caller then waits for the "bong," enters his/her calling card number and waits for the call to process through an interexchange carrier's switch. Depending on the AOS company, there may be no further operator intercept requesting how the call is to be billed. In some cases, the AOS operator will request the calling card

number even though it has been entered after the caller heard the "bong."

Another method of service of AOS is billing to a credit card other than AT&T or a BOC. In this case, the dialing procedure is the same. Again the call lands at the operator's terminal dedicated to the AOS company, and the operator requests the mode of billing the call. After obtaining a Mastercard, VISA, American Express, or other commercial credit card number, the operator verifies the credit card and releases the call to an interexchange carrier's network. The billing for the call will

**"Research conducted with 15 separate AOS companies revealed that services under consideration include voice messaging, travel reservations, hotel/motel reservations, appointment scheduling, gift forwarding and others."**

then appear in the caller's monthly credit card bill.

If the caller had selected to bill the call collect or on a third-party billing basis, the AOS operator would have processed the call in a fashion similar to the service provided prior to divestiture.

AOS companies which do not have their own network or switch have an agreement with an interexchange carrier for processing their calls through the network. Their agreement with the interexchange carrier is to either pay the carrier a per-minute fee for the call processing or collect a royalty from the interexchange carrier for all the minutes processed on the interexchange carrier's network by the AOS company's clients.

## ► Reaction of AT&T

The reaction from AT&T on AOS has been aggressive. AT&T stands to lose significant revenue; revenue that has been, in the past, easy for AT&T to obtain. It used to be, virtually a non-competitive issue. To counteract this, AT&T has issued a new tariff called Hospitality Network Services (HNS). With this tariff, AT&T hopes to make its service, through commissions, once again more attractive to the paystation and hospitality industry. The tariff is controversial and it is too soon to evaluate its impact.

It did not take long for entrepreneurs to recognize the potential of revenue from AOS. From a small handful of individuals and companies, AOS has grown to an overabundance of competitors.

As previously mentioned, there presently are more than 40 companies providing AOS service in some way. Some of the companies are regional in nature, others offer AOS nationwide. All of the companies are making claims of garnering contracts with major hotel/motel companies and hospital chains.

The competition has created price cutting and deal making of all types. It is likely that some of the companies are not going to survive. Those companies which have their own network have the best chance of making it through the cut.

## ► Future of AOS

There are many issues to work out in AOS. Billing, AT&T's HNS tariff and new service offerings are just the "tip of the iceberg." It is quite likely that as the competition becomes wiser, we will see some consolidation of companies and possibly of networks. It is certain that AT&T will not just lie down and die. There is too much at stake for it not to be competitive. The commissions offered in the HNS tariff initially may not be appealing to all concerned. However, you can be sure that AT&T will continually scrutinize its position and come on strong to compete with AOS companies. Every AOS company must have, in place, a strategy for survival.

The best is yet to come. More service offerings, more competition and the public's best interest is the future for AOS.

SCHEDULE P



## **PAYPHONE SERVICE**

National Telephone Services, Inc. announces a formula for adding increased profits for your payphones at no cost. Designed to take advantage of new computer technology, together with personalized service from our trained operators, NTS payphone service offers a complete range of calling options including collect, calling card and credit card payphone calls.

This faster, more convenient payphone service for your patrons affords you substantial commissions on each call made. Accessibility to "cashless revenue" at no cost!

NTS offers fast, dependable, and completely transparent service for operator-assisted calls through our operation centers strategically located to provide nation-wide service.

Let's go over the important NTS benefits to payphone venders. Impress your customers with our range of services while pocketing an impressive profit.

**NO COST FOR INSTALLATION.** We will provide fast and efficient installation of NTS payphone service...no time lost and no cost.

**EXCELLENT TRANSMISSION QUALITY.** Access to the most up-to-the-minute technological advances allows for quick & efficient completion of a beautifully clear, transparent phone call.

**NATIONWIDE SERVICE.** Our multiple operation facilities afford quality, nationwide service to all locations in the Continental U.S.

**FRIENDLY OPERATOR SERVICE.** Warm, personalized service from our skilled operators at local centers, ready to assist your patron promptly and courteously.

**MAJOR CREDIT CARDS ACCEPTED.** Making patron calls easier and more frequent than ever!

**COMPETTIVE PAYPHONE COMMISSIONS.** Based on a percentage of your company payphone call volume, NTS pays substantial commissions!

Talk to your NTS representative for more details!



## **TAKE A LOOK AT A FEW OF THE ENDORSEMENTS OFFERED BY OUR NTS PAYPHONE CUSTOMERS!**

"NTS gives us the same quality of service that ATT provides – if not better – and pays us a commission...NTS has been diligent in pursuing and achieving everything they promised, and they have come through every step of the way. You have nothing to lose and only commissions to gain...You can't beat it!"

- Pete DiOrto  
President, Public Payphone Corp.  
Past President,  
National Payphone Association

"You can't afford not to go on NTS – not if you want to stay ahead in this business – NTS keeps the vendor and the end-user in mind and they cover all the bases. From the minute you sign up, you're off to the races – no access fee, no peripheral equipment necessary. It's a service that works incredibly well, with great clarity and customer acceptance. It's totally transparent to the end-user, and really transparent to me, too. Among AOS carriers, NTS is clearly the leader."

- Mike Dorety  
Operations Manager  
Communications Funding, Inc.  
Palo Alto, California

"We tested a lot of long distance operator services companies before making a decision. We chose NTS because of its superior service. From a practical standpoint, NTS handles calls most efficiently, is most transparent to the user, and produces the most revenue."

- Joe Getz  
President, NYPAY, Inc.  
New York, New York

"I can't even express in words how good I feel about this company...I have nothing but respect for NTS: they hold to their promises and perform. In this industry that means a lot."

- Dave Singleton, President  
New York Payphone, Inc.  
Albany, New York  
Chairman,  
Northeast Communications Dealers  
Association

***NATIONAL***  
***TELEPHONE SERVICES, INC.***

***BENEFITS***

## ***BENEFITS***

- *Maintain high quality transmission, acceptable response time*
- *Protection from erosion of pay phone base*
- *Provides enhanced services from regulated pay phones*
  - *Acceptance of financial credit cards*
  - *Voice Messaging (April, 1988)*

## **QUALITY OF SERVICE**

- 1. Quantity of incoming & outgoing lines to switch based on P.01 grade of service**
- 2. Access lines are Feature Group D or B with digital connection to the NTS Switch**
- 3. Outgoing lines are digitally connected to the IXC**
- 4. 350 operators located in 4 centers are staffed to answer within 3 rings (9 sec.) or pass to the next available operator**
- 5. Friendly, courteous operators**
- 6. Switch and computers have redundant processors and are on uninterrupted power supplies (UPS)**
- 7. Special salutations are provided based on customer, (Thank you for using...)**
- 8. Emergency procedures in place for equipment failures and bad weather**

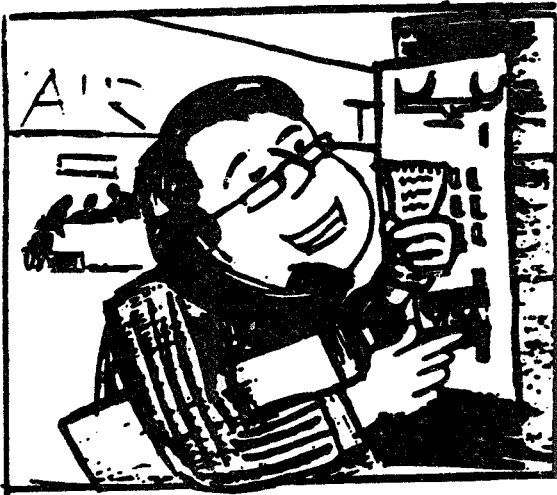
SCHEDULE Q

# **NATIONAL TELEPHONE SERVICES, INC.**

In the face of increased competition and shrinking profit margins, no opportunity for extra dollars on your bottom line can afford to be overlooked. Now 0+ NTS Service offers hotels, motels, hospitals and airports a significant 15% added income on telephone traffic which provides smaller commissions today: every credit card and operator-assisted call placed from your airport payphones.

And 0+ NTS dollars are free and clear as they come: no limitation or qualification, no deductible, no up-front or hidden costs, no capital investment in equipment, no disruption in service, no construction, no record keeping, no employee time or involvement. No effort on your part at all.

*Except one call to NTS.*



## *How It Works*

Any time a 0+ call is dialed, National Telephone Services, Inc. utilizes the latest state-of-the-art technology to direct the call to an NTS operator facility. The NTS operator facility obtains the credit information, automatically records the location of origin, provides any needed operator services and completes the long distance call.

## *Excellent Service and Transmission That's Transparent to the User*

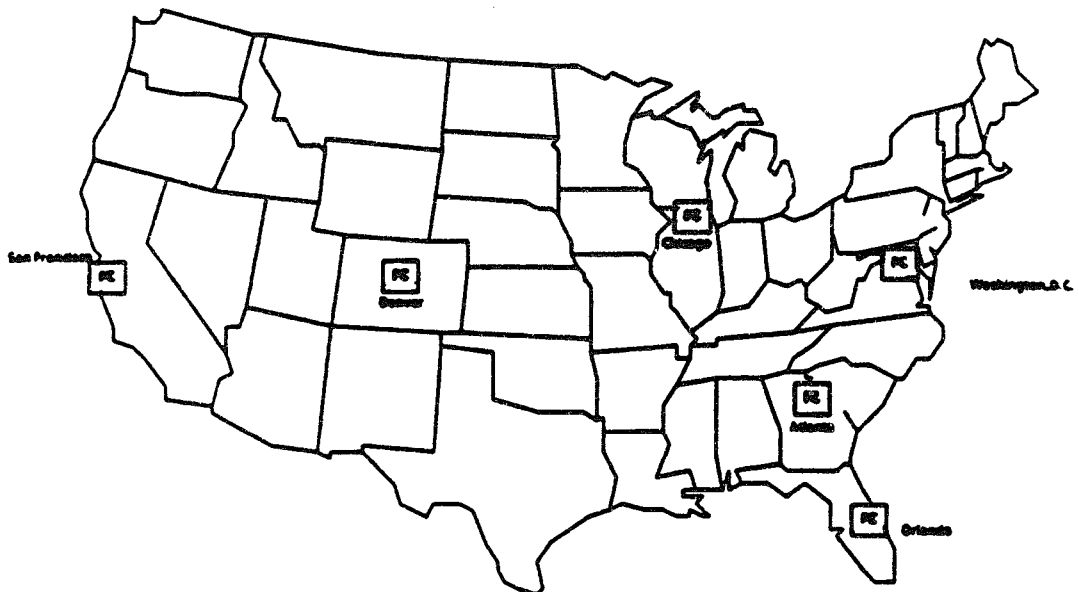
Our highly trained operators place calls quickly and efficiently. Personalized assistance and quality transmission that's as clear as a bell make NTS transparent to your callers. Only you will notice a difference . . . and that difference is 15% added income each month which arrives in a check with our NTS revenue and traffic statement.

**A Considerable and  
Useful Set of Benefits**

**0 + NTS = 15%**

- 15% commission on every call: no deductible, no limitation.
- Includes MasterCard, Visa, and American Express, as well as Telephone Calling cards.
- No equipment purchase necessary by customer.
- Can be adapted to customer's existing system.
- Immediate credit available for emergency or problem calls.
- All calls handled by a friendly, courteous local NTS operator, or completed automatically.
- Personalized response for each individual customer (Thank you for using . . . Airport).
- Local repair and installation service.
- High quality transmission.
- Does not affect existing 1 + long distance operation.
- No additional call detailing hardware required.

**NTS Operator Center Locations**



**"THE INTERNATIONAL COMPANY WITH THE LOCAL TOUCH"**

SCHEDULE R



# OPERATOR SERVICES WHO OWNS THE 'O'?

0+ and 0- calling is the final monopoly—the last and perhaps least understood of AT&T's once exclusive domain. Now this multibillion-dollar revenue stream is up for grabs.

BY JOSEPH FULVIO

**I**N the few short but tumultuous years since divestiture, operator services provision—such as call completion assistance on "0+" and "0-" calls and directory assistance—has evolved from a cost containment operation to a profit center vending value-added services at significant margins.

The traditional emphasis upon reducing operator work time through better training and automation is still there. Indeed, with the labor component for telcos operator services running as high as 85%, the incentive for efficiency is strong.

But along with labor cost control, new providers of operator services, the so called Alternative Operator Services (AOS), are using targeted market focus, attractive commission plans and, soon, enhanced and information services to grab a piece of an estimated \$8 billion pie.

Perhaps the most visible evidence of

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this change in thinking to those outside the industry was AT&T's promotion of operator services as a quality of service advantage during equal access implementation. There was actor Cliff Robertson, touting the availability of round-the-clock live operators whenever the caller needed them. But there were other catalysts at work which would lead to the formation of a truly competitive operator services industry.

To begin with, in 1983 AT&T stopped paying commission on long distance calls generated from hotel rooms. The commissions began as incentives allowing hoteliers to recapture the investment in room phones before the FCC lifted restrictions on the resale of telephone service. The hotel industry was left looking for other ways to capture a share of long distance revenue.

The private payphone industry, which was just beginning to capture a share of the "1+" revenue generated from its phones with credit card readers and working agreements with Interexchange Carriers (IXCs), also wanted a piece of the 0+ call volume generated from their stations.

Payphones account for almost half of all 0+/0- call volume. IXCs, caught in a commodity-priced battle for the 1+

market with AT&T, eyed premium priced 0+ services as the lucrative answer to their dismal bottom line performance.

At the same time, increases in 0+/0- call volume were being driven by growth in the number of calling cards, full automation of calling card calls in 1983, increasing consumer familiarity with conducting automated teller-type transactions, and the preference of travelers for 0+ calling as an alternative to hotel surcharges on 1+ calls.

Even the Regional Bell Operating Companies (RBOCs), who saw services provided them at no charge to their customers, become revenue generators for AT&T, looked for ways to vend the capabilities they were acquiring through operator takeback. They saw the IXCs as a natural and potentially lucrative market for their services, although they were and still are prevented from providing interLATA operator services.

## ► What's at stake

In 1988, more than four billion 0+/0- calls will be placed, generating more than \$8 billion. Approximately one third of that figure is accounted for by operator assistance surcharges, the

*continued on next page*

## WHO OWNS THE '07

continued

mainder by transmission charges. Call volume will split evenly between interLATA and intraLATA. Call type and origin are detailed in Figure 1.

The primary market segments are characterized by concentrations of captive high volume 0+0- callers: in hotels catering to business travelers, hospitals, payphones at airports, convention facilities and truck stops. Each market segment, and the locations within, vary in terms of calling patterns, price sensitivity, susceptibility to fraud, and call completion ratios—all factors which affect profitability. Other markets include executive housing, office complexes and campuses, universities and prisons.

In all, there are approximately eight million phones in these key markets, accounting for nearly all of the call volume. The rest is generated at businesses and residences. Igniting the competition for these markets is this new breed of AOS provider. Between 30 and 35 firms will have initiated service by end of 1988. Only a few of the largest have made an enormous capital investment in switching and operator service center hardware and software, and have secured billing and collection agreements with the RBOCs.

A second tier of providers market their services under their own names, but contract for switch capacity and operator worktime, and work through third party firms possessing RBOC billing and collection agreements. A third tier acts as value-added packagers of the various operator service elements for their hotel, hospital and payphone clients. Yet another tier acts as distributors for full service operator service companies. And a final tier has targeted the automated call market exclu-

sively—calling card and credit card calls. They use autodialers and other smart devices to process the call and collect billing information, but choose to avoid live operator calls altogether.

The AOS companies are out to siphon off a share of calls that traditionally went straight to AT&T on the interLATA level, and to the RBOCs on the intraLATA level. In addition to focusing on aggregated groups of high

ences and businesses presubscribed to the carrier.

Other competitors include long distance resellers extending the services offered to their high-volume users. Independent telcos looking beyond POTS (Plain Old Telephone Service) for new revenue, cellular service providers evaluating enhanced and information services for profit potential, and even telemarketing firms with excess call

processing and operator capacity.

Considered the largest potential competitive threat are the RBOCs, who have offered plans to the Justice Department and the FCC which would allow them to sell operator services to IXCs. But these plans are the subject of an intense debate which goes to the heart of restrictions imposed on the RBOCs at the time of divestiture,

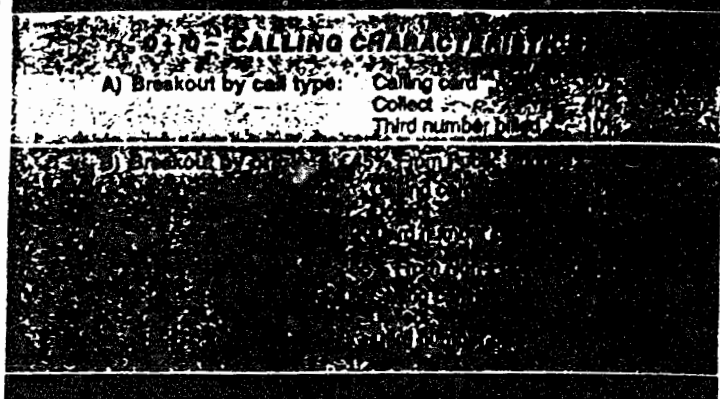
which barred them from interexchange activities. The RBOCs were recently released from restrictions on provision of information and enhanced services, which will play an important role in the future of the operator services industry.

In all, the percent of the 0+0- market controlled by non-AT&T and non-RBOC operator service providers is under 5%, representing less than 400,000 presubscribed phones. AT&T has responded to this with its own commission plans for payphones and the hospitality industry. But the FCC has suspended the hospitality plan until May 1988 pending an investigation.

### ► Nuts and bolts

The method chosen by an AOS company to move call traffic drastically affects profitability. Without a nationwide network of switches and points of presence in place, calls have to be backhauled to an operator service center—often in another part of the country—in order to be handled by a live operator. Thus, a Texas-based AOS with a

FIGURE 1



volume 0+0- callers, AOS competitive strategies include paying high commissions to location owners on 0+0- calls, pricing services at a premium, offering billing options, maintaining lower labor costs versus AT&T and the RBOCs, paying commission on intraLATA calls where permitted, and colocalizing with facilities-based IXCs to cut the cost of moving call traffic.

Right alongside them in the competitive fray are the IXCs, who want to match AT&T's range of services. Nearly half of the new firms offering operator services come from the IXC arena. Some IXCs are building their own operator service networks, others aligning themselves with AOS.

IXCs bring to these joint ventures the economies of scale associated with a nationwide network of switches, which reduces the cost of backhauling calls to an operator service center for handling. AOS firms give IXCs access to markets of captive end users, while IXCs give AOS firms access to the broadly dispersed base of 0+0- callers in resid-

client hotel in New York would backhaul a guest's person-to-person call to New Jersey halfway across the country for live operator intervention.

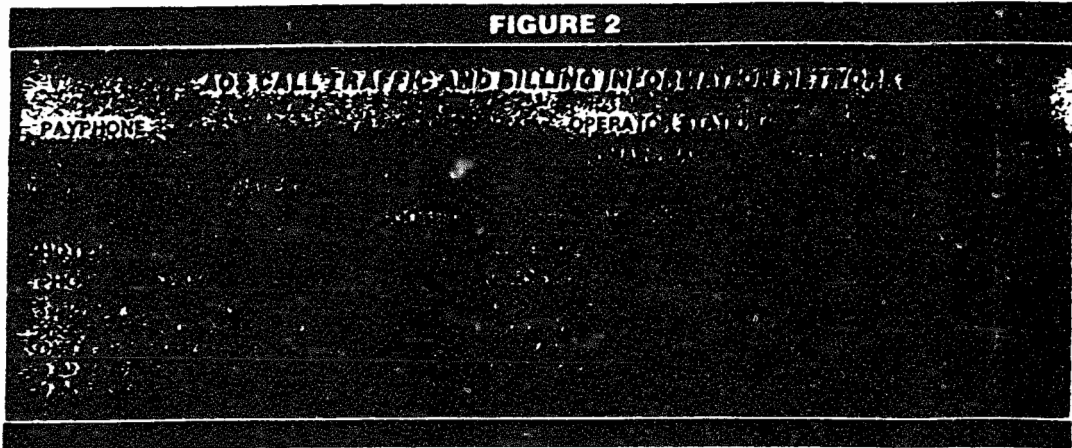
The trick for an AOS with nationwide ambitions is to build the critical mass necessary to justify these transmission costs and the cost of billing callers through the telcos, keep the level of fraud and non-completed calls low to make sure operator worktime is generating revenue, and get new switching

agreements is also an expensive and time-consuming process, and has been a significant bone of contention between the telco and AOS community. Estimated upfront costs for agreements with all seven regional independent telcos and the commercial credit card companies is approximately \$1.25 million, with recurring monthly fees of \$90,000. The lead time for negotiating and implementing these agreements can run six months to one

Link, which will vend access to validation data to subscribing IXCs and AOSs. Service Link has offered to act as an intermediary between the other RBOCs and users. Another solution may lie with the line information data bases (LIDBs) under development by each RBOC.

In the meantime, AOS companies have devised some clever ways of reducing their exposure to calling card fraud. Some surreptitiously validate the

FIGURE 2



and operator centers up and running to reduce the distance and volume of backhauling. Figure 2 shows the call traffic and billing information path for a typical AOS.

A network for handling call traffic is just the beginning. A system must be set up to collect, process and prepare billing and collection information for billing through the telcos and credit card companies. This usually requires a mainframe computer for storage, timing and rating and a method of preparing call traffic tapes for use by these billing agents. In some instances, this is performed by an outside vendor.

Billing callers through the home telephone bill requires billing agreements with the telcos. Without a billing agreement with the telco serving the caller's hometown, a separate—and potentially uncollectible—bill would need to be sent. Separate billing would be prohibitively expensive for, say, a single two-minute call.

But obtaining RBOC and Indepen-

dent telco agreements is also an expensive and time-consuming process, and has been a significant bone of contention between the telco and AOS community. Estimated upfront costs for agreements with all seven regional independent telcos and the commercial credit card companies is approximately \$1.25 million, with recurring monthly fees of \$90,000. The lead time for negotiating and implementing these agreements can run six months to one

year. As a result more than half of AOS companies rely on third parties to provide billing and collection, and less than one third operate under their own agreements. Validation has been one of the most vexing challenges for the AOS industry. With as much as half of the 0+0—call volume billed through telco calling cards, verification of working numbers and validation of the account numbers assigned to them is essential to safeguarding against fraud. The RBOCs and AT&T have closely guarded the validation data bases assigned to them at divestiture, leaving AOS firms that accept calling card calls exposed to the use of fraudulent billing and account numbers. AT&T uses the RBOC data bases in conjunction with its own to validate long distance calls, and some AOSs have argued that access to the data bases should be provided to others on an equal access basis.

Several solutions have been proposed, among them, US West's Service

Link, which will vend access to validation data to subscribing IXCs and AOSs. Service Link has offered to act as an intermediary between the other RBOCs and users. Another solution may lie with the line information data bases (LIDBs) under development by each RBOC. In the meantime, AOS companies have devised some clever ways of reducing their exposure to calling card fraud. Some surreptitiously validate the

calling card number by dialing it through AT&T's network while placing the call through their own. If the number validates via AT&T, they terminate that call and let the original one go through on their own network. AT&T considers its numbers proprietary. Some AOS companies serving hotel properties allow the first call to validate and be completed via AT&T and handle the remaining calls made with that number for the remainder of the guest's stay. Others build data bases of valid card numbers frequently used on their systems and use aging formulas to purge the data base periodically.

In some instances, the hotel will allow 0+0—calls to be billed to the room. Some companies choose not to attempt validation, and instead gamble on the relatively low fraud level in hotel sites—around 5%—while avoiding some payphone locations, where fraud can run as high as 40%. Still other companies are experimenting with passing cost of validation and fraud onto consumers as

continued on page 36

## WHO OWNS THE 'O'

continued

a disincentive to calling card use and as an incentive for credit card use.

### ► Issues and answers

Validation is one of several issues demanding resolution if the operator services industry is to mature. The

industry also is in the process of shaking early negative publicity associated with unusually high surcharges, poor quality transmission and service, inordinately long call connection times and the mishandling of emergency calls.

Comprehensive emergency call handling procedures have been implemented at most leading companies, service has improved, and a combina-

tion of consumer awareness, property owner concern for guests, and competition is beginning to put pressure on the higher-than-AT&T rates which have typified AOS prices. We may soon see an end to competition driven by larger commissions rather than lower prices.

The first wave of AOS companies are re-evaluating markets once thought promising, but which have become inhospitable due to fraud, high entry costs and adverse regulatory conditions. Some are choosing to stay regional to avoid call processing delays, backhauling costs and keep overhead low. Those looking to provide national coverage are looking closely at how quickly they can build the volume necessary to cover billing agreement costs, the high cost of billing casual users and the cost of moving traffic over a national network.

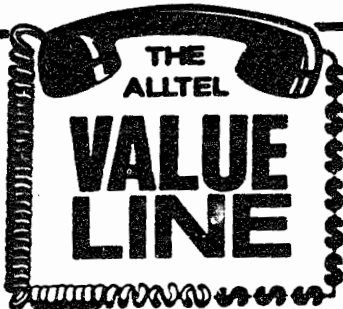
Regulatory hurdles, particularly at state level, remain formidable. Each public utilities commission seems to have different criteria for measuring public convenience, quality of service and reasonable service charges—particularly as quality of service becomes more of an issue.

### ► The future

The competitive operator services industry is being built on the margins available to providers of call completion assistance and directory information. But the increasing intensity of the competition points to a squeeze on these margins. Forward looking AOS providers, as well as IXCs and Independent telcos, are examining an array of enhanced services tailored to meet the needs of the market segments discussed earlier.

Providers will continue to seek reduction in labor costs through automation. Although the telcos and AT&T have more of an incentive to do so, look for young AOS firms to lead the way technologically.

Look also for the addition of voice mail, "talking" Yellow Pages, answering and message service, telemarketing, directory assistance, correction and credits for wrong numbers, and international and conference calling in the short run, with other enhanced and information services of many kinds in the long run. ■



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SCHEDULE S

# WITCH HUNT In Virginia

## Does AOS really cost the caller 10 times the norm?



by Steve Geissen  
Contributing writer

Nationwide media coverage of the Virginia State Corporation Commission's Jan. 25 warning to telephone users about "excessive" prices charged by alternative operator services prompted an investigation by *PayPhone Magazine*. The inquiry revealed that the VSCC claim was exaggerated and based on incomplete evidence.

The VSCC's warning, issued in the form of a press release, cautioned consumers that fees of "up to 10 times more than normal" were being charged by AOS companies.


While Virginia is not the first state to monitor the actions of AOS pro-

viders — other states, such as Florida and Tennessee, are proposing measures to regulate AOS activity — its claim that telephone users are being charged up to 10 times more than normal captured the attention of both AOS industry members and the media.

Soon after the commission released its statement, daily newspapers and telecommunication publications, including *CommunicationsWeek* and *Telecommunications Reports*, published the VSCC claims.

*PayPhone Magazine's* investigation has revealed that the VSCC based its "10 times" allegation on hazy, unsubstantiated evidence.

Though commission policies prohibit the VSCC from providing cer-



tain physical evidence to media in cases under investigation, according to Ken Schrad, assistant director of information resources for the VSCC, he admitted he was unclear on several points in the case, even though he authored the release.

Schrad outlined a complaint the commission received from a consumer who had attempted nine, four-minute long-distance calls from a hotel in Greensboro, N.C., to Richmond, Va. Of the nine calls attempted, only two were completed, but the AOS providers' bill charged \$24.27 for all nine calls. Schrad said. Writing the commission, the caller informed the VSCC he would pay only \$2.68 for the eight minutes of long-distance calls.

Schrad said he based his determination that AOS companies charge up to 10 times the normal rate upon the figure offered in the caller's letter. He did not know if operator-assistance charges, calling card access fees, hotel surcharges or other toll costs typically added to long-distance traffic were part of the revised total. Schrad would not name the AOS involved and admitted to assuming that the call cost stated in the consumer's letter represented traditional AT&T rates. In fact, the origin of the \$2.68 "normal rate" remains a mystery, since AT&T's standard rate for the two calls in question would be at least \$6.20 or \$7.75 if the calls were operator-assisted.

He said his "10 times" claim was based on the proportion represented by the final \$2.68 payment compared to the \$24.27 charged in the AOS bill. But calculating what

AT&T reported as its rates vastly reduces the ratio. These costs also do not include typical hotel surcharges, which would cause the ratio to dwindle even further. Schrad admitted he used the figure to 10 "as a grabber."

Details on the \$2.68 billing compromise remained undisclosed, since Chesapeake & Potomac Telephone Co., which first heard the caller's complaint and agreed to the final charge, would not release billing information.

The press release and subsequent news items also advised Virginia telephone users to find out which operators handle call traffic when placing telephone calls from pay phones and hotels. If they do not, warned the VSCC, callers will be "dialing at their own risk."

For now, AOS companies are watching the Virginia commission for further warnings to the state's telephone customers. And they are interested to see how much research is pursued before the VSCC sounds its next alarm. ☎

## Attorneys & Counselors

to the  
Pay Phone Industry

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SCHEDULE T





## CODE OF RESPONSIBILITY

As members of OSPA, we have these responsibilities --

### We are responsible to the public.

The Public has a right to know who we are. We will identify our companies.

The Public has a right to know how much we charge. We will provide pricing and billing information.

The Public deserves to pay a fair price. We will price our products competitively.

The Public deserves the highest quality service we can provide. We will continue to improve industry standards.

The Public deserves our attention. We will rapidly respond to consumer inquiries.

### We are responsible to our Industry.

We will compete honestly and fairly for the good of the Industry and work to increase public awareness of the benefits of open competition in the Operator Service Industry.

We will work with regulatory agencies to help ensure fair treatment for both the consumer and ourselves. We will help regulatory agencies understand the environment in which we operate and how adjustments in that environment can work for the benefit of all.

As members of OSPA, we will operate ethically and with integrity. We will pursue the Operator Services marketplace as providers of a high quality, high value product with consumer satisfaction being our first priority.



## MISSION STATEMENT

The mission of OSPA is  
to promote innovation, integrity and competition  
in the Operator Service industry.

## OSPA GOALS

- 1) PUBLIC INTEREST - To actively support the needs and interests of the public through information, innovation, and competition.
- 2) BUSINESS - To promote the common business interests of companies engaged in competitive operator services and obtain the benefits of technical and operational parity afforded dominant carriers.
- 3) GOVERNMENT POLICY - To foster and enhance policies that support competitive operator services for the benefit of end-users and the Industry.
- 4) EDUCATION - To serve as a technical, policy and information resource for the membership.

SCHEDULE U

**NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS  
(NARUC)  
STAFF SUBCOMMITTEE ON TELECOMMUNICATIONS**

**STATE TASK FORCE  
REPORT  
ON THE RESULTS OF THE  
ALTERNATIVE OPERATOR SERVICES (AOS) SURVEY**

**June 24, 1988**

**AOS TASK FORCE MEMBERS  
Paul Pederson, Missouri PSC  
Howard Bradshaw, Michigan PSC  
Diane Hockman, Ohio PSC  
Sam Loudenslager, Arkansas PSC  
M. Dianne Drainer, Observer,  
Missouri Office of the Public Counsel**

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**SECTION I**

**EXECUTIVE SUMMARY**

## I. EXECUTIVE SUMMARY

At the Winter committee meetings of the National Association of Regulatory Utility Commissioners (NARUC), considerable discussion was given to an emerging telecommunications industry, provision of alternative operator services (AOS). As the result of the many unanswered questions and lack of information about AOS, the Staff Communications and Cost Allocations Subcommittees requested that the State Issues Task Force investigate AOS providers and report back at the Summer Meeting in July, 1988.

The purpose of this investigation was to provide information and make recommendations which will assist the industry and state and federal regulators in defining the rules involving jurisdiction, fair competition, and protection of the general public. To accomplish this goal, a questionnaire was developed in two sections: the first section was structured to gather information on any investigations, rules, orders, certification and complaints by end users; and, the second section dealt with the policy question of regulation of the AOS industry and had six (6) subsections: (1) Public Safety, (2) Rate Levels, (3) Billing, (4) Customer Notification, (5) Quality of Service, and (6) Complaints.

On March 25, 1988, this questionnaire was forwarded to all state regulatory commissions, the Federal Communications Commission (FCC), state consumer counsels, state telephone associations and the AOS providers. The target response date was April 25, 1988. Although the task force began evaluation of the responses during May, the final review and write-up occurred in early June at a meeting in St. Louis, Missouri. All states responded to the questionnaire, along with the FCC and many state consumer counsels, state telephone associations and telephone companies. The

individual responses from these groups are summarized in Appendices II and III.

The Task Force concluded that, with the exception of public safety, the major focus of the complaints were directly related to the pricing of AOS services and that the remaining type of complaints (i.e., customer notification, quality of service, billing, etc.) are byproducts of the pricing of AOS services. In addition, the Task Force concluded that the AOS industry is not ripe for detariffing and/or deregulation, at this time, since it lacks the economic safeguards found in a competitive arena needed to justify such action.

Since the Task Force is recommending, via the attached resolution (Section VI), that price regulation be adopted as a national guideline by the NARUC, we propose that certification is also required of AOS providers.

The Task Force recommends that all certificated operator service providers have the ability to re-route an emergency call back to the originating local network, at no charge, in an expeditious manner. Absent this ability, the Task Force recommends all "0-" (calls placed via only the "0" being dialed) calls be handled by the local exchange company (LEC).

The Task Force believes that all operator service providers should have the ability to quote their rates upon request. The Task Force also recommends that a notice, in close proximity to the customer premises equipment (CPE), be posted informing the end user of the AOS provider identify and complaint procedure and that all operator-assisted calls be processed with a pre-announcement to the end user of the provider handling the call.

The responses to the questionnaire indicated that the preponderance of the states stated there should be regulation of the quality of service.



Given this response, the Task Force recommends the AOS industry meet the established state/national guidelines for operator provided services dealing with, but not limited to, operator response and call processing time. In addition, we recommend the subcommittee on telephone quality of service develop minimum technical standards for interconnection and transmission quality.

Since this industry operates within both the state and federal jurisdictions, the Task Force believes all regulatory agencies should be involved in the complaint process. Furthermore, to the extent that a LEC is performing billing and collection services on behalf of a company providing operator services, we believe they, too, should be involved in the complaint process.

Finally, further monitoring of the AOS industry is needed which should include the continued tracking of complaints to determine the effect of rate regulation.

**SECTION II**

**Summary of  
INFORMATIONAL DATA**

## II. SUMMARY OF INFORMATIONAL DATA

This section of the survey examined whether or not the states had received any comment(s) and/or complaint(s) regarding AOS providers with respect to public safety (inability to handle emergency calls), excessive rate levels, disconnect of local service by the local exchange company (LEC) due to nonpayment of AOS charges, provision of service by AOS provider without customer notification or customer knowledge, and quality of service (i.e., incomplete calls, directory information, operator assistance, call processing time). Furthermore, the survey examined how many comments/complaints had been received and asked the respondents to indicate whether the complaints involved a COCOT payphone, hotel/motel phone, hospital phone, university phone, airport phone, or other.

### A. REGULATORY AGENCIES' RESPONSES

Of the fifty (50) state regulatory agencies (PUCs) and the District of Columbia, eighty-four percent (84%) of the respondents stated that they had received comments/complaints from customers with regard to AOS providers. Only Alaska, Colorado, Connecticut, Hawaii, Nevada, North Dakota, Oklahoma, and Vermont did not report specific comments/complaints in this section of the survey (Table II-1). Some states attributed their lack of complaints being filed to their lack of having authorized COCOTs.

Of the forty-three (43) state PUC responses, fourteen percent (14%) reported complaints with public safety, all (100%) reported complaints with excessive rate levels, sixteen percent (16%) reported complaints with disconnect of local service by a LEC for nonpayment to an AOS provider, ninety-five percent (95%) reported lack of customer notification or customer knowledge, and forty-two percent (42%) reported problems in the area of quality of service.

With respect to the number of complaints, many states reported that they are noticing an increasing number of complaints each month in the area of AOS providers since the beginning of 1988. The cumulative total of complaints reported by the PUCs in response to the questionnaires is 1704. The number of complaints will be further addressed in the FCC response to this survey.

Of the forty-three (43) PUCs and the District of Columbia that indicated they had received customer complaints (see Table II-2), seventy-seven percent (77%) reported complaints from hotel/motel phones, seventy percent (70%) reported complaints from COCOT payphones, fourteen percent (14%) reported complaints from hospital phones, twelve percent (12%) reported complaints from university phones, five percent (5%) reported complaints from airport phones, and fourteen percent (14%) reported complaints from other types of phones, such as truck stops.

The FCC reported that it had received comment(s) and/or complaint(s) regarding AOS providers related to public safety, excessive rate levels, provision of services by AOS providers without customer notification or customer knowledge and quality of service. Furthermore, the FCC reported that:

As of May 23, 1988, the Federal Communications Commission (Commission) received a total of 471 complaints and inquiries, including: 366 interstate complaints, 50 intrastate referrals, 35 Congressional inquiries, and 6 information requests. The majority of the complaints received by the FCC involve excessive rate levels or the provision of services without customer notification or knowledge that an AOS provider is handling the call.

The FCC stated that the complaints involved: COCOT payphones, hotel/motel phones, hospital phones, university phones, airport phones and other. The

FCC was unable to provide a numerical breakdown of the type of phone used in connection with each listed complaint type in the survey.

#### B. NON-REGULATORY AGENCIES' RESPONSES

Of the twenty-two (22) non-regulatory agencies that responded to the survey (Table II-3), sixty-four percent (64%) reported receiving customer comment(s) and/or complaint(s). Of these respondents, fourteen percent (14%) reported complaints in public safety, seventy-nine percent (79%) reported complaints in excessive rate levels, seven percent (7%) reported a complaint with disconnect of local service by a LEC due to nonpayment to an AOS provider, seventy-one percent (71%) reported complaints with the provision of services by AOS providers without customer notification or customer knowledge and thirty-six percent (36%) reported complaints with quality of service. Furthermore, of the fourteen (14) non-regulatory agencies who reported customer complaints, forty-three percent (43%) reported complaints from COCOT payphones, seventy-one percent (71%) reported complaints from hotel/motel phones, fourteen percent (14%) reported complaints from hospital phones, seven percent (7%) reported complaints from a university phone and seven percent (7%) reported another type of phone complaint.

TABLE II-1

Q. Has your state received any comment(s) and/or complaint(s) regarding AOS providers related to:

<u>Public Safety</u>	<u>Excessive Rate Levels</u>	<u>Disconnect Local Service</u>	<u>Customer Notification</u>	<u>Quality of Service</u>
AK	AK	IL	AK	AK
CA	AZ	KS	AZ	CA
MA	AR	MI	AR	FL
NY	CA	MO	CA	GA
SC	DE	NC	DC	IN
WI	DC	SC	FL	KS
	FL	VA	GA	ME
	GA		ID	MS
	ID		IL	MO
	IL		IN	MT
	IN		IA	NC
	IA		KS	SC
	KS		KY	OH
	KY		LA	OR
	LA		ME	TN
	ME		MD	VA
	MD		MA	WA
	MA		MI	WI
	MI		MN	
	MN		MS	
	MS		MO	
	MO		MT	
	MT		NE	
	NE		NH	
	NH		NJ	
	NJ		NM	
	NM		NY	
	NY		NC	
	NC		OH	
	OH		OR	
	OR		PA	
	PA		RI	
	RI		SC	
	SC		SD	
	SD		TN	
	TN		TX	
	TX		VA	
	UT		WA	
	VA		WV	
	WA		WI	
	WV		WY	
	WI			
	WY			

TABLE II-2

States which indicated customers have complaints with AOS providers using the following type of phones:

<u>COCOT</u>	<u>HOTEL/ MOTEL</u>	<u>HOSPITAL PHONE</u>	<u>UNIVERSITY PHONE</u>	<u>AIRPORT PHONE</u>	<u>OTHER</u>
AK	AL	AK	AL	FL	FL
AZ	AZ	GA	FL	GA	GA
CA	AR	KS	GA		IA
DE	CA	NE	NC		MO
DC	FL	PA	TN		TN
GA	GA	TN			WA
ID	ID				
IL	IL				
IA	KS				
LA	LA				
ME	MD				
MD	MA				
MA	MI				
MI	MS				
MS	MO				
MO	MT				
MT	NE				
NE	NH				
NJ	NM				
NM	NC				
NY	OH				
NC	PA				
OH	SC				
PA	SD				
RI	TN				
TN	TX				
VA	UT				
WA	VA				
	WA				
	WV				
	WI				
	WY				

TABLE II-3

List of Non-Regulatory Agencies Responding to Survey

- . California Pacific Bell
- . Illinois Office of Public Counsel
- . Telephone and Data Systems, Inc. (TDS)
- . Kentucky Telephone Association
- . Colorado Office of Consumer Counsel
- . Maine Telephone Association
- . Michigan GTE North
- . C,C&S Telco, Inc. (Michigan)
- . Alltel Michigan, Inc.
- . Minnesota Department of Public Service
- . Missouri Citizens Telephone Company
- . Contel of Missouri, Inc.
- . GTE North, Inc. (Missouri)
- . Northeast Missouri Rural Telephone company
- . Southwestern Bell Telephone Company (Missouri)
- . United Telephone Company of Missouri
- . New Hampshire Telephone Association
- . Cincinnati Bell Telephone (Ohio)
- . Oregon Independent Telephone Association
- . South Carolina Department of Consumer Affairs
- . Telephone Association of Vermont (TAV)
- . Wisconsin State Telephone Association



III. SUMMARY OF REGULATORY AGENCIES'  
CERTIFICATION REQUIREMENTS FOR AOS

The fifty (50) PUCs, District of Columbia, and the FCC, which were asked to respond to the AOS questionnaire, answered the question of certification requirement as follows: fifty-two percent (52%) require some form of PUC certification. thirty-seven percent (37%) have no certification requirements at present, two percent (2%) do not allow AOS providers, in four percent (4%) requirements are pending, two percent (2%) require acknowledgement forms, and two percent (2%) are taking a "wait and see" approach (Tables III-1 and III-2). Of the twenty-seven (27) states with some form of PUC certification, twelve (12) states have granted certification to one (1) or more AOS providers (Table III-3). In all twelve (12) states, the PUCs view the AOS providers no differently than a reseller in their respective state. The AOS provider then comes under reseller certification requirements. Nine (9) of the twelve (12) states provided details of their reseller certification requirements. There were eleven (11) different requirement items in the detail submitted (Table III-2).

The FCC, in response to the survey, stated, "The Commission does not require non-dominant domestic carriers to obtain operating certificates or to file tariffs." Furthermore, the FCC stated, "The AOS companies reselling international services are treated as non-dominant carriers but must obtain operating certificates and file tariffs identifying their rates and practices."

TABLE III-1

CURRENT PUCs CERTIFICATION REQUIREMENTS  
FOR AOS PROVIDERS

<u>Some Form of Certification Requirement</u>	<u>No Certification Requirement</u>	<u>Does Not Allow AOS</u>	<u>Requirement Pending</u>	<u>"Wait &amp; See" Policy</u>	<u>Acknowledgement Forms Only</u>
AL	DE	CT	AK	OK	NJ
AR	DC		SD		
CA*	ID				
FL*	IA				
IL*	MI				
IN*	NV				
KS	NH				
KY	NM				
ME	ND				
MD	PA				
MN	RI				
MS	TN				
MO*	TX				
NY*	UT				
NC	VA				
OH	AZ				
OR*	CO				
SC*	LA				
VT	MT				
WA*					
WV*					
WI*					
WY					
GA					
HI					
MA					
NE					

\*State has approved one or more AOS providers.

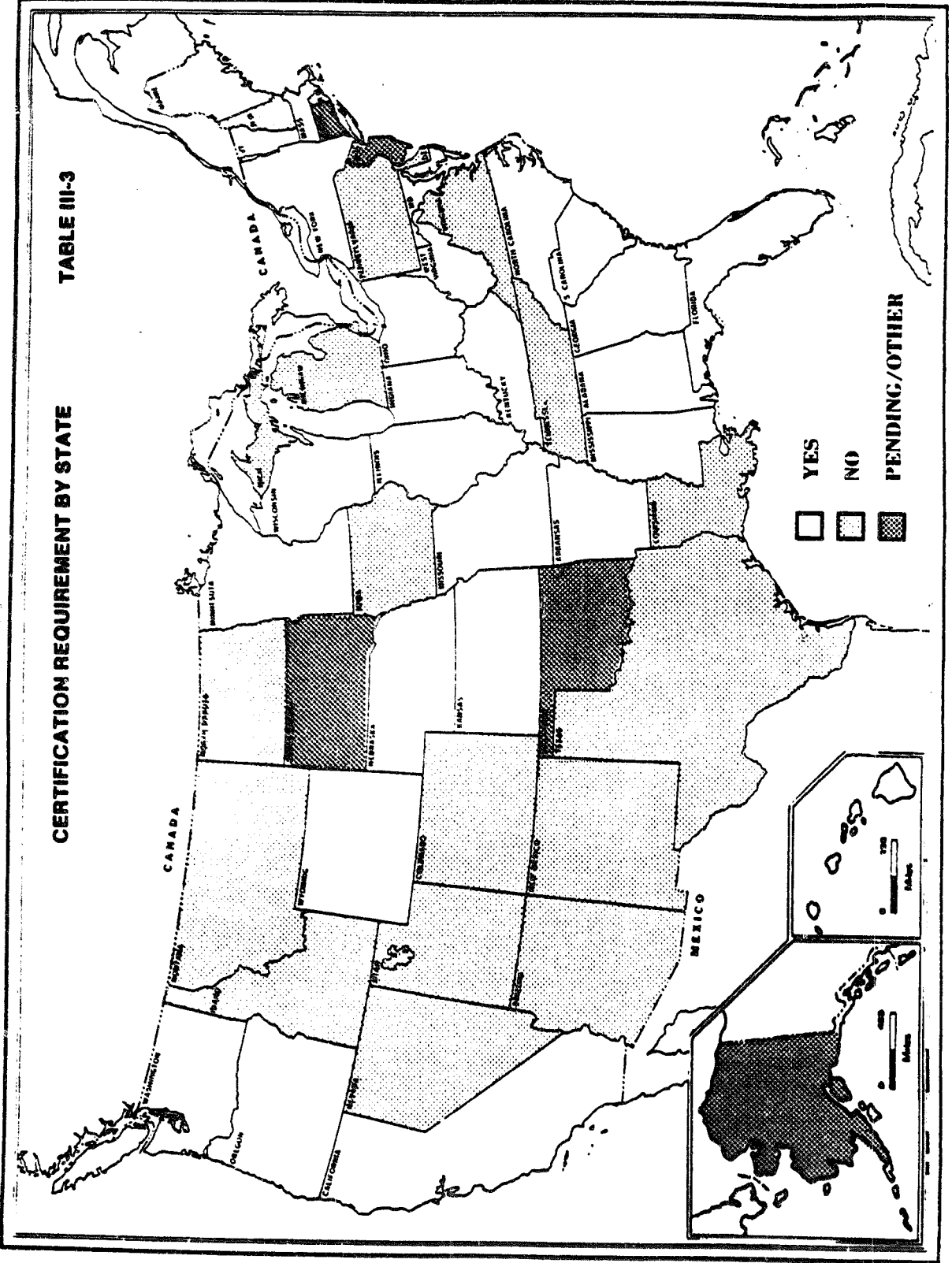
TABLE III-2

PUCs REPORTING RESELLER CERTIFICATION REQUIREMENTS

<u>Certification Requirement</u>	<u>States With Requirement</u>
1. Show financial ability to support proposed services.	MD, MO, NC, IN, WA
2. Show technical ability to support proposed services.	OR, IN, NC, WA
3. Provide detailed description of service area.	MD, NY, IN, NC, OR
4. Demonstrate the proposed service is in the public interest and need for the new service.	MO, NY, IN, WA
5. Submit proof of articles of incorporation.	MD, NY
6. File tariffs or rates of services to be provided.	NC, WV
7. Block intraLATA calls.	SC, WV
8. Provide a listing of the type of service to be offered.	MO, NY, OR
9. Demonstrate that competition will be enhanced in the proposed service territory.	NY
10. Charge rates no higher than AT&T at time of call.	SC
11. Proof of performance bond to cover customer deposits.	WA

TABLE III-3

CERTIFICATION REQUIREMENT BY STATE



**SECTION III**

**Summary of Regulatory Agencies'  
CERTIFICATION REQUIREMENTS  
FOR AOS**

#### IV. SUMMARY OF AOS POLICY QUESTIONS

This section of the survey is divided into specific topics which address the question of whether there should be regulation of AOS providers in the areas of public safety, rate levels, billing and collection, customer notification, quality of service and complaints. Each one of these areas has a number of questions to be answered if the respondent answers yes to the initial question. In Table IV-1, a number of the responses under the column "Other" reflect that either the service is deregulated by legislative fiat, that the PUC has not determined the appropriate policy, or that the PUC has a case pending dealing with the issue(s) at hand. The Virginia State Corporation Commission prefaced its response with the statement that a Federal agency such as the FCC or the Federal Trade Commission should oversee the provision of AOS. Also, comments are separated in two parts; responses of regulatory agencies (all states including District of Columbia and the FCC) and responses of non-regulatory agencies.

##### 1. PUBLIC SAFETY

###### A. REGULATORY AGENCIES' RESPONSES

Of the respondents, seventy-one percent (71%) stated that PUCs should and two percent (2%) stated that they should not regulate AOS providers in the area of Public Safety. The remaining respondents had not made a determination at the present time. When asked if "0-" calls should be routed to the LEC rather than the AOS operator, eighty-one percent (81%) replied yes and six percent (6%) answered no. Texas stated that AOS is beyond its jurisdiction. Many of the commissions stated that the "0" should not be used to access an AOS provider (Indiana, North Carolina, North Dakota, Rhode Island). West Virginia commented that if the AOS

provider cannot show that it can adequately route emergency calls at no charge to the calling party, then the "0" should stay with the local exchange company. Texas stated that for those states that certify AOS providers, certification should not be granted if the AOS provider does not have a mechanism to handle emergency calls satisfactorily. Pennsylvania stated that AOS companies should be required to handle emergency calls and, absent this ability, they should be subject to stringent penalties. In addition, Pennsylvania stated that failure to handle these calls properly may be grounds for directing the "0-" to the LEC. Wisconsin commented that regulation over the handling of emergency calls should be accomplished on a national level.

The FCC's response to the questionnaire stated that it does not anticipate regulating AOS providers in the area of public safety, since the operators' handling of emergency calls is largely a local issue.

#### B. NON-REGULATORY AGENCIES' RESPONSES (PUBLIC SAFETY)

Of the respondents, ninety-five percent (95%) stated that PUCs should regulate AOS providers in this area. The Colorado Consumer Counsel (CCC) stated that the ability to handle emergency calls either should be a condition of certification or "0-" (calls placed via only the "0" being dialed) calls should be directed to the LEC. When asked if "0-" calls should be directed to the LEC instead of the AOS provider, sixty-eight percent (68%) responded yes, twenty-one percent (21%) answered no, and the remainder gave another response. C,C&S Telco, Inc., (CCS) stated that nationwide 911 will alleviate the problem, but that something other than "0" should be used to access the AOS operator. Alltel-Michigan (Alltel), Cincinnati Bell, and Southwestern Bell-Missouri (SWB-MO) implied that emergency calls should be routed to the LEC. The Oregon Independent

Telephone Association (OITA) stated that the AOS companies should have a seven-digit emergency number and that they not be permitted use of 911. The Vermont Telephone Association (VTA) commented that AOS should be regulated in this area if other providers are regulated and that regulation should not be necessary if the proper procedures for handling emergency calls are developed.

## 2. RATE LEVELS

### A. REGULATORY AGENCIES' RESPONSES

Fifty-seven percent (57%) of the PUCs commented that they should regulate the rates of the AOS providers. Sixteen percent (16%) said this was not necessary. Virginia states that the customer needs to know the applicable rates. New York said this question is under consideration and that, currently, rates are set on flexible rate schedules. When asked if the AOS providers should be required to get approval of their rates, eighty-six percent (86%) of the commissions responded with a yes, seven percent (7%) answered no, and seven percent (7%) gave another response. Washington stated that, under its law, a price list would be required if a telecommunications company received competitive classification. Minnesota and Nebraska stated that, at a minimum, the companies will be required to file a tariff or price list reflecting services and the associated rates. The South Dakota Commission stated that the customer placing an "0+" call should be made aware in advance that an AOS provider is handling the call, as well as what the associated rates and surcharges will be for the call. When asked if a range of rates should be considered, fifty-eight (58%) responded yes, thirty-two (32%) responded no and eleven percent (11%) replied "other". On the topic of using price-capped rates, seventy-nine percent (79%) responded they should be considered, fourteen percent (14%)



responded they should not and seven percent (7%) replied "other". North Carolina responded that a price cap would not be unreasonable if AT&T's (or the LECs') comparable rates were used as the cap. Only thirty-two percent (32%) of the commissions commented that consideration should be given to a non-state-specific, "national" rate for AOS providers, while sixty-four percent (64%) responded with no and four percent (4%) gave some other response.

The FCC's response to the questionnaire stated that its general policy to the regulation of AOS companies, which are classified as non-dominant carriers, is to regulate on the "forbearance" basis. Under this classification, no Commission authorization or tariff approval is needed. However, they remain subject to the statutory requirement to charge just and reasonable rates, engage in no unreasonably discriminatory pricing, and are subject to the complaint process. Furthermore, according to the FCC's response, the Commission is currently gathering information and may review its policies with respect to this issue.

#### B. NON-REGULATORY AGENCIES' RESPONSES (RATE LEVELS)

Sixty-five percent (65%) of the non-PUCs commented that the rate levels of the AOS providers should be regulated. Twenty-four percent (24%) said this was not necessary, and eighteen percent (18%) gave some other response. Many of the respondents stated that AOS providers should only be rate regulated if other "non-dominant" carriers are regulated (CCS, VTA, TDS-Indiana, GTE-North/Missouri). The Maine Telephone Association (MTA) responded with a qualified "no" and commented that customer notification would be adequate. When asked if the AOS provider should be required to get approval of its rates, seventy-three (73%) of the responses were yes, twenty percent (20%) were no, and seven percent (7%) replied in an "other"

manner. Seventy-one (71%) percent stated that a range of rates should be considered, but SWB-MO stated that only if the range were well publicized. On the topic of using price-capped rates, sixty-two percent (62%) said they should be considered. The CCC stated that price caps should include all surcharges, etc. Only eight percent (8%) of the respondents commented that consideration should be given to a non-state-specific, "national" rate for AOS providers, with TDS-Indiana noting that AOS rates should be based on an individual company's costs or revenue requirement.

### 3. BILLING

#### A. REGULATORY AGENCIES' RESPONSES

Fifty-five percent (55%) of the commissions stated that they should regulate AOS providers in the area of billing. Eleven percent (11%) said this area should not be regulated, and thirty-four percent (34%) did not respond yes or no. Iowa stated that billing and collection is deregulated in that state. Many of the state commissions are currently reevaluating their policy towards billing, collections, and the practice of allowing for disconnecting local service for nonpayment. When asked if the LECs should bill for AOS providers, sixty-one percent (61%) responded yes, fourteen percent (14%) responded no, and twenty-five percent (25%) gave some other response. Kentucky, Maine, and Nevada stated that LECs should only provide this service for certificated AOS providers. Arkansas stated that continued billing for AOS providers by the LECs will promulgate continued customer confusion. Pennsylvania commented that the LECs should not be required to do the billing for the AOS companies. Fourteen percent (14%) of the respondents commented that a LEC should be authorized to disconnect a customer's local service for nonpayment of AOS charges, while seventy-nine percent (79%) replied no, and seven percent (7%) gave some

other response. Arizona commented that the customer's local service should not be disconnected for nonpayment of deregulated services. Indiana and Texas stated that AOS providers should follow the same disconnect procedures as the interexchange carriers or other service providers if the billing service is under contract. Wyoming stated that toll blocking should be permitted rather than disconnecting local service. Maine stated that disconnection of local service should not be permitted if the rates charged by the AOS provider are exorbitant.

The FCC's response to the questionnaire stated that it takes no position with respect to whether LECs should perform billing and collection (B&C) for AOS providers. It points out that the FCC, on January 1, 1987, detariffed B&C for interexchange carriers. The FCC, in its response, does note that, "... under the Modified Final Judgment (MFJ), a Bell Operating Company (BOC) that provides billing and collection services to any interexchange carrier must also provide these services to other interexchange carriers."

#### B. NON-REGULATORY AGENCIES' RESPONSES (BILLING)

Sixty-five percent (65%) of the non-PUCs stated that AOS providers should be regulated in the area of billing. Eighteen percent (18%) said this area should not be regulated, and eighteen percent (18%) did not respond either yes or no. CCS replied that the entity providing the service should do the billing, and TDS-Indiana stated that regulation of billing should follow the established standards in this area as applied to non-dominant carriers and resellers. When asked if the LECs should bill for AOS providers, seventy-one percent (71%) responded yes, eighteen percent (18%) responded no, and twelve percent (12%) gave some other response. SWB-MO, Citizens Telephone Company of Missouri (Citizens), and

VTA stated that the LECs should have the option of providing billing for AOS companies. Forty-seven percent (47%) of the respondents commented that a LEC should be authorized to disconnect a customer's local service for nonpayment of AOS charges, while forty-one percent (41%) replied no, and twelve percent (12%) gave some other response. The CCC stated that billing for AOS companies should be on a separate page and that page should contain a statement that local service will not be terminated if all but AOS services are paid. The Illinois Public Counsel commented that third-party disconnects should not be permitted. Alitel stated that if the LEC is required to bill for these services, they should be able to disconnect or otherwise require the AOS providers to reimburse LECs for any write-offs associated with their service. TDS-Indiana, Cincinnati Bell, and GTE-North (Missouri) commented that disconnect policies should be those established in tariffs or by PUC rules and VTA said that if the LEC is doing the billing, it should have the ability to disconnect local service.

#### 4. CUSTOMER NOTIFICATION

##### A. REGULATORY AGENCIES' RESPONSES

Sixty-four percent (64%) of the respondents stated that the PUCs should regulate AOS providers in the area of customer notification, with four percent (4%) responding that regulation is not needed in this area. Thirty-two percent (32%) responded with something other than yes or no. New Jersey stated that if the AOS provider is accessed by a number or keypad symbol other than "0", then the customer has to make a conscious choice in reaching the AOS provider. Tennessee stated that although COCOTs are required to post a notice that their rates are not regulated and instructions for entering a complaint, this notification is not required for those places where AOS providers are usually found (hotel, motels,

hospitals, universities). Ninety-seven percent (97%) of the commissions stated that the notice should include the carrier name and complaint procedure, with only three percent (3%) responding that this information should not be included in the notice. Wisconsin stated that notification of proper complaint procedures is not necessary if the billing is done through the LEC or by credit card since the normal procedures would apply. It was commented that the AOS providers' rates should be included in the notice by eighty-five percent (85%) of the commissions, and nine percent (9%) said this information should not be included, with six percent (6%) giving some other response. Arkansas and West Virginia stated that end users should be informed of the procedure for accessing another company's operator. Kansas and Nevada commented that the customer should be notified that the rates of the AOS-provided call can be significantly higher than those of a traditional operator-assisted call. Nebraska stated that the rates of the AOS provider should be available upon request.

The FCC's response to this questionnaire stated that it is gathering information to ascertain the type of notice customers should receive. The FCC has issued a Consumer Information Bulletin to increase consumer awareness. The FCC Staff states that they are concerned by the apparent lack of effective notice customers currently receive.

#### B. NON-REGULATORY AGENCIES' RESPONSES (CUSTOMER NOTIFICATION)

Ninety-five percent (95%) of the respondents stated that the PUCs should regulate AOS providers in the area of customer notification. The remaining five percent (5%) responded with an answer other than no. MTA stated that if for billing purposes the originating point differs from calling point, the customer should be so informed. GTE-North (Missouri) stated that the AOS providers should assist in any campaign pertaining to

customer notification and education. Eighty-four percent (84%) of the respondents stated that the customer notice should include the rates. The CCC response depended on the type of rate regulation in place. If there is no all-inclusive price cap, the customer notice should include the rates. CCS stated that an extra effort should be taken to make the user aware of the potential bill and the OITA commented that specific rates were not necessary in a notice, although it should be pointed out that certain surcharges may apply. All of the respondents stated that the customer notice should include the carrier name and procedure for making a complaint. SWB-HO also stated that the customer should be aware of the process of accessing the LEC operator.

## 5. QUALITY OF SERVICE

### A. REGULATORY AGENCIES' RESPONSES

Regarding the regulation of an AOS providers' quality of service, forty-nine percent (49%) of the responding commissions commented that they should regulate quality of service, eighteen percent (18%) responded no, and thirty-three percent (33%) of the respondents gave an answer other than yes or no. Most of the comments received stated that the AOS providers' quality of service requirements should be the same as those of the industry or LECs (Alabama, California, Kansas, Mississippi). North Dakota stated that AOS should have quality of service requirements if the quality of service becomes a problem. Eighty-nine percent (89%) of the responding commissions commented that there should be operator response time requirements, and seventy-nine percent (79%) stated that there should be call processing time requirements. Rhode Island stated that these requirements should only be imposed if emergency calls are routed directly to the AOS operator.

The FCC's response to the questionnaire stated that it does not believe there is a need for such a requirement at this time. The FCC stated that it had not received any complaints regarding operator response or call processing time.

**B. NON-REGULATORY AGENCIES' RESPONSES (QUALITY OF SERVICE)**

Regarding the regulation of an AOS provider's quality of service, sixty-seven percent (67%) of the responding non-PUCs commented that it should be regulated, twenty-two percent (22%) responded no, and eleven percent (11%) of the respondents gave an answer other than yes or no. Some of the comments received stated that the AOS provider's quality of service requirements should be the same as those of the industry or LECs (GTE-Michigan, TDS-Indiana, and VTA). Alltel stated that this area is not critical and OITA replied similarly. Contel of Missouri stated that the competitive nature of the market will mandate acceptable quality of service standards. Cincinnati Bell stated that although this is an important aspect of the business, there are no universal standards and allowing access to the LEC operator will alleviate the problem. Ninety-four percent (94%) said that there should be operator response time requirements and ninety-three percent (93%) stated that there should be call processing time requirements. SWB-MO responded that requirements in these areas were necessary; however, competitive alternatives should force compliance. TDA-Indiana stated that there should be standards for all providers of long distance service.

**6. COMPLAINTS**

**A. REGULATORY AGENCIES' RESPONSES**

Sixty-seven percent (67%) of the commissions believed that they should regulate AOS providers in the area of complaints. Of the remaining PUC

RESOLUTION 8

RECOMMENDED GUIDELINES FOR CONSIDERATION BY  
REGULATORY AGENCIES FOR ALTERNATIVE OPERATOR SERVICES (AOS)

WHEREAS, The National Association of Regulatory Utility Commissioners has, since the enactment of the Communications Act of 1934, been a strong proponent of state policies to deal with telephone service; and

WHEREAS, The divestiture of AT&T and the introduction of competition has allowed the proliferation of new services and new providers of existing telecommunications services; and

WHEREAS, The introduction of new providers of operator services has occurred; and

WHEREAS, The new providers of operator services provide credit card calling, operator handled and basic operator services to various locations such as hotels, motels, public telephones and other such locations, and are commonly referred to as Alternative Operator Services (AOS); and

WHEREAS, The new providers of operator services charge different rates than rates charged by regulated local exchange carriers and interexchange carriers; and

WHEREAS, A recent survey, by the Communication and Cost Allocations Subcommittees, of the opinions of state regulators, the FCC, and the telephone industry on AOS and legislation has been completed; and

WHEREAS, The AOS industry has generated a number of consumer concerns; now, therefore, be it

RESOLVED, By the National Association of Regulatory Utility Commissioners assembled in its Summer Meeting in San Diego in July, 1988, that the following guidelines are recommended for consideration by regulatory agencies involved in proceedings concerning regulation of AOS providers:

1. Certification

As a condition of certification by a state regulatory agency, an AOS provider be required to:

- A. Submit proof of articles of incorporation.
- B. Show financial ability to support proposed service offerings.



- C. Show technical ability to support proposed service offerings.
- D. Describe type of service to be offered.
- E. Demonstrate type of service is in the public interest and a need for the proposed service exists.
- F. File tariffs on rates of services to be provided.

## 2. Public Safety

That all emergency 0 minus (0-) calls should be routed in the fastest possible way to the proper local emergency service provider.

## 3. Rate Levels.

That, state regulatory agencies regulate the AOS providers' rate levels to insure that the AOS providers do not engage in the practice of unjust, unreasonable, or unduly discriminatory pricing. Further, where the AOS providers' customer is not the end user the AOS providers' rates shall not exceed the rate of the LEC or the dominant interexchange carrier.

## 4. Customer Notification

That, the AOS providers: (1) post and display in prominent fashion the name of the AOS provider and detailed complaint procedures; (2) pre-announce to the end user the name of the provider handling the call; and (3) upon request verbally quote rates and (4) post and display instructions that inform the end user how to reach the local exchange operator and authorized interexchange carriers.

## 5. Billing

That regulatory agencies require that billing to the end user for AOS services be limited to the duly authorized rates.

## 6. Quality of Service.

That, where applicable, AOS providers, at a minimum, meet established state/national guidelines for operator provided services dealing with but not limited to operator response and call processing time.

## 7. Complaints.

That, the federal and state regulatory agencies work with AOS providers to resolve complaints. Furthermore, to the extent that LECs are involved in the billing process, they too need to work jointly with AOS providers in the complaint process, and that the AOS providers take the responsibility for setting up complaint procedures and establishing interagency relations with each of the states in which they are providing services.

8. Customer Choice

That where interexchange or local operator assisted calls are completed by AOS companies, the AOS company should require all its aggregators to provide toll free access to all other authorized interexchange or local exchange carriers in a manner which provides end users with a local billing point, and be it further

RESOLVED, That the FCC is requested to take those steps necessary by rule or otherwise to insure compliance with paragraphs 2, 4, and 8 of this resolution; and be it further

RESOLVED, That the Staff Subcommittee on Telephone Service Quality be directed to evaluate the need for minimum technical standards for interconnection and transmission quality.

Sponsored by the Committee on Communications

Adopted July 21, 1988

responses, four percent (4%) said they should not regulate this area and twenty-nine percent (29%) answered in some other manner. When asked if the AOS provider should be required to deal directly with customer complaints, eighty-nine percent (89%) responded yes, eight percent (8%) replied no, and three percent (3%) replied in some other manner. Fifty-eight percent (58%) commented that the LEC should be involved in the complaint process, thirty-nine percent (39%) replied no and three percent (3%) gave some other response. Kentucky and North Dakota stated that the LEC should be involved if it is providing billing services for the AOS company. Ninety-one percent (91%) of the commissions commented that the PUC should be involved, with Delaware limiting the involvement to intrastate AOS and Maine limiting PUC involvement on an appeal basis. All of the commissions stated that the FCC should be involved in complaints regarding interstate calls. Virginia commented strongly that the FCC should resolve the problems surrounding AOS. Eighty-eight percent (88%) of the commissions commented that if the LEC is providing billing for AOS providers, then it should have the ability to make adjustments to the AOS charges due to customer complaints. The remaining twelve percent (12%) were composed of six percent (6%) who answered neither yes nor no, and six percent (6%) who answered in the negative. Wyoming stated that these adjustments should be allowed only with the concurrence of the AOS company.

The FCC's response to the questionnaire stated that the LEC or the AOS provider should initially handle customer complaints. A complaint that is unresolved may be filed by the customer to the respective regulatory agency.

## B. NON-REGULATORY AGENCIES' RESPONSES (COMPLAINTS)

Ninety-four percent (94%) of the respondents believed that AOS providers should be regulated in the area of complaints. The remaining responses were something other than yes or no. When asked if the AOS provider should be required to deal directly with customer complaints, eighty-five percent (85%) responded yes and fifteen percent (15%) replied no. The CCC stated that the AOS provider's telephone number should be on the AOS portion of the customer's bill for complaint purposes. The OITA commented that, in most cases, the complaint should go to the AOS company, although in reality the PUC and LEC will have to address the complaint. GTE-Michigan said that the AOS provider should be involved if it is doing its own billing and collection, but SWB-MO commented AOS involvement should be via the complaint section of the PUC. Thirty-five percent (35%) commented that the LEC should be involved in the complaint process, with sixty percent (60%) replying with a no and five percent (5%) replying in some other manner. Contel of Missouri replied that the LEC should be involved if it is providing contracted services for the AOS company, otherwise complaints should be directed to the appropriate regulatory agency. GTE-Michigan, SWB-MO, and VTA stated that the LEC should not be involved unless involvement in complaints is part of an agreement between the LEC and the AOS provider. One hundred percent (100%) of the non-regulatory agencies responded that the PUC and FCC should be involved, with SWB-MO noting that the FCC is involved currently by issuing customer warnings about excessive rate levels. A majority of the respondents [ninety-five percent (95%)] commented that if the LEC is providing billing for AOS providers, then it should have the ability to make adjustments to the AOS charges resulting from customer complaints. The VTA stated that

this should be done only if it is part of an agreement between the AOS company and the LEC. Alltel replied that this should be the case if the LEC is required to bill. Alltel and Pacific Bell stated that the AOS provider should be responsible for expenses incurred by the LEC for any revenue losses associated with these adjustments. Citizens said yes, assuming that the LEC is willing, and SWB-MO stated that it should depend on the contract arrangement between the LEC and AOS company. Cincinnati Bell also responded affirmatively, but stated that it should be allowed to prevent the AOS company from being subsidized by local ratepayers.

**SECTION IV**

**Summary of the  
AOS POLICY QUESTIONS**

TABLE IV-1

**REGULATORY AGENCIES' RESPONSES TO  
POLICY QUESTIONS (PERCENTAGE)**

**QUESTION: Should there be state PUC regulation of AOS providers in the areas of:**

	YES	NO	OTHER
A. Public Safety	71%	2%	27%
"0-" Calls to LEC	81%	6%	13%
B. Rate Level	57%	16%	27%
a. Approval Required	86%	7%	7%
b. Range of Rates	58%	31%	11%
c. Price Cap	79%	14%	7%
d. National Rates	32%	64%	4%
C. Billing	55%	11%	34%
a. LECs Bill	61%	14%	25%
b. Disconnect for Non Pay	14%	79%	7%
D. Customer Notification	64%	4%	32%
a. Should a Notice Include:			6%
1) Rate Levels	85%	9%	
2) Carrier Name	97%	3%	
3) Complaint Procedure	97%	3%	
E. Quality of Service	40%	18%	33%
a. Operator Response Time	89%	11%	
b. Call Processing Time	79%	21%	
F. Complaints	67%	4%	29%
a. AOS Providers Involvement	89%	8%	3%
b. LEC Involvement	58%	39%	3%
c. PUC Involvement	91%	9%	
d. FCC Involvement	100%		
e. LEC Adjust Bills if B&C	88%	6%	6%

TABLE IV-2

NON-REGULATORY AGENCIES' RESPONSES TO  
POLICY QUESTIONS (PERCENTAGE)

QUESTION: Should there be state PUC regulation of AOS providers in the areas of:

	YES	NO	OTHER
A. Public Safety	95%		5%
"0-" Calls to LEC	68%	21%	11%
B. Rate Level	65%	24%	18%
a. Approval Required	73%	20%	7%
b. Range of Rates	71%	29%	
c. Price Cap	62%	38%	
d. National Rates	8%	92%	
C. Billing	65%	18%	18%
a. LECs Bill	71%	18%	12%
b. Disconnect for Non Pay	47%	41%	12%
D. Customer Notification	95%	41%	12%
a. Should a Notice Include:			5%
1) Rate Levels	84%	11%	
2) Carrier Name	100%		
3) Complaint Procedure	100%		
E. Quality of Service	67%	22%	11%
a. Operator Response Time	94%	6%	
b. Call Processing Time	93%	7%	
F. Complaints	94%		6%
a. AOS Providers Involvement	85%	15%	
b. LEC Involvement	35%	60%	5%
c. PUC Involvement	100%		
d. FCC Involvement	100%		
e. LEC Adjust Bills if B&C	95%	5%	



**SECTION V**

**CONCLUSIONS AND RECOMMENDATIONS**

## V. CONCLUSIONS AND RECOMMENDATIONS

The Task Force's review of the informational data dealing with complaints highlighted the need to focus on rate regulation of AOS providers. The Task Force concluded that many of the other types of complaints, i.e., customer notification, quality of service, billing, etc., are byproducts of the pricing of AOS services.

Concerns of the Task Force were that the pricing to the end user of AOS services are not market driven as other "competitive" telecommunications services and that the end user and the customer are not usually the same entity.

In recent years, the trend of "national" telecommunications regulation for competitive services is toward deregulation and detariffing. Economic theory has been the major impetus for developing this policy, on the assumption that the pricing of services are "controlled" by competition in the marketplace rather than through regulation. However, with AOS services being marketed to a transient and many times a "captive" customer, there are no economic safeguards to provide protection to the end user. A typical example is a hotel/motel subscribing to AOS service with the transient customer accessing the AOS operator via the hotel/motel telecommunications system. In many situations, this customer would not have any alternative other than completing the call via the AOS provider and, therefore, is "captive" to the choice of the hotel/motel.

If the end user had a freedom of choice via equal access to any operator provided service, competitive pricing would be accomplished and there would be good reason to consider detariffing and/or deregulation. However, given the current reality of the service, i.e., that the customer, who subscribes to the service, is not necessarily the user of the service,

the Task Force does not believe this industry is ripe for such deregulated or detariffed classification.

Given that pricing of AOS services was the focus of the majority of the complaints, and the other concerns mentioned above, the Task Force recommends the following guidelines be considered and established by resolution (see Section VI) approved at the NARUC Summer Meetings in July, 1988, in San Diego, California:

PROPOSED NATIONAL CERTIFICATION GUIDELINES

As reported previously in the Summary section on regulatory agencies' certification, the majority of the states have reported some form of certification requirement for AOS providers. Since AOS providers are offering their services throughout the nation, the Task Force recommends national guidelines be adopted to aid states with certification of AOS providers. The Task Force realizes that this recommendation may be moot in some jurisdictions where legislation preempts the regulation of AOS providers. The Task Force proposes guidelines which require AOS providers to:

1. Submit proof of articles of incorporation.
2. Show financial ability to support proposed service offerings.
3. Show technical ability to support proposed service offerings.
4. Provide type of services to be offered.
5. Demonstrate that proposed service is in the public interest and a need for the proposed service exists.
6. File tariffs on rates of services to be provided.

PROPOSED NATIONAL POLICY GUIDELINES

The Task Force recommends that individual states adopt the following guidelines where applicable, and tailor them to their specific needs:

1. Public Safety.

Absent the ability of the AOS provider to re-route emergency calls at all locations back to the originating local network in a timely fashion, the Task Force recommends that all 0 minus (0-) calls should be directed to the LEC.

2. Rate Levels.

Because most complaints about AOS providers relate to excessive rates, and since the Task Force believes that this industry is lacking in the competitive/economic incentives which generally have provided for consumer safeguards, this Task Force recommends that the regulatory agencies regulate the AOS provider's rate levels to insure that the AOS providers do not engage in the practice of unjust, unreasonable, or unduly discriminatory pricing.

3. Billing.

Given the above Task Force recommendation on regulating rate levels, it is the consensus of this Task Force that complaints due to disconnect of local service for nonpayment of excessive AOS charges would be reduced dramatically and, therefore, the Task Force has no specific recommendation regarding billing practices.

4. Customer Notification.

The Task Force recommends that the AOS providers: (1) post and display in prominent fashion the name of the AOS provider and

detailed complaint procedures; (2) that the operator pre-announce to the end user the name of the AOS provider; and (3) that all operator service providers have the ability to, upon request, verbally quote rates.

5. Quality of Service.

The Task Force recommends that, where applicable, AOS providers, at a minimum, meet established state/national guidelines for operator provided services dealing with but not limited to operator response and call processing time. In addition, the Task Force recommends that the Staff Subcommittee on Telephone Service Quality investigate and develop minimum technical standards for interconnection and transmission quality.

6. Complaints.

Since AOS is a multi-jurisdictional issue, the Task Force recommends that the federal and state regulatory agencies work with AOS providers to resolve complaints. Furthermore, to the extent that LECs are involved in the billing process, they too need to work jointly with AOS providers in the complaint process. It is the position of this Task Force that the AOS providers must take the responsibility to set up complaint procedures and establish interagency relations in each of the states in which they are providing services.

The Task Force further recommends that a procedure for monitoring the AOS industry, including tracking the consequences of the national guidelines this Task Force proposes, be developed.

**SECTION VI**

**PROPOSED RESOLUTION**

VI. RESOLUTION  
Adopting Recommended Standards for  
Alternative Operator Services (AOS)

- WHEREAS, The National Association of Regulatory Utility Commissioners has, since the enactment of the Communications Act of 1934, been a strong proponent of state policies to deal with telephone service; and
- WHEREAS, The divestiture of AT&T and introduction of competition has allowed the proliferation of new services and new providers of existing telecommunications services; and
- WHEREAS, The introduction of new providers of operator services has occurred; and
- WHEREAS, The new providers of operator services provide credit card calling, operator handled and basic operator services to various locations such as hotels, motels, public telephones and other such locations, and are commonly referred to as Alternative Operator Services (AOS); and
- WHEREAS, The new providers of operator services charge different rates than the rates charged by regulated local exchange carriers and interexchange carriers; and
- WHEREAS, A recent NARUC survey of the opinions of state regulators, the FCC, and the telephone industry on AOS and legislation has been completed; and
- WHEREAS, The AOS industry has generated a number of consumer concerns; now, therefore, be it

RESOLVED: By the National Association of Regulatory Utility Commissioners assembled in its Summer Meeting in San Diego in July, 1988, that the AOS industry be regulated in accordance with the following set of minimum national certification guidelines and that, as a condition of certification by a state regulatory agency, an AOS provider be required to:

1. Submit proof of articles of incorporation.
2. Show financial ability to support proposed service offerings.
3. Show technical ability to support proposed service offerings.
4. Describe type of services to be offered.
5. Demonstrate that proposed service is in the public interest and a need for the proposed service exists.
6. File tariffs on rates of services to be provided.

and be it further

RESOLVED: That the following regulatory guidelines for the AOS industry be adopted in the areas of:

1. Public Safety.

That, absent the ability of the AOS provider to re-route all emergency calls, at no charge, back to the originating local network in a timely fashion, all 0 minus (0-) calls should be directed to the LEC.

2. Rate Levels.

That, state regulatory agencies regulate the AOS providers' rate levels to insure that the AOS providers do not engage in the practice of unjust, unreasonable, or unduly discriminatory pricing.

3. Customer Notification.

That, the AOS providers: (1) post and display in prominent fashion the name of the AOS provider and detailed complaint procedures; (2) have the operator pre-announce to the end user the name of the provider handling the call; and (3) upon request verbally quote rates.

4. Quality of Service.

That, where applicable, AOS providers, at a minimum, meet established state/national guidelines for operator provided services dealing with but not limited to operator response and call processing time.

5. Complaints.

That, the federal and state regulatory agencies work with AOS providers to resolve complaints. Furthermore, to the extent that LECs are involved in the billing process, they too need to work jointly with AOS providers in the complaint process, and that the AOS providers take the responsibility for setting up complaint procedures and establishing interagency relations with each of the states in which they are providing services, and be it further

RESOLVED: That the Staff Subcommittee on Telephone Service Quality be directed to evaluate the need for minimum technical standards for interconnection and transmission quality, and be it further

RESOLVED: That the NARUC Committee on Communications establish monitoring procedures for the AOS industry which include tracking the effects of these guidelines on the services provided to the general public by AOS providers.

Sponsored by the  
Committee on Communications

Date:



**APPENDIX I**

**BLANK SURVEY WITH COVER LETTER OF MARCH 25, 1988**



Commissioners  
WILLIAM D. STEINMEIER  
Chairman  
CHARLOTTE MUSGRAVE  
ALLAN G. MUELLER  
CONNIE B. HENDREN  
JAMES M. FISCHER

## Missouri Public Service Commission

POST OFFICE BOX 360  
JEFFERSON CITY, MISSOURI 65102  
314 751-3234

ROBERT J. SCRIBNER  
Staff Director  
HARVEY G. HUBBS  
Secretary  
MARY ANN YOUNG  
General Counsel

### MEMORANDUM

TO: State Regulatory Commissions  
Attn: Telecommunications Section  
Federal Communications Commission (FCC)  
State Utility Consumer Advocates  
State Telephone Associations

FROM: Staff Subcommittee on Communications  
State Issues Task Force Studying Alternative Operative Services (AOS)  
Paul Pederson (MO PSC), Howard Bradshaw (MI PSC), Diane Hockman  
(OH PUC) *pep*

DATE: March 25, 1988

STAFF CONTACT PERSON: Paul Pederson, Missouri PSC (314) <sup>751</sup> 741-7427

Please find attached a short questionnaire on Alternative Operator Services (AOS). At the NARUC Winter Meeting in Washington, D.C., the Staff Subcommittee on Communications/State Issues Task Force decided to study seven (7) areas of concern, including the regulation of AOS providers, and report back to the Staff Subcommittee on Communications at the Summer Meeting in San Diego, California.

Should you have any questions or comments, please contact Paul Pederson. We ask that your organization respond to the questionnaire and return it by April 22, 1988. Thanks for your assistance.

Return form to:

Missouri Public Service Commission  
Attn: Paul Pederson  
P.O. Box 360  
Jefferson City, MO 65102

/lm

Attachment

AOS  
INFORMATIONAL DATA

1. Has your state received any comment(s) and/or complaint(s) regarding AOS providers related to:
- A) Public Safety (inability to handle emergency calls)
  - B) Excessive Rate Levels
  - C) Disconnect of Local Service by LEC due to AOS non-payment
  - D) Provision of services by AOS provider without customer notification or customer knowledge.
  - E) Quality of Service  
\*(i.e., incompleated calls, directory information, operator assistance, call processing time)

If the answer to any part of Question 1 is yes, please provide:

- 1) number of complaints in each category, and details of complaint(s)
  - 2) indicate whether complaint(s) involved a:
    - a) COCOT Payphone
    - b) Hotel/motel phone
    - c) Hospital phone
    - d) University phone
    - e) Airport phone
    - f) Other
2. Please provide copies of any orders, rules, or investigations which relate to AOS providers in your state.
3. A) Does your state require AOS providers to file for a certificate of public convenience and necessity or other authorization to operate?  
B) List all AOS providers, with addresses, which have requested certificates of public convenience and necessity or other authorization to operate in your state.  
C) List all AOS providers which have received certification.
4. If your state has certificated any AOS providers,
- A) Explain what was required of AOS provider(s) to obtain certification; and
  - B) Explain how and to what extent your commission will regulate certificated AOS providers on an ongoing basis.

AOS  
POLICY QUESTION

Should there be state PUC regulation of AOS providers in the area(s) of:

A) Public Safety (emergency dialing) Yes  No

If Yes: Should "0-" calls be directed to the LEC instead of the AOS provider?  
Yes  No

Please provide other suggestions on how the AOS providers' inability to handle emergency calls should be addressed. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

B) Rate Levels Yes  No

If Yes: a) Should the AOS be required to get approval of its rates and charges? Yes  No

b) Should a range of rates be considered? Yes  No

c) Should "price cap" rates (based on comparable intrastate tariffed operator-assisted rates) be considered? Yes  No

d) Should consideration be given to an AOS-provided "national" rate (not state specific)? Yes  No

Other Comments: \_\_\_\_\_  
\_\_\_\_\_

C) Billing Yes  No

If yes: a) Should LECs do the billing for AOS providers? Yes  No

b) Should LECs be authorized to disconnect end users' local service for nonpayment of AOS charges? Yes  No

Other Comments: \_\_\_\_\_  
\_\_\_\_\_

D) Customer Notification Yes  No

If Yes: a) Should the notice include:

- 1) Rate levels? Yes  No
- 2) Name of carrier? Yes  No
- 3) Complaint procedure? Yes  No
- 4) Other comments: \_\_\_\_\_

E) Quality of Service Yes  No

If Yes: a) Should there be operator response time requirements? Yes  No

b) Should there be call processing time requirements? Yes  No

Other Comments: \_\_\_\_\_

F) Complaints Yes  No

If Yes: a) Should the AOS providers be required to deal directly with customer complaints? Yes  No

b) Should the LEC be involved in customer complaints? Yes  No

c) Should the PUC be involved in customer complaints? Yes  No

d) Should the FCC be involved in customer complaints regarding interstate calls? Yes  No

e) If the LECs are allowed to be billing agents for the AOS providers, should they be allowed to make adjustments to the AOS charges due to customer complaints? Yes  No

Other Comments: \_\_\_\_\_

State \_\_\_\_\_

Agency/Company \_\_\_\_\_

Person Responsible for Answering Questionnaire \_\_\_\_\_

Date Questionnaire was Completed \_\_\_\_\_

**APPENDIX II**

**STATE-SPECIFIC MATRIX SUMMARY**

- A. Regulatory Agencies**
- B. Non-Regulatory Agencies**

COMMENTS  
FINAL REPORTSUMMARY  
AOS QUESTIONNAIRE

STATE PUCs	INFORMATIONAL DATA					
	PUBLIC SAFETY	RATE LEVELS	DISC. LOCAL	NOTIFICATION	QULTY. OF SER.	TYPE PHONE
ALABAMA	YES	YES	NO	YES	YES	A, B, C, D
ALASKA	N/A					
ARIZONA		YES-20 TOTAL		YES		A, B
ARKANSAS	NO	YES-15	NO	YES-2	NO	B
CALIFORNIA	YES-28	YES-177	NO	YES-177	YES-8	A, B
COLORADO						
CONNECTICUT						
DELAWARE	NO	YES-1	NO	NO	NO	A
DIST. OF COLUMBIA	NO	YES-2 TOTAL	NO	YES	NO	A
FLORIDA	NO	YES-119	NO	YES-57	YES-29	B, D, E, F
GEORGIA		YES-400 TOTAL		YES	YES	A, B, C, D, E
HAWAII	NO	NO	NO	NO	NO	
IDAHO	NO	YES-5	NO	YES	NO	A, B
ILLINOIS	NO	YES-12	YES-2	YES-9	NO	A, B
INDIANA	NO	YES-30	NO	YES	YES-30	
IOWA	NO	YES-4 TOTAL	NO	YES	NO	A, F (TRUCK STOP)
KANSAS	NO	YES-7	YES-2	YES-4	YES-1	B, C
KENTUCKY	NO	YES	NO	YES	NO	
LOUISIANA		YES		YES		A, B
MAINE	YES	YES-4	NO	YES-7	YES-1	A
MARYLAND	NO	YES-4	NO	YES	NO	A, B
MASSACHUSETTS	YES	YES		YES		A, B
MICHIGAN	NO	YES-50 TOTAL	YES	YES	NO	A, B
MINNESOTA (MN PUC)	NO	YES-2	NO	YES-2	NO	B
MISSISSIPPI	NO	YES-1	NO	YES	YES-1	A, B
MISSOURI	NO	YES-3 TOTAL	YES	YES	YES	A, B, F
MONTANA		YES-10 TOTAL		YES	YES	A, B

COMMENTS  
FINAL REPORTSUMMARY  
RDS QUESTIONNAIREINFORMATIONAL DATA  
COMPLAINT/COMMENT

STATE PUCs	PUBLIC SAFETY	RATE LEVELS	DISC. LOCAL	NOTIFICATION	GILTY. OF SEP.	TYPE PHONE
NEBRASKA		YES		YES		A, B, C
NEVADA						
NEW HAMPSHIRE	NO	YES-3	NO	YES-1	NO	B
NEW JERSEY	NO	YES-21	NO	YES	NO	A
NEW MEXICO	NO	YES-14 TOTAL	NO	YES	NO	A, B
NEW YORK	YES	YES-54	NO	YES-54	NO	A
NORTH CAROLINA	NO	YES-18	YES-2	YES-18	YES-4	A, B, D
NORTH DAKOTA	NO	NO	NO	NO	NO	
OHIO	NO	YES-11 TOTAL	NO	YES	YES	A, B
OKLAHOMA						
2 OREGON	NO	YES	NO	YES	YES	
PENNSYLVANIA	NO	YES-31 TOTAL	NO	YES	NO	A, B, C
RHODE ISLAND	NO	YES-3	NO	YES-5	NO	A
SOUTH CAROLINA (SC PSC)	YES	YES	YES	YES	YES	B
SOUTH DAKOTA	NO	YES-3 TOTAL	NO	YES	NO	B
TENNESSEE	NO	YES-68	NO	YES-46	YES-29	A, B, C, D, F
TEXAS	NO	YES-12 TOTAL	NO	YES	NO	B
UTAH	NO	YES-3	NO	NO	NO	B
VERMONT	NO	NO	NO	NO	NO	
VIRGINIA	NO	YES-44	YES	YES	YES	A, B
WASHINGTON	NO	YES-25 TOTAL	NO	YES	YES	A, B, F
WEST VIRGINIA	NO	YES-1	NO	YES-1	NO	B
WISCONSIN	YES-1	YES-6	NO	YES-6	YES-1	A, B
WYOMING	NO	YES	NO	YES	NO	A, B
FCC	YES-471 TOTAL	YES	NO	YES	YES	A-F



COMMENTS  
FINAL REPORT

STATE PUCs	CERTIFICATION OF AUC	PUC REGULATION	PUBLIC SAFETY "0-" TO LEE
ALABAMA	YES	YES	YES
ALASKA			
ARIZONA	NO		
ARKANSAS	YES	YES	YES
CALIFORNIA	YES	YES	*
COLORADO	NO		
CONNECTICUT	DOES NOT CURRENTLY PERMIT AUC SVCS. ?		
DELAWARE		YES	YES
DIST. OF COLUMBIA	NOT AT THIS TIME	PENDING	
FLORIDA	YES	YES	YES*
GEORGIA	YES	YES	YES
HAWAII	YES	PENDING	
IDAHO	NO	YES	YES
ILLINOIS	YES	*	
INDIANA	YES	YES	YES*
IOWA	NO	NO POSITION	
KANSAS	YES	YES	YES
KENTUCKY	YES	YES	YES
LOUISIANA	NO	PENDING	
MAINE	YES	YES	YES
MARYLAND	YES	YES	YES
MASSACHUSETTS	YES	PENDING	
MICHIGAN	NO	YES	YES
MINNESOTA (MAY PUC)	YES	YES	NOT DETERMINED
MISSISSIPPI	YES	YES	YES
MISSOURI	YES	NO POSITION	
MONTANA	NO	PENDING	

COMMENTS  
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STATE PUCs	CERTIFICATION OF RUS	PUC REGULATION	PUBLIC SAFETY "D-" TO LEC
NEBRASKA	YES	YES	YES
NEVADA		YES	YES
NEW HAMPSHIRE	NO		
NEW JERSEY	7-ACKNOWLEDGEMENT FORM	YES	YES
NEW MEXICO	NO	YES	YES
NEW YORK	YES	YES	YES*
NORTH CAROLINA	YES	YES*	YES*
NORTH DAKOTA	NO	YES*	*
OHIO	YES	*	
OKLAHOMA	PENDING	PENDING	
OREGON		YES	YES
PENNSYLVANIA	NOT CONSIDERED	YES	NO*
RHODE ISLAND	NO	YES	YES*
SOUTH CAROLINA (SC PSC)	YES?		
SOUTH DAKOTA	PENDING	YES	YES
TENNESSEE	NO	NOT DETERMI	
TEXAS	NO-REGIS. REQ'D.	NO*	NO*
UTAH	NO		
VERMONT	YES	YES	YES
VIRGINIA	NO*	YES	YES
WASHINGTON		*	
WEST VIRGINIA	YES	YES*	
WISCONSIN	YES	YES*	YES*
WYOMING	YES	YES	YES
FCC	NO	*	

# COMMENTS  
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STATE PUCs	PUC REGULATION	POLICY QUESTION			
		PSC APPROVED	RANGE OF RATES	RATE LEVELS PRICE CAPS	NATIONAL RATES
ALABAMA	YES	YES	NO	NO	NO
ALASKA					
ARIZONA	YES*		YES	YES	YES*
ARKANSAS	YES	YES	NO	NO	NO
CALIFORNIA	YES	YES	YES	YES	NO
COLORADO					
CONNECTICUT					
DELAWARE	YES	YES	YES	YES	YES
DIST. OF COLUMBIA	PENDING				
FLORIDA	YES*	YES	YES	YES	YES
GEORGIA	YES	YES*		YES*	YES
HAWAII					
IDaho	YES	NO	YES	YES	NO
ILLINOIS	*				
INDIANA	YES	YES	YES	YES*	NO*
IOWA	YES	YES	NO	NO	NO
KANSAS	YES	YES	YES	YES	NO
KENTUCKY	YES	YES	*	YES	NO
LOUISIANA	PENDING				
MAINE	YES	YES	YES	YES	NO
MARYLAND	YES	YES	YES	YES	NO
MASSACHUSETTS	PENDING				
MICHIGAN	YES	YES	YES	YES	YES
MINNESOTA (MN PUC)	YES	NOT DETERMINED	NOT DETERMINED	NOT DETERMINED	NOT DETERMINED*
MISSISSIPPI	YES	YES	NO	YES	NO*
MISSOURI	NO POSITION				
MONTANA	PENDING				

COMMENTS  
FINAL REPORT

STATE PUCs	PUC REGULATION	PSC APPROVED	RANGE OF RATES	POLICY QUESTION	
				RATE LEVELS PRICE CAPS	NATIONAL RATES
NEBRASKA	NO*				
NEVADA	YES	YES	YES	YES	NO
NEW HAMPSHIRE					
NEW JERSEY	NO				
NEW MEXICO	YES	YES	NO	YES	NO
NEW YORK	*				
NORTH CAROLINA	YES	YES	NO	YES	NO*
NORTH DAKOTA	YES	YES	YES	YES	YES
OHIO					
OKLAHOMA	PENDING				
OREGON	NO				
PENNSYLVANIA	YES*	YES	YES*	YES*	*
RHODE ISLAND	YES	YES	MAYBE	MAYBE	NO
SOUTH CAROLINA (SC PSC)	YES			YES	YES
SOUTH DAKOTA	NO	*			
TENNESSEE	NO*				
TEXAS	NO				
UTAH					
VERMONT	NO		YES	YES	NO
VIRGINIA	NO*				
WASHINGTON	YES	YES*			
WEST VIRGINIA	YES	YES	NO	NO	YES*
WISCONSIN	YES	NO	NO	YES	YES*
WYOMING	YES	YES	YES	YES	NO
FCC	-				

COMMENTS  
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STATE PUCs	PUC REGULATION	BILLING	
		BY THE LEG	LOCAL DISCONNECT
ALABAMA		N/A	NO
ALASKA			
ARIZONA	YES	YES	NO*
ARKANSAS	YES	NO	NO*
CALIFORNIA	YES*		
COLORADO			
CONNECTICUT			
DELAWARE	YES	YES	NO
DIST. OF COLUMBIA	PENDING		
FLORIDA	YES*	YES	NO*
GEORGIA	*		
HAWAII	PENDING		
IDAHO	YES	*	NO
ILLINOIS	*		
INDIANA	YES	YES	YES*
IOWA	DEREGULATED		
KANSAS	YES	YES	NO
KENTUCKY	YES	YES*	YES*
LOUISIANA	PENDING		
MAINE	YES	*	*
MARYLAND	NO		
MASSACHUSETTS	PENDING		
MICHIGAN	YES	*	NO
MINNESOTA (AN PUC)	YES	NOT DETERMINED	NO
MISSISSIPPI		YES	NO
MISSOURI	NO POSITION		
MONTANA	PENDING		

COMMENTS  
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STATE PUCs	PUC REGULATION	BY THE LEG	BILLING LOCAL DISCONNECT
NEBRASKA	NO*		
NEVADA	YES	*	NO
NEW HAMPSHIRE			
NEW JERSEY	NO		
NEW MEXICO	YES	YES	NO*
NEW YORK	*		
NORTH CAROLINA	YES	YES	NO POSITION
NORTH DAKOTA		NO	NO
OHIO			
OKLAHOMA	PENDING		
OREGON	YES	*	NO
PENNSYLVANIA	YES	NO*	NO*
RHODE ISLAND	YES	YES	NO*
SOUTH CAROLINA (SC PSC)			
SOUTH DAKOTA	NO		NO
TENNESSEE	YES*	YES	YES
TEXAS	NO	YES*	NO*
UTAH		NO	NO
VERMONT	YES		YES
VIRGINIA	YES*		
WASHINGTON	*		
WEST VIRGINIA	YES	YES*	NO
WISCONSIN	YES*	YES	NO*
WYOMING	YES	YES	NO*
FCC	*		*

COMMENTS  
FINAL REPORT

SUMMARY  
RCS QUESTIONNAIRE

STATE PUCs	PUC REGULATION	RATE LEVELS	CUSTOMER NOTIFICATION CARRIER'S NAME	COMPLT. PROCEDURE
ALABAMA	YES	YES	YES	YES
ALASKA				
ARIZONA	*			
ARKANSAS	YES	YES	YES	YES*
CALIFORNIA	YES	YES	YES	YES
COLORADO				
CONNECTICUT				
DELAWARE	YES	YES	YES	YES
DIST. OF COLUMBIA	PENDING			
FLORIDA	YES*	YES	YES	YES
GEORGIA	YES	YES	YES	YES
HAWAII	PENDING			
IDAHO	YES	YES	YES	YES*
ILLINOIS	*			
INDIANA	YES*	NO	YES	YES*
IOWA	YES	YES	YES	YES
KANSAS	YES	YES	YES	YES*
KENTUCKY	YES	YES	YES	YES*
LOUISIANA	PENDING			
MAINE	YES	YES	YES	YES
MARYLAND	YES	YES	NO	YES
MASSACHUSETTS	PENDING			
MICHIGAN	YES	*	YES	YES
MINNESOTA	YES	YES	YES	YES
(MIN PUC)				
MISSISSIPPI	YES	YES	YES	YES
MISSOURI	NO POSITION			
MONTANA	PENDING			

RECORDS  
FINAL REPORT

SUMMARY  
RCS QUESTIONNAIRE

10

STATE PUCs	PUC REGULATION	RATE LEVELS	CUSTOMER NOTIFICATION CARRIER'S NAME	COMPLT. PROCEDURE
NEBRASKA	YES	YES*	YES	YES
NEVADA	YES	YES	YES	YES*
NEW HAMPSHIRE				
NEW JERSEY	YES*			
NEW MEXICO	YES	YES	YES	YES
NEW YORK	*			
NORTH CAROLINA	YES	NO POSITION	YES	YES
NORTH DAKOTA	YES	YES	YES	YES
OHIO				
OKLAHOMA	PENDING			
OREGON	YES	NO	YES	YES
PENNSYLVANIA	YES	YES*	YES*	YES*
RHODE ISLAND	YES	NO*	YES	YES*
SOUTH CAROLINA (SC PSC)				
SOUTH DAKOTA	YES	YES	YES	YES
TENNESSEE	NO*			
TEXAS	NO			
UTAH	YES	YES	YES	YES
VERMONT		YES	YES	YES
VIRGINIA	YES*	YES	YES	YES
WASHINGTON	YES	YES	YES	YES
WEST VIRGINIA	YES	YES	YES	YES*
WISCONSIN	YES	YES	YES	NO*
WYOMING	YES	YES	YES	YES*
FCC	-			



COMMENTS  
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STATE PUCs	PUC REGULATION	QUALITY OF SERVICE OPERTR. RESPSE TIME	SERVICE CALL RESPSE TIME
ALABAMA	YES	YES	YES
ALASKA			
ARIZONA	YES	YES	YES
ARKANSAS	YES	YES	NO
CALIFORNIA	YES*	YES	YES
COLORADO			
CONNECTICUT			
DELAWARE	YES	YES	YES
DIST. OF COLUMBIA	PENDING		
FLORIDA	YES*	YES	YES
GEORGIA	YES*	YES	YES
HAWAII			
IDAHO	YES	YES	YES
ILLINDIS	*		
INDIANA	YES	YES	NO*
IOWA	YES	YES	YES
KANSAS	YES	YES	YES*
KENTUCKY	YES	YES	YES
LOUISIANA	PENDING		
MAINE	NO*		
MARYLAND	NO		
MASSACHUSETTS	PENDING		
MICHIGAN	YES	YES	YES
MINNESOTA (AN PUC)	YES	YES	YES
MISSISSIPPI	YES	YES	YES*
MISSOURI	NO POSITION		
MONTANA	PENDING		

COMMENTS  
FINAL REPORT

STATE PUCs	PUC REGULATION	QUALITY OF OPERTR. RESPSE TIME	SERVICE CALL RESPSE TIME
NEBRASKA	YES	YES	YES
NEVADA	YES	YES	YES
NEW HAMPSHIRE			
NEW JERSEY	*		
NEW MEXICO	YES	YES	YES
NEW YORK	*		
NORTH CAROLINA	NO POSITION		
NORTH DAKOTA	YES	YES	YES*
OHIO			
OKLAHOMA	PENDING		
OREGON	YES	YES	YES
PENNSYLVANIA	YES	YES	YES
RHODE ISLAND	NO	NO	NO*
SOUTH CAROLINA (SC PSC)	YES	YES	YES
SOUTH DAKOTA	NO		
TENNESSEE	NO		
TEXAS	NO		
UTAH	YES	YES	YES
VERMONT	NO	NO	NO
VIRGINIA	NO		
WASHINGTON	*		
WEST VIRGINIA	YES	YES	YES
WISCONSIN	YES	YES	NO*
WYOMING	NO	NO	NO
FCC			

COMMENTS  
FINAL REPORT

STATE PUCs	WHO SHOULD DEAL WITH CUSTOMER COMPLAINTS?					
	PUC REGULATION	POS FROM	LEC	PUC	FCC	LEC MAKE BILL INT.
ALABAMA	YES	YES	NO	YES	YES	YES
ALASKA						
ARIZONA	YES	YES		YES	YES	NO*
ARKANSAS	YES	YES	NO	YES	YES	YES*
CALIFORNIA	YES	YES	NO	YES	YES	YES
COLORADO						
CONNECTICUT						
DELAWARE	YES	YES	YES	YES*	YES	YES
DIST. OF COLUMBIA	PENDING					
FLORIDA	YES*	YES	YES	YES	YES	YES
GEORGIA	YES	YES	NO	YES	YES	YES
HAWAII	PENDING					
IDaho	YES	YES	NO	YES	YES	YES
ILLINOIS	*					
INDIANA	YES	NO	YES	YES	YES	YES*
IOWA	YES	YES	NO	YES	YES	NO
KANSAS	YES	YES	NO	YES	YES	YES
KENTUCKY	YES	YES	YES*	YES	YES	YES
LOUISIANA	PENDING					
MAINE	YES	YES	NO	YES*	YES	YES
MARYLAND	YES	YES	NO	YES	YES	YES
MASSACHUSETTS	PENDING					
MICHIGAN	YES	YES	NO	YES*	YES	YES
MINNESOTA (MN PUC)	YES	YES	YES	YES	YES	NOT DETERMINED
MISSISSIPPI	YES	YES	YES	YES	YES*	YES
MISSOURI	NO POSITION					
MONTEANA	PENDING					

COMMENTS  
FINAL REPORT

STATE PUCs	WHO SHOULD DEAL WITH CUSTOMER COMPLAINTS?					
	PUC REGULATION	PUC FROM	LEC	PUC	FCC	LEC MAKE BILL MOD.
NEBRASKA	YES	YES	YES	YES	YES	YES
NEVADA	YES	YES	NO	YES	YES	YES
NEW HAMPSHIRE						
NEW JERSEY	YES	YES	YES	YES	YES	YES*
NEW MEXICO	YES	YES	YES	YES	YES	YES
NEW YORK	*					
NORTH CAROLINA	YES	YES	YES	YES	YES	YES
NORTH DAKOTA	YES	YES	NO	YES*		*
OHIO						
OKLAHOMA	PENDING					
OREGON	YES	YES	YES	YES	YES	YES
PENNSYLVANIA	YES	NO*	YES*	YES	YES	YES
RHODE ISLAND	YES	NO	YES	YES	YES	YES*
SOUTH CAROLINA (SC PSC)		YES		YES	YES	
SOUTH DAKOTA	YES	YES	YES	YES	YES	YES
TENNESSEE	NO					
TEXAS	NO					
UTAH		YES	NO	NO	YES	
VERMONT	YES	YES	YES	YES	YES	YES
VIRGINIA	YES	YES	YES	NO*	YES*	YES*
WASHINGTON		*	*	YES	YES	YES
WEST VIRGINIA	YES	YES	YES*	YES	YES	YES*
WISCONSIN	YES	YES	YES	NO*	YES	YES*
WYOMING	YES	YES	NO	YES	YES	YES*
FCC	YES	*	*	NO POSITION	*	*

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SUMMARY  
RDS QUESTIONNAIRE

ATTORNEYS  
FINAL REPORT

NON REGULATORY AGENCIES	PUBLIC SAFETY	RATE LEVELS	INFORMATIONAL DATA				TYPE PHONE
			COMPLAINT/COMMENT DISC. LOCAL	NOTIFICATION	QTY. OF SER.		
CHLIF. PAC. BELL	NO	*	NO	YES	YES	A,B	
CO. OFFICE OF CONSUMER COUNSEL	NO	YES-7 TOTAL	NO	YES	NO	A,B	
ILL. OFFICE OF PUBLIC COUNSEL	YES-30-40 TOTAL	YES	YES	YES	YES	A,B	
TDS-INDIANA							
KENTUCKY TELEPHONE ASSN.	NO	NO	NO	NO	NO		
MAINE TEL ASSOC.							
GTE NORTH MICH. OPERATIONS	NO	YES-4 TOTAL	NO	YES	NO		
MICH. C. C & S TELCO, INC.	NO	NO	NO	NO	YES-50		
ALLTEL MICHIGAN	NO	YES-6 TOTAL	NO	YES	NO	B,C	
MINN. DEPT. OF PUBLIC SERVICE	NO	YES-5 TOTAL	NO	YES	NO	B	
MO-NORTHEAST MO RURAL TELEPHONE	NO	NO	NO	NO	NO		
MO-GTE NORTH							
MO-CONTEL OF MO							
MO-UNITED TELEPHONE SYSTEM	NO	YES	NO	YES	YES	A,B	
MO-SWB	NO	YES-5 TOTAL	NO	YES	NO	A,B	
MO-CITIZENS TELEPHONE CO.	NO	YES-1	NO	NO	NO	B,F	
NH TELEPHONE ASSN.	*						
OHIO CINCINNATI BELL							
OREGON INDEPENDENT TEL. ASSN.	YES	YES	NO	YES	YES	A,B,C,D	

APPENDIX 11-1

SUMMARY  
RIS QUESTIONS

ADDITIONAL  
FINAL REPORT

NON-REGULATORY AGENCIES	PUBLIC SAFETY	RATE LEVELS	COMPLAINTS/CONSUMER COUNCIL LOCAL	NOTIFICATION	ULTY. OF SEP.	TYPE PHONE
SC DEPT. OF CONSUMER AFFAIRS	NO	YES-1	NO	NO	NO	B
VERMONT TELEPHONE ASSN.						
WISCONSIN STATE TELEPHONE ASSN.	NO	YES	NO	YES	NO	

#COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	CERTIFICATION OF AOS	PUB. REGULATION	PUBLIC SAFETY "0-" TO LEC
CALIF. PAC. BELL		YES	YES
CO. OFFICE OF CONSUMER COUNSEL	NO	YES*	YES
ILL. OFFICE OF PUBLIC COUNSEL	YES	YES	*
TDS-INDIANA		YES	NO*
KENTUCKY TELEPHONE ASSN.	YES	YES	NO
MAINE TEL ASSOC.		YES	YES
GTE NORTH MICH. OPERATIONS	NO	YES	YES
MICH. C, C & S TELCO, INC.		YES	YES*
3 ALLTEL MICHIGAN	NO	YES	YES*
MINN. DEPT. OF PUBLIC SERVICE	YES	*	
MO-NORTHEAST MO RURAL TELEPHONE		YES	YES
MO-GTE NORTH		YES	YES
MO-CONTEL OF MO		YES	YES
MO-UNITED TELEPHONE SYSTEM	YES	YES	YES
MO-SMB	YES	YES	YES*
MO-CITIZENS TELEPHONE CO.		YES	YES
NH TELEPHONE ASSN.			
OHIO CINCINNATI BELL		YES	*
OREGON INDEPENDENT TEL.	CURRENT SOCIETY	YES	NO*

• COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	CERTIFICATION OF NOS	PUB. REGULATION	PUBLIC SAFETY "NO" TO LEC
SC DEPT. OF CONSUMER AFFAIRS	YES	YES	YES
VERMONT TELEPHONE ASSN.		YES	NO*
WISCONSIN STATE TELEPHONE ASSN.	YES	YES*	



\*COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	PSC APPROVED	RANGE OF RATES	POLICY QUESTION	
				RATE LEVELS PRICE CAPS	NATIONAL RATES
CALIF. PAC. BELL	YES	YES	YES		
CO. OFFICE OF CONSUMER COUNSEL	YES	NO	NO	YES*	NO
ILL. OFFICE OF PUBLIC COUNSEL	YES	YES	YES	NO	NO
TDS-INDIANA	*	*	NO*	NO*	NO*
KENTUCKY TELEPHONE ASSN.		YES	NO	NO	NO
MAINE TEL ASSOC.	NO*				
GTE NORTH MICH. OPERATIONS	YES*	NO	YES	YES	NO
MICH. C. C & S TELCO, INC.	NO	NO	NO	NO	NO*
5 ALLTEL MICHIGAN		YES	YES	YES	NO
MINN. DEPT. OF PUBLIC SERVICE	*				
MO-NORTHEAST MO RURAL TELEPHONE	YES	YES	YES	YES	YES
MO-GTE NORTH	YES	YES	YES*		NO*
MO-CONTEL OF MO	NO				
MO-UNITED TELEPHONE SYSTEM	YES	YES	YES	YES	NO
MO-SWB	YES	YES	YES*	YES*	NO
MO-CITIZENS TELEPHONE CO.	YES	YES			
NH TELEPHONE ASSN.					
OHIO CINCINNATI BELL	*				
OREGON INDEPENDENT TEL.	NO				

COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	PSC APPROVED	RANGE OF RATES	POLICY QUESTION	
				RATE LEVELS PRICE CAPS	NATIONAL RATES
SC DEPT. OF CONSUMER AFFAIRS	YES	YES	YES	YES	NO
VERMONT TELEPHONE ASSN.	YES*	YES	YES	NO*	NO
WISCONSIN STATE TELEPHONE ASSN.				YES*	

ADDITIONAL COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	BILLING		
	PUC REGULATION	BY THE LEC	LOCAL DISCONNECT
CALIF. PAC. BELL	YES	YES	NO
CO. OFFICE OF CONSUMER COUNSEL	YES	YES	NO
ILL. OFFICE OF PUBLIC COUNSEL	YES	NO	NO*
TDS-INDIANA	*	YES	*
KENTUCKY TELEPHONE ASSN.		MAYBE	NO
MAINE TEL ASSOC.	YES	YES	YES
GTE NORTH MICH. OPERATIONS	NO*	YES	YES
MICH. C. C & S TELCO, INC.	NO*		
ALLTEL MICHIGAN		NO	YES*
MINN. DEPT. OF PUBLIC SERVICE	*		
MO-NORTHEAST MO RURAL TELEPHONE	YES	YES	YES*
MO-GTE NORTH	YES	YES	NO*
MO-CONTEL OF MO	NO		
MO-UNITED TELEPHONE SYSTEM	YES	YES	NO
MO-SWB	YES	YES*	YES*
MO-CITIZENS TELEPHONE CO.		YES*	YES
NH TELEPHONE ASSN.			
OHIO CINCINNATI BELL	*	*	*
OREGON INDEPENDENT TEL.	YES	YES	YES*

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COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	BILLING		
	PUC REGULATION	BY THE LEC	LOCAL DISCONNECT
SC DEPT. OF CONSUMER AFFAIRS	YES	NO	NO
VERMONT TELEPHONE ASSN.	YES	YES*	YES*
WISCONSIN STATE TELEPHONE ASSN.			

COMMENTS  
FINAL REPORT

SUMMARY  
RIS QUESTIONNAIRE

NON-REGULATORY AGENCIES	PUC REGULATION	RATE LEVELS	CUSTOMER NOTIFICATION CARRIER'S NAME	COMPLT. PROCEDURE
CALIF. PAC. BELL	YES	YES	YES	YES
CO. OFFICE OF CONSUMER COUNSEL	YES*	DEPENDS	YES	YES
ILL. OFFICE OF PUBLIC COUNSEL	YES	YES	YES	YES
TDS-INDIANA	YES*,*	NO*	YES	YES
KENTUCKY TELEPHONE ASSN.		YES	YES	YES
MAINE TEL ASSOC.	YES*	YES	YES	YES
GTE NORTH MICH. OPERATIONS	YES	YES	YES	YES
MICH. C, C & S TELCO, INC.	YES	YES	YES	YES*
6 ALLTEL MICHIGAN	YES		YES	YES
MINN. DEPT. OF PUBLIC SERVICE	*			
MO-NORTHEAST MO RURAL TELEPHONE	YES	YES	YES	YES
MO-GTE NORTH	YES	YES	YES	YES*
MO-CONTEL OF MO	YES	YES	YES	YES
MO-UNITED TELEPHONE SYSTEM	YES	YES	YES	YES
MO-SWB	YES	YES	YES	YES*
MO-CITIZENS TELEPHONE CO.		YES	YES	YES
NH TELEPHONE ASSN.				
OHIO CINCINNATI BELL	YES	YES*	YES	YES*
OREGON INDEPENDENT TEL.	YES	NO	YES	YES*

COMMENTS  
FINAL REPORT

SUMMARY  
RDS QUESTIONNAIRE

NON-REGULATORY AGENCIES	PUC REGULATION	RATE LEVELS	CUSTOMER NOTIFICATION CARRIER'S NAME	COMPLT. PROCEDURE
SC DEPT. OF CONSUMER AFFAIRS	YES	YES	YES	YES
VERMONT TELEPHONE ASSN.	YES	YES	YES	YES
WISCONSIN STATE TELEPHONE ASSN.	YES	YES	YES	

COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	QUALITY OF SERVICE	
		OPERTR. RESPSE TIME	CALL RESPSE TIME
CALIF. PAC. BELL	YES	YES	
CO. OFFICE OF CONSUMER COUNSEL	YES	YES	YES
ILL. OFFICE OF PUBLIC COUNSEL	YES	YES	YES
TDS-INDIANA	*,*	YES*	YES*
KENTUCKY TELEPHONE ASSN.		YES	YES
MAINE TEL ASSOC.	YES	YES	YES
GTE NORTH MICH. OPERATIONS	YES*	YES	YES
MICH. C. C & S TELCO, INC.	NO		
II ALLTEL MICHIGAN	*		
MINN. DEPT. OF PUBLIC SERVICE	*		
MO-NORTHEAST MO RURAL TELEPHONE	YES	YES	YES
MO-GTE NORTH	YES	YES	YES
MO-CONTEL OF MO	NO*		
MO-UNITED TELEPHONE SYSTEM	YES	YES	YES
MO-SWB	YES	YES*	YES*
MO-CITIZENS TELEPHONE CO.		YES	YES
NH TELEPHONE ASSN.			
OHIO CINCINNATI BELL	NO*		
OREGON INDEPENDENT TEL.	NO	NO	NO*

PLACEMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	QUALITY OF SERVICE	
		OPERTR. RESPSE TIME	CALL RESPSE TIME
SC DEPT. OF CONSUMER AFFAIRS	YES	YES	YES
VERMONT TELEPHONE ASSN.	YES*	YES	YES
WISCONSIN STATE TELEPHONE ASSN.	YES	YES	YES



COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	WHO SHOULD DEAL WITH CUSTOMER COMPLAINTS?					LEG. MAKE BILL ADJ.
		POS. PROV.	LET	PUC	FCC		
CALIF. PAC. BELL.	YES*	YES	YES	YES	YES	YES	
CO. OFFICE OF CONSUMER COUNSEL	YES	YES*	YES	YES	YES	YES	
ILL. OFFICE OF PUBLIC COUNSEL	YES	YES	NO	YES	YES	YES	
TDS-INDIANA	YES*	NO*	NO*	YES*	YES	YES	
KENTUCKY TELEPHONE ASSN.		YES	NO	YES	YES	YES	
MAINE TEL ASSOC.		YES	YES	YES		YES	
GTE NORTH MICH. OPERATIONS	YES	YES*	YES*	YES	YES	YES	
MICH. C. C & S TELCO, INC.	YES	YES	NO	YES	YES	YES	
ALLTEL MICHIGAN	YES	YES	NO	YES	YES	YES*	
MINN. DEPT. OF PUBLIC SERVICE	*						
MO-NORTHEAST MO RURAL TELEPHONE	YES	YES	NO	YES	YES	YES	
MO-GTE NORTH	YES	YES	*	YES	YES	YES	
MO-CONTEL OF MO	YES	YES	NO	YES	YES	NO*	
MO-UNITED TELEPHONE SYSTEM	YES	YES	NO	YES	YES	YES	
MO-SMB	YES	NO*	YES*	YES	YES*	YES*	
MO-CITIZENS TELEPHONE CO.		NO	YES	YES	YES	YES*	
NH TELEPHONE ASSN.							
OHIO CINCINNATI BELL	YES	YES	NO	YES	YES	YES*	
OREGON INDEPENDENT TEL.	YES	YES	YES	YES	YES	YES*	

COMMENTS  
FINAL REPORT

NON-REGULATORY AGENCIES	PUC REGULATION	ADS PROV.	WHO SHOULD DEAL WITH CUSTOMER COMPLAINTS?			
			LEC	PUC	FCC	LEC MAKE BILL ADJ.
SC DEPT. OF CONSUMER AFFAIRS	YES	YES	NO	YES	YES	YES
VERMONT TELEPHONE ASSN.	YES	YES	NO*	YES	YES	YES*
WISCONSIN STATE TELEPHONE ASSN.	YES	YES	NO	YES	YES	

**APPENDIX III**

**SUMMARY OF WRITTEN COMMENTS TO QUESTIONNAIRE**

- A. Regulatory Agencies**
- B. Non-Regulatory Agencies**

APPENDIX III-A

STATE AND FEDERAL REGULATORY AGENCY COMMENTS

PAGE 1

PUBLIC SAFETY  
COMMENTS:

- California: NOT NECESSARY. ONE AOS COMPANY DEVELOPED SOFTWARE TO HANDLE THE 911 CALLS. A QUESTION TO BE RESOLVED.
- Florida: NONE NEEDED SO LONG AS 0 MINUS CALLS NOT FOLLOWED BY ADDITIONAL DIGITS DIALED BY THE END USER WITHIN 5 SECONDS, ARE DIRECTLY ROUTED TO THE LOCAL COMPANY OPERATOR. (SUBJECT TO COMMISSION VOTE)
- Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO AOS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.
- Indiana: STAFF POLICY--AOS PROVIDERS SHOULD BE PROHIBITED FROM USING THE "0" KEY PAD SYMBOL.
- Iowa: THE BOARD HAS TAKEN NO POSITION ON THIS MATTER.
- New Hampshire: UNTIL SUCH TIME THAT THE NEW HAMPSHIRE COMMISSION BEGINS AN INVESTIGATION OF AOS PROJECTIONS OF POSSIBLE AOS POLICIES CANNOT BE MADE.
- New York: SEE COPY OF AMENDED ORDER REGARDING THIS.
- North Carolina: ALL "0-" AND INTRALATA "0+" CALLING SHOULD BE SENT TO AND HANDLED BY THE LECs. THIS WOULD ELIMINATE PROBLEMS ASSOCIATED WITH AOS PROVIDERS HANDLING EMERGENCY CALLS. AOS PROVIDERS SHOULD BE ACCESSED BY DIALING "00". JUST AS OTHER INTEREXCHANGE CARRIERS ARE ACCESSED.
- North Dakota: DESIGNATE SOME OTHER NUMBER ON THE DIAL AS THE EMERGENCY NUMBER IN AN EXCHANGE.
- Ohio: PUC HAS JUST LAUNCHED ITS FORMAL INVESTIGATION INTO THE PROVISION OF AOS SERVICE; NO FORMAL POLICIES HAVE BEEN ENUNCIATED AT THIS TIME.
- Pennsylvania: THERE SHOULD BE NO REQUIREMENT THAT AOS PROVIDERS DIRECT ALL "0-" CALLS TO LEC. HOWEVER, AOS PROVIDERS SHOULD BE REQUIRED TO HANDLE EMERGENCY CALLS. AOS PROVIDERS SHOULD BE CERTIFIED BEFORE THEY CAN PROVIDE OPERATOR SERVICES TO THE PUBLIC. AOS PROVIDERS THAT FAIL TO PROVIDE EMERGENCY SERVICES PROPERLY SHOULD BE SUBJECT TO STRINGENT PENALTIES. FAILURE TO PROPERLY HANDLE EMERGENCY CALLS COULD BE A GROUND FOR REQUIRING "--" CALLS TO BE DIRECTED TO THE LEC.
- Rhode Island: TO REQUIRE ANOTHER FORM OF DIGIT ACCESS (OTHER THAN "0") TO AOS PROVIDERS. THIS WOULD ALSO SUBSTANTIATE THE PRESENCE OF AN AOS VIA DIALING INSTRUCTIONS FOR NON-EMERGENCY SITUATIONS.

PAGE 2

PUBLIC SAFETY/  
COMMENTS CONT'D.:

Tennessee: WE HAVE NOT MADE A DETERMINATION ON THIS ISSUE.

Texas: THE PUC OF TEXAS ONLY REGULATES DOMINATE CARRIERS OF TELECOMMUNICATIONS SERVICE. AOSs ARE TREATED AS RESELLERS OR INTEREXCHANGE CARRIERS THEREFORE. UNLESS MANDATED BY THE LEGISLATURE THE REGULATION OF AOSs ARE BEYOND PUC JURISDICTION. IN STATES WHERE CERTIFICATION IS REQUIRED AOSs SHOULD BE REQUIRED TO SHOW THAT THEY HAVE A MECHANISM IN PLACE TO HANDLE EMERGENCY CALLS PRIOR TO CERTIFICATION.

Virginia: AN AGENCY SUCH AS THE FEDERAL COMMUNICATIONS COMMISSION OR FEDERAL TRADE COMMISSION SHOULD OVERSEE AOS PROVIDERS. BUT, IF THAT BURDEN FALLS UPON THIS COMMISSION, THE POLICY WILL BE AS FOLLOWS:

Washington: THE COMMISSION IS CURRENTLY INVOLVED IN A STAFF INVESTIGATION TO DETERMINE A POLICY AND RULES GOVERNING AOS PROVIDERS. IT IS EXPECTED THAT THESE QUESTIONS WILL BE RESOLVED AS A RESULT OF THAT INVESTIGATION.

West Virginia: ONLY IF THE AOS CANNOT DEMONSTRATE THAT IT CAN ADEQUATELY HANDLE EMERGENCY CALLS WITHOUT CHARGE TO THE CALLER.  
\*0-0 CALLS SHOULD BE ROUTED TO THE APPROPRIATE LEC IF THE AOS CANNOT DEMONSTRATE THAT IT CAN AND WILL ADEQUATELY HANDLE EMERGENCY CALLS WITHOUT CHARGE TO THE CALLER--THE AOS OPERATOR SHOULD BE REQUIRED TO STAY WITH THE EMERGENCY CALL UNTIL THE CALLER REACHES THE PROPER AGENCY.

Wisconsin: DIRECT REGULATION FROM THE NATIONAL LEVEL SHOULD BE APPLIED TO AOSs TO ASSURE PROPER HANDLING OF EMERGENCY CALLS AND MAINTENANCE OF AN ACCURATE DATA BASE OF EMERGENCY NUMBERS.

FCC: BECAUSE THE OPERATOR HANDLING OF EMERGENCY CALLS IS LARGELY A LOCAL ISSUE, THE COMMISSION DOES NOT ANTICIPATE REGULATING AOS PROVIDERS WITH RESPECT TO THIS ISSUE.

PAGE 3

STATE LEVELS  
COMMENTS:

Alaska: THESE ARE OPTIONS BEING CONSIDERED AT THIS POINT, BUT NONE HAVE YET BEEN ADOPTED.

Arizona: FCC SHOULD ALSO COME UP WITH POLICY.

Florida: SUBJECT TO COMMISSION VOTE.

Georgia: (A) -- WILL PROBABLY ESTABLISH CAP.  
(B) -- NEEDS CEILING.

Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO AOS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.

Indiana: STAFF POLICY--UNSURE OF JURISDICTIONAL RESPONSIBILITY.

Kentucky: NOT SURE OF THE MEANING OF QUESTION (B).

Michigan: NATIONAL GUIDELINES--STATE SPECIFIC.

Minnesota: COMPANIES WILL, AT A MINIMUM, BE REQUIRED TO FILE A TARIFF OR LIST OF SERVICES AND PRICES.

Mississippi: IF AOS PROVIDER SEEKS TO OPERATE INTRASTATE RATES SHOULD BE APPROVED AND REGULATED BY THE RESPECTIVE UTILITY COMMISSIONS.

Nebraska: STILL MUST FILE TARIFF.

New York: UNDER CONSIDERATION, CURRENT TARIFFED RATES ARE SET ON FLEXIBLE RATE SCHEDULES.

North Carolina: AN AOS PROVIDER SHOULD BE SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO ALL INTEREXCHANGE CARRIERS. IN NORTH CAROLINA, RESELLERS ARE REQUIRED TO BE CERTIFIED AND TO CHARGE SPECIFIC RATES WHICH ARE SUBJECT TO THE NORTH CAROLINA UTILITIES COMMISSION'S APPROVAL. BECAUSE OPERATOR SERVICES HAVE HISTORICALLY BEEN PROVIDED BY THE LECs OR AT&T UNDER STRICT GUIDELINES FROM REGULATORY COMMISSIONS, A "PRICE CAP" USING THE RATES CHARGED BY AT&T (OR THE LECs) WOULD NOT BE UNREASONABLE.

Pennsylvania: THERE SHOULD BE SOME REGULATORY CONTROL OF AOS RATES TO MINIMIZE PRICE GOUGING.  
(C) -- THIS IS A POSSIBILITY.  
(D) -- WE SEE NO REASON TO CONSIDER A "NATIONAL RATE".

South Dakota: CUSTOMER SHOULD BE MADE AWARE THAT 0+ CALLS ARE BEING PLACED BY AN AOS AND THE PER MINUTE CHARGE AND SURCHARGE, IF ANY, SHOULD BE STATED UPFRONT.

PAGE 4

RATE LEVELS  
COMMENTS CONT'D.:

Tennessee: NO. EXCEPT UNDER CERTAIN CONDITIONS--SEE ATTACHED ORDER.

Virginia: CUSTOMERS SHOULD BE INFORMED OF ADS RATES.

Washington: UNDER WASHINGTON STATE'S REGULATORY FLEXIBILITY ACT, IF A TELECOMMUNICATIONS COMPANY RECEIVES COMPETITIVE CLASSIFICATION, THEY ARE NO LONGER REQUIRED TO SEEK APPROVAL FROM THE COMMISSION FOR RATES. RATHER, THEY FILE A PRICE LIST WITH THE COMMISSION.

West Virginia: PHONES WHICH ROUTE CALLS TO AN ADS SHOULD BE MARKED AS SUCH AND THE CALLER SHOULD HAVE THE OPTION OF ACCESSING THE LEC OPERATOR.

Wisconsin: RESELLERS ARE NOT RATE-REGULATED BY THE PSCW. HOWEVER, STAFF BELIEVES THAT FROM COCOTS, ADS SERVICE RATES ARE CAPPED BY THE CEILING ON COCOT CHARGES FOR TOLL. CURRENTLY THE PSCW DOES NOT CAP HOTEL/HOTEL RATES, BUT DOES REQUIRE NOTIFICATION OF CHARGES.

FCC: THE COMMISSION'S GENERAL POLICY WITH RESPECT TO THE REGULATION OF NON-DOMINANT CARRIERS, SUCH AS ADS COMPANIES WHICH PROVIDE INTERSTATE SERVICES, IS TO REGULATE SUCH CARRIERS ON A "FORBEARANCE" BASIS. UNDER FORBEARANCE TREATMENT, NON-DOMINANT CARRIERS NEED NOT OBTAIN THE COMMISSION'S AUTHORIZATION TO OPERATE AND ARE NOT REQUIRED TO FILE TARIFFS OUTLINING THEIR RATES AND PRACTICES. THESE CARRIERS REMAIN, HOWEVER, SUBJECT TO THE STATUTORY REQUIREMENT THAT THEY CHARGE JUST AND REASONABLE RATES, AND ENGAGE IN NO UNREASONABLY DISCRIMINATORY PRICING. IN ADDITION, SUCH CARRIERS ARE SUBJECT TO THE COMMISSION'S COMPLAINT PROCESS PURSUANT TO SECTION 208 OF THE COMMUNICATIONS ACT. SEE ANSWER TO QUESTION F.

A NON-DOMINANT CARRIER PROVIDING INTERNATIONAL SERVICES IS REGULATED ON A "STREAMLINED" BASIS. STREAMLINED CARRIERS MUST FILE TARIFFS TO BECOME EFFECTIVE ON 14 DAYS' NOTICE. WHILE STREAMLINED CARRIERS ARE NOT REQUIRED TO SUBMIT EXTENSIVE ECONOMIC COST SUPPORT MATERIAL AND THEIR TARIFF FILINGS ARE PRESUMED LAWFUL, THEY ARE ALSO SUBJECT TO THE SECTION 208 COMPLAINT PROCESS. SEE ANSWER TO QUESTION 4.8).

THE COMMISSION HAS MADE NO DETERMINATION WHETHER TO ALTER ITS GENERAL POLICIES WITH RESPECT TO THE REGULATION OF RATES CHARGED BY ADS PROVIDERS. THE COMMISSION IS CURRENTLY GATHERING INFORMATION, AS NOTED IN RESPONSE TO QUESTION 3 ABOVE, AND MAY REVIEW ITS POLICIES FOLLOWING REVIEW OF THAT DATA.

PAGE 5

BILLING  
COMMENTS:

Arkansas: LEC TELCO CANNOT DISCONNECT LOCAL SERVICE FOR NON-PAYMENT OF NON-REGULATED SERVICE.

Arkansas: CONTINUED BILLING FOR ADS PROVIDERS BY THE LOCAL EXCHANGE CARRIERS IS AN AREA WHICH WILL PROMULGATE CONTINUED CUSTOMER CONFUSION. IT MAY BE DESIRABLE FOR THE LEC TO BILL FOR THE ADS PROVIDER IF BILLING IS NOT DONE UNDER LEC BILLING COVER.

California: THE ANSWER TO A AND B ARE MAYBE. DEPENDS ON PROCEDURES FOR CUSTOMER TO HAVE INQUIRIES REVIEWED.

Florida: SUBJECT TO COMMISSION ACTIVITY. NO DISCONNECT SHOULD BE ALLOWED UNLESS AND UNTIL THE ADS BILLING ACCURACY IS ACCEPTABLE TO THE COMMISSION.

Georgia: MAY NOT HAVE AUTHORITY IN THIS AREA.

Idaho: DON'T CARE.

Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO ADS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.

Indiana: STAFF POLICY--ADSs SHOULD FOLLOW THE SAME GUIDELINES AS THE IXCs, IF THERE IS A NEGOTIATED BILLING AND COLLECTION CONTRACT.

Iowa: BILLING AND COLLECTION IS DEREGULATED IN IOWA.

Maine: AFTER ADS IS AUTHORIZED TO PROVIDE SERVICE. LECs SHOULD NOT BILL FOR ANY IXC THAT HAS NO CERTIFICATE OR AUTHORITY TO OPERATE. AGAIN, ONCE AN "ADS" IS CERTIFIED OR AUTHORIZED, IT HAS THE SAME RIGHTS AND RESPONSIBILITIES AS ANY IXC. (I'M OF COURSE NOT SUGGESTING THAT AN ADS BE CERTIFIED WITHOUT A CAREFUL REVIEW OF ALL OF ITS PRACTICES, AND ITS FITNESS TO SERVE.)

Maine: GNL: IF ADS PROVIDERS HAVE SPECIFIC INTRASTATE AUTHORITY. STATES SHOULD HAVE THE RIGHT TO REVIEW THE DISCONNECT FOR INTERSTATE CHARGES. IF THE ADS CHARGE IS CLEARLY EXORBITANT THEN DISCONNECTION SHOULD NOT BE ALLOWED.

Michigan: ONLY IF ADS IS STATE REGULATED.

Nebraska: STILL MUST FILE TARIFF.

Nevada: BILLING FOR ADS SHOULD BE BY THE LEC ONLY FOR STATE CERTIFICATED ADS OPERATORS

New Hampshire: UNTIL SUCH TIME THAT THE NEW HAMPSHIRE COMMISSION BEGINS AN INVESTIGATION OF ADS PROTECTIONS OF POSSIBLE ADS POLICIES CANNOT BE MADE.



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BILLING  
COMMENTS CONT'D.:

New Mexico: WHEN THE CUSTOMER HAS NO IDEA WHO THE OPERATOR IS WHY SHOULD LEC BE ALLOWED TO DISCONNECT. THE CUSTOMER THINKS THAT IT IS THE LEC (BOC) BECAUSE IT IS ON THE LEC BILL.

New York: MANY AOS COMPANIES ARE PROVIDED BILLING SERVICES THROUGH NEW YORK TELEPHONE COMPANY'S P.S.C. NO. 913 -- TELEPHONE.

North Carolina: NO POSITION HAS BEEN FORMULATED ON THIS QUESTION.

Pennsylvania: (A) -- LECs SHOULD NOT BE REQUIRED TO DO THE BILLING FOR AOS PROVIDERS. AOS PROVIDERS SHOULD BE GIVEN OPTIONS CONCERNING WHICH BILLING ARRANGEMENTS ARE BEST FOR THEM.  
(B) -- LECs SHOULD NOT BE AUTHORIZED TO DISCONNECT END USERS' LOCAL SERVICE FOR NON-PAYMENT OF AOS CHARGES IN AREAS WHERE TOLL RESTRICTION IS POSSIBLE.

Rhode Island: SINCE A DISPUTE OR WAIVER OF A CHARGE CANNOT BE SETTLED BY THE LEC (WHO DOES NOT HAVE THAT AUTHORITY), DISCONNECTION FOR NON-PAYMENT SHOULD NOT BE ALLOWED BY THE LEC UNTIL SUCH TIME AS THE OPERATING COMPANIES DO HAVE THIS RESPONSIBILITY.

Tennessee: SEE ATTACHED ORDER.

Texas: IF CONTRACTED FOR THE SERVICE. THIS SHOULD BE HANDLED SIMILAR TO 976 SERVICE WHERE THE TELEPHONE COMPANY IS NOT PERMITTED TO DISCONNECT A CALLER'S BASIC LOCAL SERVICE FOR NON-PAYMENT OF AOS CHARGES.

Virginia: THIS ONLY APPLIES WHEN THE PROVIDER IS CERTIFICATED.

Washington: THE COMMISSION IS CURRENTLY INVOLVED IN A STAFF INVESTIGATION TO DETERMINE A POLICY AND RULES GOVERNING AOS PROVIDERS. IT IS EXPECTED THAT THESE QUESTIONS WILL BE RESOLVED AS A RESULT OF THAT INVESTIGATION.

West Virginia: LECs SHOULD CEASE BILLING FOR AOSs WHICH OVERLY VIOLATE STATE PSC RULES AND AOS TARIFFS.

Wisconsin: THE PSCM IS REVISITING THE ISSUE OF DISCONNECTION OF LOCAL SERVICE FOR NON-PAYMENT OF TOLL. UNDER CURRENT RULES DISCONNECTION OF LOCAL SERVICE IS ALLOWABLE FOR NON-PAYMENT OF TOLL. IN PRINCIPLE THE PSCM HAS STATED THAT LOCAL SERVICE SHOULD NOT BE DISCONNECTED FOR NON-PAYMENT OF TOLL (OR AOS) CHARGES, HOWEVER, THE PRACTICAL AND TECHNICAL ISSUES ARE BEING REINVESTIGATED.

Wyoming: CALL BLOCKING INTO THE TOLL NETWORK SHOULD BE PROVIDED BY THE LECs RATHER THAN DISCONNECT FOR NON-PAYMENT

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BILLING  
COMMENTS CONT'D.:

FCC: THIS COMMISSION TAKES NO POSITION WITH RESPECT TO WHETHER LECs SHOULD PERFORM BILLING AND COLLECTION SERVICES FOR ADS PROVIDERS. THE COMMISSION HAS REQUIRED LECs TO DETARIFF INTERSTATE BILLING AND COLLECTION SERVICES FOR INTEREXCHANGE CARRIERS, EFFECTIVE JANUARY 1, 1987. THE COMMISSION, HOWEVER, DELAYED THIS DETARIFFING REQUIREMENT WITH RESPECT TO THE RECORDING FUNCTION. SEE DETARIFFING OF BILLING AND COLLECTION SERVICES, CC DOCKET NO. 85-88, 102 FCC 2d 1150 (1986) (DETARIFFING ORDER). THE COMMISSION STATED IN THE DETARIFFING ORDER THAT LECs WILL BE REQUIRED TO CONTINUE TO OFFER RECORDING SERVICE TO ALL INTEREXCHANGE CARRIERS UPON REASONABLE REQUEST THROUGH 1989 OR UNTIL THE EQUAL ACCESS CONVERSION PROCESS HAS BEEN COMPLETED, WHICHEVER IS LATER. SEE ATTACHMENT 5, DETARIFFING ORDER, PARA. 46. WE NOTE THAT, UNDER THE MODIFIED FINAL JUDGMENT (MFJ), A BELL OPERATOR COMPANY (BOC) THAT PROVIDES BILLING AND COLLECTION SERVICES TO ANY INTEREXCHANGE CARRIER MUST ALSO PROVIDE THESE SERVICES TO OTHER INTEREXCHANGE CARRIERS. SEE ATTACHMENT 7, MFJ, APPENDIX B, SECTION (C)(2).

(B) -- THE COMMISSION TAKES NO POSITION WITH RESPECT TO WHETHER A LEC MAY DISCONNECT A CUSTOMER'S LOCAL SERVICE FOR NON-PAYMENT OF ADS CHARGES. THE COMMISSION HAS DEFERRED TO INDIVIDUAL STATES THE ISSUE OF WHETHER LOCAL SERVICE CUTOFF FOR NON-PAYMENT OF ANY INTERSTATE CHARGES SHOULD BE PERMITTED. SEE ATTACHMENT 5, DETARIFFING ORDER, PARAS. 51 AND 52.

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CUSTOMER  
NOTIFICATION  
COMMENTS:

Arizona: HAVE NOT COME TO A CONCLUSION ON THIS.

Arkansas: THE PROCEDURE FOR ACCESSING ANOTHER COMPANY'S OPERATOR IS DESIRED BY THE END USER.

Florida: SUBJECT TO COMMISSION VOTE.

Idaho: SEE RULE NO. 1 ATTACHED ORDER.

Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO AOS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.

Indiana: STAFF POLICY -- ANNOUNCEMENT SHOULD BE GIVEN AT BEGINNING OF CONTRACT, AND CARRIER NAME AND ADDRESS SHOULD BE POSTED.

Iowa: RESPONSES ABOVE BASED ON THE FACTS THAT: (1) THE OPERATOR SHOULD EXPLICITLY IDENTIFY THE AOS PROVIDER AT THE BEGINNING OF THE CALL; (2) IF RATES EXCEED DOMINANT CARRIERS' RATES, THIS SHOULD BE GENERALLY NOTED AND AFFIXED TO PAYPHONES OR HOTEL, ETC. PHONES.

Kentucky: ASSUMING THAT AOS COMPANIES ARE REQUIRED TO CHARGE REASONABLE RATES, THIS AREA OF CONCERN SHOULD TAKE CARE OF ITSELF.

Michigan: BY REQ'T TO OPERATOR.

Nebraska: CHARGES BE AVAILABLE UPON REQUEST.

Nevada: FOR RATE LEVEL CUSTOMER SHOULD BE NOTIFIED AT TIME THE CALL IS PLACED THAT RATES COULD BE SIGNIFICANTLY MORE THAN ATT OP ASSISTANCE.

New Hampshire: UNTIL SUCH TIME THAT THE NEW HAMPSHIRE COMMISSION BEGINS AN INVESTIGATION OF AOS PROJECTIONS OF POSSIBLE AOS POLICIES CANNOT BE MADE.

New Jersey: AOS MUST USE AN ACCESS CODE OTHER THAN ZERO -- THIS WAY THE END USER HAS MADE A CONSCIOUS DECISION TO REACH THE AOS.

New York: UNDER CONSIDERATION. COCOT PROVIDERS MUST POST CERTAIN INFORMATION ON THEIR SETS -- SEE ATTACHED.

North Carolina: NO POSITION HAS BEEN FORMULATED ON THIS QUESTION.

Pennsylvania: (1) -- AT A MINIMUM, THE NOTICE SHOULD STATE THAT AOS PROVIDERS' RATES MAY DIFFER FROM THE LECs AND OTHER INTEREXCHANGE COMPANIES.  
(2) -- THE NOTICE SHOULD OUTLINE CLEARLY CUSTOMER COMPLAINT PROCEDURES. ALSO, THE NOTICE SHOULD INCLUDE A PHONE NUMBER THAT CUSTOMERS CAN CALL TO FILE COMPLAINTS.

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CUSTOMER  
NOTIFICATION  
COMMENTS CONT'D.:

Tennessee: COCS ARE REQUIRED TO POST NOTICE THAT LONG DISTANCE RATES ARE NOT REGULATED AND TO PROVIDE DIRECTIONS FOR MAKING COMPLAINTS. WE DO NOT REQUIRE SUCH NOTIFICATION FOR MOTELS, HOSPITALS, UNIVERSITIES, ETC., WHO USE AN ADS.

Virginia: WE ARE NOT SURE HOW THIS COULD BE ACCOMPLISHED.

West Virginia: NOTICE SHOULD BE PROVIDED REGARDING HOW TO REACH THE LEC OPERATOR.

Wisconsin: COMPLAINT PROCEDURE NOTIFICATION NOT NECESSARY IF BILLING IS DONE BY LECs OR CREDIT CARD BECAUSE DISPUTE PROCEDURES CAN BE PURSUED ACCORDING TO THE STANDARD PROCEDURES.

Wyoming: SHOULD POSSIBLY INCLUDE EMERGENCY CALL PROCEDURES IF NOT SHOWN ELSEWHERE.

FCC: THE COMMISSION STAFF IS CURRENTLY GATHERING INFORMATION REGARDING THE TYPE OF NOTICE CUSTOMERS SHOULD RECEIVE. THE COMMISSION STAFF IS CONCERNED BY THE APPARENT LACK OF EFFECTIVE NOTICE CUSTOMERS CURRENTLY RECEIVE. THE COMMISSION STAFF IS IN THE PROCESS OF OBTAINING INFORMATION FROM ADS COMPANIES REGARDING THE NOTIFICATION PROCEDURES THEY USE AND HOW THEY HANDLE CONSUMER COMPLAINTS. SEE ATTACHMENT 2. THE COMMISSION HAS ALSO ISSUED A CONSUMER INFORMATION BULLETIN TO INCREASE CONSUMER AWARENESS OF ADS PROVIDERS. SEE ATTACHMENT 3.

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QUALITY OF  
SERVICE  
COMMENTS:

Alabama: THEY SHOULD BE REQUIRED TO COMPLY TO QUALITY OF SERVICE STANDARDS LIKE ANY OTHER PROVIDER OF TOLL SERVICE.

Arizona: LECs SHOULD REFER COMPLAINTS BACK TO AOS.

California: FOLLOW CRITERIA FOR LEC.

Florida: YES. IF CALLS ARE INTERCEPTED AND DIVERTED. (SUBJECT TO COMMISSION VOTE).

Georgia: FOLLOW NABUC STANDARD.

Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO AOS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.

Indiana: THE IURC DOES NOT HAVE ESTABLISHED CALL PROCESSING TIME REQUIREMENTS IN ITS RULES AND STANDARDS.

Iowa: SHOULD BE COMPARABLE TO INDUSTRY ESTABLISHED STANDARDS OR NORM.

Mississippi: IF THE ABOVE CRITERIA ARE REQUIRED BY LECs WITHIN THE STATE THEY SHOULD ALSO BE REQUIRED BY ANY AOS PROVIDER WHO WISHES TO OPERATE INTRASTATE OR INTERLATA INTRASTATE.

New Hampshire: UNTIL SUCH TIME THAT THE NEW HAMPSHIRE COMMISSION BEGINS AN INVESTIGATION OF AOS PROJECTIONS OF POSSIBLE AOS POLICIES CANNOT BE MADE.

New Jersey: ORDER DID NOT ADDRESS THIS ISSUE.

New York: UNDER CONSIDERATION.

North Carolina: NO POSITION HAS BEEN FORMULATED ON THIS QUESTION.

North Dakota: THERE SHOULD BE REQUIREMENTS IF THESE ITEMS BECOME PROBLEMS.

Rhode Island: ONLY "YES" IF EMERGENCY CALLS WERE ROUTED DIRECTLY TO AOS OPERATOR. BUT IT IS OUR FEELING THAT "0" EMERGENCY CALLS SHOULD BE ROUTED TO LEC.

Washington: THE COMMISSION IS CURRENTLY INVOLVED IN A STAFF INVESTIGATION TO DETERMINE A POLICY AND RULES GOVERNING AOS PROVIDERS. IT IS EXPECTED THAT THESE QUESTIONS WILL BE RESOLVED AS A RESULT OF THAT INVESTIGATION.

Wisconsin: THIS ISSUE WILL REQUIRE FURTHER INVESTIGATION.

FCC: THE COMMISSION HAS NOT RECEIVED ANY COMPLAINTS REGARDING OPERATOR RESPONSE OR CALL PROCESSING TIME. THEREFORE, WE DO NOT BELIEVE THERE IS A NEED FOR SUCH REQUIREMENTS AT THIS TIME.

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COMPLAINTS  
COMMENTS:

Arkansas: THE PLACE WHERE THE CALL ORIGINATES SHOULD ALSO BE INVOLVED IN THE COMPLAINT PROCESS.

Delaware: FCC SHOULD BE INVOLVED IN CUSTOMER COMPLAINTS ONLY FOR INTRASTATE AOS.

Florida: SUBJECT TO COMMISSION VOTE.

Illinois: THE COMMISSION IS CURRENTLY FORMULATING ITS POLICY WITH RESPECT TO AOS PROVIDERS. THE ANSWERING OF POLICY QUESTIONS AT THE PRESENT TIME WOULD BE PREMATURE.

Indiana: STAFF POLICY -- IF A BILLING AND COLLECTION CONTRACT HAS BEEN NEGOTIATED, THE LECs SHOULD MEET THE PROVISIONS OF THE CONTRACT UNLESS THERE IS A VIOLATION OF COMMISSION RULES AND STANDARDS.

Kentucky: WHEN LEC BILLING IS INVOLVED.

Maine: APPEAL BASIS.

Michigan: IF AOS IS REGULATED.

Mississippi: AT THIS TIME IT IS OUR UNDERSTANDING THAT THE FCC IS STAYING AWAY FROM THE AOS ISSUE ON INTERSTATE SERVICES, BUT AT SOME POINT IN TIME WE THINK THIS SERVICE IS GOING TO HAVE TO BE ADDRESSED BY THE FCC.

New Hampshire: UNTIL SUCH TIME THAT THE NEW HAMPSHIRE COMMISSION BEGINS AN INVESTIGATION OF AOS PROJECTIONS OF POSSIBLE AOS POLICIES CANNOT BE MADE.

New Jersey: IN A AND B, IF AOS PURCHASES INQUIRY AS PART OF BILLING AND COLLECTION, LEC WILL INTERFACE WITH CUSTOMER OTHERWISE THE AOS SHOULD GET INVOLVED WITH COMPLAINTS.

New York: OUR CONSUMER SERVICE DEPARTMENT CURRENTLY ACCEPTS COMPLAINTS FOR AOS PROVIDERS CONCERNING INTRASTATE CALLS.

North Dakota: ONLY IF THE LEC HANDLES THE AOS'S BILLING AND COLLECTION AND THE AOS AGREES THAT ADJUSTMENTS ARE ALLOWED.

Pennsylvania: (A) -- LECs THAT HANDLE BILLING AND COLLECTION FOR AOS PROVIDERS SHOULD BE AUTHORIZED AND REQUIRED TO INITIALLY HANDLE CUSTOMER COMPLAINTS AND HAVE THE AUTHORITY TO ADJUST CHARGES. HOWEVER, AOS PROVIDERS THAT HANDLE THEIR OWN BILLING AND COLLECTION SHOULD DEAL DIRECTLY WITH CUSTOMER COMPLAINTS.  
(B) -- LECs THAT HANDLE BILLING AND COLLECTION FOR AOS PROVIDERS SHOULD BE AUTHORIZED AND REQUIRED TO INITIALLY HANDLE CUSTOMER COMPLAINTS AND HAVE THE AUTHORITY TO ADJUST CHARGES. HOWEVER, AOS PROVIDERS THAT HANDLE THEIR OWN BILLING AND COLLECTION SHOULD DEAL DIRECTLY WITH CUSTOMER COMPLAINTS.  
(C) -- AS BILLING AGENTS FOR AOS PROVIDERS, LECs SHOULD BE ALLOWED TO MAKE ADJUSTMENTS TO AOS CHARGES DUE TO CUSTOMER COMPLAINTS.

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COMPLAINTS  
COMMENTS CONT'D.:

Prague Islands: SINCE ADS REPRESENTATIVES RESIDE MOSTLY OUT-OF-STATE AND ATTENDANCE WAS REQUIRED FOR A COMPLAINT HEARING, ADS PROVIDERS WOULD NOT BE ABLE TO PARTICIPATE. THEREFORE, LEC SHOULD HAVE RESPONSIBILITY.

MASS: ADS MIGHT FALL UNDER OUR RESELLER'S STATUS AND MIGHT BE DEREGULATED.

VERMONT: SINCE THIS MONSTER WAS CREATED AT THE FEDERAL LEVEL, IT SHOULD BE CLEANED UP AT THE FEDERAL LEVEL.

POST OFFICES: CUSTOMERS SHOULD NOT BE REQUIRED TO PAY AMOUNTS IN BONA FIDE DISPUTE.

WISCONSIN: WISCONSIN FILES CURRENTLY REQUIRE THE LEC TO RESOLVE COMPLAINTS AS A CONDITION OF DISCONNECTION.

WYOMING: WITH CONCURENCE FROM ADS PROVIDER.

REC: THE COMMISSION UNDERSTANDS THAT MANY LECs HAVE ENTERED INTO CONTRACTS WITH ADS PROVIDERS TO PROVIDE BILLING AND COLLECTION SERVICES TO ADS PROVIDERS. UNDER THESE ARRANGEMENTS, LECs BILL CUSTOMERS FOR ADS CHARGES ON CUSTOMERS' RESIDENCE OR BUSINESS TELEPHONE BILLS. THE CONTRACTS ALSO PROVIDE THAT LECs HANDLE CUSTOMER QUESTIONS REGARDING ADS CHARGES. PRACTICES VARY GREATLY WITH RESPECT TO WHETHER THE LEC IS AUTHORIZED TO ADJUST ADS CHARGES APPEARING ON A CUSTOMER'S BILL OR WHETHER THE ADS COMPANY ALONE IS AUTHORIZED TO ADJUST A BILL. SOME LECs ARE AUTHORIZED TO ADJUST CHARGES UP TO A SPECIFIC DOLLAR AMOUNT; ADJUSTMENT OF CHARGES ABOVE THIS CHILING MUST BE REFERRED TO THE ADS COMPANY. THE COMMISSION DOES NOT TAKE ANY POSITION AS TO WHICH CARRIER SHOULD INITIALLY HANDLE CUSTOMER COMPLAINTS. THE LEC OR THE ADS PROVIDER SHOULD, HOWEVER, HANDLE CUSTOMER COMPLAINTS IN THE FIRST INSTANCE. A COMPLAINT MAY BE FILED WITH THIS COMMISSION IF A CUSTOMER IS UNABLE TO RESOLVE THEIR INTERSTATE OR INTERNATIONAL COMPLAINT WITH THE LEC OF THE ADS PROVIDER.

(D) -- THE COMMISSION IS AUTHORIZED UNDER SECTION 208 OF THE COMMUNICATIONS ACT TO HANDLE COMPLAINTS AGAINST COMMON CARRIERS PROVIDING INTERSTATE SERVICES. THE COMMISSION HAS RECEIVED APPROXIMATELY 366 COMPLAINTS AGAINST ADS PROVIDERS CONCERNING INTERSTATE SERVICES. THESE COMPLAINTS HAVE BEEN HANDLED IN ACCORDANCE WITH THE COMMISSION'S INFORMAL COMPLAINT RULES. 47 C.F.R. SECTIONS 1.711-1.717. INFORMATION DESCRIBING THESE PROCEDURES IS ATTACHED. SEE ATTACHMENT 6. TO DATE, ALL ADS COMPANIES THAT HAVE RESPONDED TO COMPLAINTS HAVE CREDITED CUSTOMER'S ACCOUNTS WITH AT LEAST THE DIFFERENCE BETWEEN WHAT THEY CHARGED AND WHAT THE CUSTOMER'S CARRIER OF CHOICE WOULD HAVE CHARGED FOR THE CALLS.

(E) -- THE COMMISSION TAKES NO POSITION WITH RESPECT TO WHETHER LECs SHOULD BE ALLOWED TO MAKE ADJUSTMENTS FOR ADS CHARGES. AS STATED PREVIOUSLY, THE COMMISSION HAS REQUIRED THAT INTERSTATE BILLING AND COLLECTION SERVICES, EXCEPT THE RECORDING FUNCTION, BE DETARIFFED. THEREFORE, THE ABILITY OF A LEC TO ADJUST ADS CHARGES IS A PRIVATE CONTRACTUAL MATTER BETWEEN THE LEC AND ADS PROVIDER.

APPENDIX III-B

NON-REGULATORY AGENCIES' COMMENTS

PAGE 1

PUBLIC SAFETY  
COMMENTS:

Colorado  
Consumer  
Counsel            EITHER HAVE THE ABILITY TO HANDLE EMERGENCY CALLS A CONDITION OF  
CERTIFICATION OR DIRECT ALL "0" CALLS TO THE LEC.

Illinois  
Public Counsel     WHAT DO YOU MEAN BY DIRECTED? IF A CALL IS HANDED OFF TO LEC TIME  
IS WASTED.

TDS-Indiana        IF AN "0-" CALL ORIGINATES AT A PAYSTATION AFFILIATED WITH AN ADS, THE  
ADS COMPANY SHOULD BE REQUIRED TO REDIRECT THAT CALL TO AN APPROPRIATE  
EMERGENCY NUMBER. IF THE "0-" CALL ORIGINATED AT A HOTEL, THE CALL WOULD  
PROBABLY GO TO THE HOTEL SWITCHBOARD WHICH SHOULD BE PREPARED TO REDIRECT  
IT TO AN APPROPRIATE LOCAL EMERGENCY NUMBER. IF THE CUSTOMER DIALED "8" AND  
"0" THE CALL WOULD GO TO THE ADS COMPANY, WHO SHOULD HAVE APPROPRIATE  
EMERGENCY NUMBERS AVAILABLE TO TERMINATE THE CALL TO THE APPROPRIATE LOCAL  
EMERGENCY CENTER.

Mich. C. D. & S  
Telco, Inc.        THERE SHOULD BE SOME OTHER MEANS OF ACCESSING THE ADS OPERATOR - DIAL 3,  
FOR EXAMPLE, SO THAT DIALING 0 WILL ALWAYS GO TO THE LEC FOR PROMPTER, EFFICIENT  
ANSWERING OF EMERGENCY CALLS. WHEN 911 IS EFFECTIVE NATION-WIDE, IT SHOULD  
HELP TO SOLVE THIS PROBLEM. IN THIS INSTANCE "0" SHOULD BE LIMITED TO EMERGENCY  
ONLY.

Mich. Alltel  
Mich., Inc.        PROCESS 911 CALLS THROUGH LOCAL LEC.

Mich. Dept.  
of Public Svc.    UNDER STUDY.

MO SWB            911 DIALING MUST BE DIRECTED TO THE LEC PROVIDING THE SERVICE. ANY  
ADDITIONAL CHARGES OR TIME REQUIRED BY AN ADS PROVIDER TO COMPLETE (OR DENY)  
THE CALL IS TO BE CONSIDERED LIFE-THREATENING. CUSTOMERS AND END-USERS EXPECT  
TO BE CONNECTED TO THE APPROPRIATE EMERGENCY DISPATCHER AS PART OF THE SERVICE.  
ANY ADS INTERVENTION IN THE CALL COULD RENDER FEATURES OF AUTOMATIC NUMBER AND  
LOCATION IDENTIFIER INOPERABLE IF A RE-DIALER IS INVOLVED.

NH Telephone  
Assoc.            SEE ATTACHED MATRIX SHEET.

Ohio  
Cincinnati  
Bell                UNLESS RESTRICTIONS (LOCATION OF ADS PROGRAMMED INSTRUMENTS, SIGNAGE,  
CALL BLOCKING, ETC.) AFFECTED THE POSSIBILITY AND PROBABILITY OF UNINTENTIONAL  
ADS ACCESS DURING ATTEMPTED BONA FIDE EMERGENCY CALLS, ALL SUCH CALLS SHOULD BE  
DIRECTED TO THE SAME LOCAL EMERGENCY SERVICES AS WOULD CALLS FROM A LOCAL EXCHANGE  
TELEPHONE COMPANY COIN TELEPHONE. SUCH CALLS FROM ADS-EQUIPPED TELEPHONES  
SHOULD BE FREE OF CHARGE TO THE CALLER.



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PUBLIC SAFETY  
COMMENTS CONT'D.:

Oregon            AOS SHOULD HAVE 7 DIGIT EMERGENCY NUMBER - NOT USE 911.  
Independent  
Telephone Assn.

Vermont           REGULATION SHOULD BE IN PLACE AS LONG AS OTHER PROVIDERS ARE REGULATED.  
Telephone Assn. REDIRECTING "0" CALLS SHOULD NOT BE NECESSARY IF PROPER PROCEDURES FOR  
HANDLING EMERGENCY CALLS ARE ESTABLISHED.

Wisconsin         THE WSTA OPERATOR SERVICES COMMITTEE HAS NOT DISCUSSED ALL ITEMS BELOW.  
Telephone Assn. THEREFORE, WSTA IS UNABLE TO ANSWER ALL QUESTIONS AT THIS TIME.

PAGE 3

RATE LEVELS  
COMMENTS:

Colorado  
Consumer  
Council THE PRICE CAP SHOULD BE INCLUSIVE OF ALL CHARGES INCLUDING OPERATOR SURCHARGE,  
SUBSCRIBER SURCHARGE (I.E., COMMISSION TO HOTEL, ETC.) AND LONG-DISTANCE CHARGE  
INCLUDING APPROPRIATE DISCOUNT PERIODS; OR, IF THE COMMISSION TO THE HOTEL, ETC.  
SHOULD BE OUTSIDE THE PRICE CAP BUT ONLY IF IT IS A SEPARATE, IDENTIFIABLE CHARGE  
PAID AS PART OF YOUR HOTEL BILL, NOT YOUR PHONE BILL. IF A COIN PHONE, THE  
AMOUNT OF THE COMMISSION SHOULD BE IDENTIFIED AND THE PARTY TO WHOM IT GOES NAMED.

105-Indiana THERE SHOULD ONLY BE RATE REGULATION OF ADS PROVIDERS IF THEY ARE RATE  
REGULATING ALL OTHER NON-DOMINANT CARRIERS OR RESELLERS.  
(A) -- IF THE PUC IS REGULATING NON-DOMINANT CARRIERS AND RESELLERS, THE ANSWER  
WOULD BE YES. IF NO, THE ANSWER IS NO. IT SEEMS TO ME THAT THE INDUSTRY  
IS MOVING FROM REGULATING NON-DOMINANT CARRIERS TO DEREGULATING THEM.  
(B) -- IF THE COMMISSION IS RATE REGULATING, THEN THE RATES SHOULD BE BASED  
ON THE REVENUE REQUIREMENTS OF THE NON-DOMINANT INTEREXCHANGE CARRIER OR  
RESELLER. IF NOT, THE MARKET SHOULD BE THE REGULATOR OF RATES.  
(C) -- "PRICE CAP" RATES ARE IN ESSENCE A FORM OF RATE REGULATION. EITHER  
THERE IS RATE REGULATION OR THERE IS NOT. IF THERE IS, IT IS BASED UPON  
THE UNIQUE REVENUE REQUIREMENT OF A GIVEN COMPANY.  
(D) -- RATES SHOULD BE BASED UPON AN INDIVIDUAL COMPANY'S COST OR REVENUE  
REQUIREMENT.

Maine  
Telephone Assn. QUALIFIED -- NOT IF "D" CUSTOMER NOTIFICATION IS ADEQUATE.

Mich. GTE  
North, Inc. GTE BELIEVES ADS PROVIDERS SHOULD BE CERTIFIED.

Mich. C. D & S  
Teleco. Inc. IF THE ADS SERVICE IS DEEMED IN THE DEREGULATED ARENA, AND STRICTLY COMPETITIVE,  
THE USER SHOULD BE INFORMED BEFORE USING THE SERVICE, THAT IT IS A NON-REGULATED,  
PRIVATE SERVICE. IF THEY ARE REGULATED, ALL OF THE ABOVE SHOULD BE "YES".

Miss. Dept.  
of Public Svc. UNDER STUDY.

MO GTE North ADS INTRASTATE RATE SHOULD BE REGULATED JUST AS OTHER INTRASTATE RATES.

MO SUB (B) -- BUT ONLY IF WELL PUBLICIZED, SUCH AS TIME OF DAY DISCOUNTS, ETC.  
(C) -- TO PREVENT PRICE GOUGING. COMPETITION MAY TAKE CARE OF THIS.

NH Telephone  
Assn. SEE ATTACHED MATRIX SHEET.

Ohio  
Cincinnati  
Bell CINCINNATI BELL IS NOT ABLE TO ANSWER THESE QUESTIONS WITHOUT SPECIFIC INFORMATION  
ABOUT THE RATE PLANS PROPOSED. HOWEVER, WE WOULD NOTE THAT THE PRIMARY COMPLAINT  
RECEIVED ABOUT ADS COMPANIES IS THE LEVEL OF CHARGES FOR CALLS. THIS WOULD  
SEEM TO INDICATE THAT EITHER RATE CONTROL (EX. CAPPING ADS RATES AT THE CURRENT  
ATTN OPERATOR ASSISTED CALLING RATES) OR MORE CONSUMER NOTIFICATION AND  
FREEDOM OF CHOICE SHOULD BE CONSIDERED.

PAGE 4

RATE LEVEL  
COMMENTS CONT'D.:

Vermont REGULATION AS LONG AS OTHER PROVIDERS ARE REGULATED.  
Telephone Assn. (C) -- ONLY IF OTHER PROVIDERS CAN DO THE SAME.

PAGE 5

BILLING  
COMMENTS:

Colorado  
Consumer  
Council THE ADS PAGE OF THE PHONE BILL SHOULD CONTAIN A STATEMENT THAT LOCAL SERVICE  
WILL NOT BE SHUT OFF FOR NON-PAYMENT OF ADS CHARGES AS LONG AS ALL OTHER CHARGES  
ARE PAID IN FULL.

Illinois  
Public Counsel NO QUESTION ON THIS ISSUE; THERE SHOULD BE NO THIRD PARTY DISCONNECT SINCE IT  
IS AN ABUSE OF THE TELECO'S FRANCHISE AUTHORITY AND SPECIAL PRIVILEGES.

IND-Indiana IT SHOULD FOLLOW THE STANDARDS ESTABLISHED IN THE STATE FOR REGULATION OF  
NON-DOMINANT CARRIERS AND RESELLERS.  
(A) -- BUT LEC SHOULD NOT BE REQUIRED TO DO THE BILLING FOR ADS PROVIDERS.  
IT SHOULD BE OPTIONAL.  
(B) -- THE ANSWER TO THIS DEPENDS UPON WHAT GENERAL PSC RULES AND REGULATIONS  
ARE IN EFFECT FOR THAT STATE. THESE TYPE OF CALLS SHOULD PROBABLY BE  
TREATED NO DIFFERENTLY THAN ANY OTHER FORM OF LONG DISTANCE CHARGE.

Mich. GTE  
North, Inc. YES - PROVIDED SERVICES ARE REGULATED BY STATE COMMISSIONS.

Mich. C. C & S  
Telco, Inc. WE FEEL THAT THE ENTITY THAT IS PROVIDING THE SERVICE SHOULD BE RESPONSIBLE FOR  
BILLING AND COLLECTION, AND THE JOY OR DISPLEASURE OF THEIR CUSTOMERS.

Mich. Alltel  
Mich., Inc. IF REQUIRED TO BILL OTHERWISE REQUIRE ADS TO REIMBURSE LEC FOR WRITE OFF.

Miss. Dept.  
of Public Svc. UNDER STUDY.

MO Northeast  
MO Rural Tel. YES ONLY IF REASONABLE AND FAIR RATES ARE UTILIZED.

MO GTE North NO DISCONNECTION OF END USER EXCEPT IF CONSISTENT WITH TARIFF LANGUAGE AND ADS  
PROVIDER CERTIFIED. EXERCISE OF DISCONNECT AUTHORITY SHOULD BE DONE CAUTIOUSLY,  
GIVING DUE CONSIDERATION TO CUSTOMER NOTIFICATION AND EDUCATION PROGRAMS.

MO SUB (A) -- THEY SHOULD BE GIVEN THE OPTION.  
(B) -- IF THE LEC HAS PURCHASED THE ACCOUNTS RECEIVABLES.  
IF ADS CHARGES ARE CONSIDERED TO BE EXCESSIVE, THE LEC SHOULD HAVE THE OPTION  
TO NOTIFY THE ADS PROVIDER AND RETURN THE CHARGES TO THEM TO BILL THEMSELVES  
AND ADJUST LEC CUSTOMERS' BILLS.

MO Citizens  
Telephone Co. ON VOLUNTARY BASIS.

NH Telephone  
Assoc. SEE ATTACHED MATRIX SHEET.

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BILLING  
COMMENTS CONT'D.:

Ohio  
Cincinnati  
Bell (A) -- BILLING AND COLLECTION SHOULD BE ADMINISTERED ON A STATE-SPECIFIC BASIS, IN COORDINATION WITH THE EXISTING REGULATORY STATUS OF LOCAL EXCHANGE COMPANY BILLING AND COLLECTION FOR TELECOMMUNICATIONS SERVICES.

Oregon  
Independent  
Telephone Assn. WHERE NO BILLING AGREEMENT -- ADS SHOULD HAVE BANK CARD OR THIRD NUMBER BILLING. NOT BE ALLOWED TO "SPASH" CALLS.

Oregon PUC DEPENDS UPON RATIO TO CUSTOMERS.

Vermont  
Telephone Assn. (A) -- ONLY IF AGREED BETWEEN PARTIES.  
(B) -- IF THEY ARE DOING BILLING.

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CUSTOMER  
NOTIFICATION  
COMMENTS:

Colorado  
Consumer  
Counsel           YES IF NO PRICE CAP OR IF COMMISSION TO HOTEL, ETC. IS SEPARATE CHARGE:  
NO IF PRICE CAP IS ALL INCLUSIVE.

TDS-Indiana           BUT IT SHOULD APPLY TO ALL PROVIDERS OF LONG DISTANCE SERVICES.  
(1) -- BUT THE CUSTOMER SHOULD HAVE A WAY TO OBTAIN A RATE LEVEL. AN  
EASY WAY WOULD BE SIMPLY TO DIAL THE OPERATOR AND ASK FOR A RATE QUOTE.  
(4) -- INCLUDE A CLEAR INSTRUCTION ON EACH PAYSTATION AND HOTEL EXTENSION  
AS TO THE IDENTITY OF THE INTEREXCHANGE CARRIER, RESELLER, ETC.

Maine  
Telephone Assn.       INDICATE WHERE CALL ORIGINATES FOR BILLING PURPOSES IF NOT IN EXCHANGE  
CUSTOMER IS PLACING CALL FROM.

Mich. C. & S  
Teleco. Inc.         CUSTOMER NOTIFICATION SHOULD BE A PART -- IN BOLD PRINT -- OF THE TELEPHONE  
INSTRUCTIONS USED IN PLACING THE CALL. EXTRA EFFORT MUST BE MADE SO THAT  
THE CALLER IS AWARE OF THE POTENTIAL BILL.

Maine, Dept.  
of Public Svc.       UNDER STUDY.

MO GTE North         AOS PROVIDER SHOULD ASSIST IN CUSTOMER NOTIFICATION AND EDUCATION CAMPAIGN.

MO SWB               METHODS TO OBTAIN LEC OPERATOR, IF APPLICABLE, ALSO SHOULD BE INCLUDED. ALSO  
A DIALING PATTERN, NATIONALLY RECOGNIZED. I.E., "0" FOR LEC "00" FOR OTHER  
CARRIERS AS PHONES ARE PRESUBSCRIBED WITH EASY ACCESS.

NH Telephone  
Assn.                SEE ATTACHED MATRIX SHEET.

Ohio  
Cincinnati  
Bell                 VARIOUS STANDARD METHODS COULD BE EXPLORED.

Oregon  
Independent  
Telephone Assn.      NOT SPECIFIC RATES, BUT THAT A SURCHARGE OR AOS RATE DOES APPLY.

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QUALITY OF  
SERVICE  
COMMENTS:

TDS-Indiana THIS DEPENDS UPON WHAT REGULATORY POSITION THE STATE HAS TAKEN WITH REFERENCE TO NON-DOMINANT CARRIERS AND RESELLERS. IF THE STATE IS REGULATING NON-DOMINANT CARRIERS AND RESELLERS, THEN QUALITY OF SERVICE SHOULD BE REGULATED.  
(A) -- THERE SHOULD BE STANDARDS FOR ALL PROVIDERS OF LONG DISTANCE SERVICES.  
(B) -- THERE SHOULD BE STANDARDS FOR ALL PROVIDERS OF LONG DISTANCE SERVICES.  
IT SEEMS THE PUBLIC HAS A GENERAL IMPRESSION AS TO WHAT CONSTITUTES REASONABLE OPERATOR SERVICE. ALL OPERATOR SERVICE COMPANIES OPERATING WITHIN A STATE SHOULD MEET THE STANDARD OF REASONABLENESS.

Mich. GTE North, Inc. GTE BELIEVES SAME QUALITY STANDARDS SHOULD BE IMPOSED AS ARE REQUIRED OF THE LECs.

Mich. Alltel Mich., Inc. NOT CRITICAL.

Minn. Dept. of Public Svc. UNDER STUDY.

MO Contel THE COMPETITIVE NATURE OF THE MARKET WILL CAUSE AOSs WHO DO NOT HAVE ACCEPTABLE LEVELS OF QUALITY TO LOSE BUSINESS.

MO SWB (A) -- LEC'S HAVE THEM AS LISTED IN THE PUC RULES.  
(B) -- YES. HOWEVER, IF COMPANIES DO NOT MAINTAIN QUALITY IN THESE AREAS, COMPETITIVE ALTERNATIVES SHOULD FORCE THEIR COMPLIANCE OR DENISE.

NH Telephone Assn. SEE ATTACHED MATRIX SHEET.

Ohio Cincinnati Bell WHILE QUALITY OF SERVICE IS IMPORTANT, THERE ARE NO UNIVERSAL STANDARDS NOW, AND CREATION OF STANDARDS WOULD BE DIFFICULT. FREEDOM OF CHOICE TO THE LOCAL EXCHANGE COMPANY OPERATOR WOULD OBIVATE THIS POTENTIAL PROBLEM.

Oregon Independent Telephone Assn. THESE ARE COMPETITIVE, NON-REGULATED OPERATIONS.

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COMPLAINTS  
COMMENTS:

California Pac. Bell	AOSs SHOULD BE RESPONSIBLE FOR LEC EXPENSES ASSOCIATED WITH COMPLAINTS AND FOR ANY REVENUE LOSS ASSOCIATED WITH ADJUSTMENTS.
Colorado Consumer Council	THE PHONE NUMBER OF THE AOS PROVIDER SHOULD APPEAR ON THE AOS PART OF THE PHONE BILL WITH A MESSAGE TO CALL THAT NUMBER FOR COMPLAINTS.
TUS-Indiana	THERE SHOULD BE REGULATION OF ALL PROVIDERS OF LONG DISTANCE SERVICE. (A) -- NOT IF A LEC IS PROVIDING BILLING SERVICE TO THE AOS. (B) -- NOT IF A LEC IS PROVIDING BILLING SERVICE TO THE AOS. (C) -- IF IT HANDLES BILLING FOR THE AOS PROVIDER.
Mich. GTE North. Inc.	(A) -- IF AOS PROVIDER DOES OWN BILLING AND COLLECTION. (B) -- IF LEC PROVIDES BILLING AND COLLECTION SERVICE.
Mich. Alltel Mich., Inc.	IF REQUIRED TO BILL OTHERWISE REQUIRE AOS TO REIMBURSE LEC FOR WRITE OFF.
Minn. Dept. of Public Svc.	UNDER STUDY.
MO GTE North	(B) -- LECs INVOLVEMENT SHOULD BE SECONDARY.
MO Centel of MO, Inc.	THE ONLY REASON A LEC SHOULD BE INVOLVED WITH CUSTOMER COMPLAINT IS WHEN THE LEC IS THE ONE WHO CONTRACTED WITH AN AOS PROVIDER TO SERVE ITS CUSTOMERS. OTHERWISE SHOULD JUST DIRECT THE CUSTOMER TO THE APPROPRIATE REGULATORY AGENCY.
MO SWS	(A) -- VIA COMMISSION COMPLAINT BUREAU AS NECESSARY TO INSURE ADEQUATE RESPONSE. (B) -- ONLY IF THE LEC PARTICIPATES IN THE BILLING OF SERVICE. (C) -- THE FCC IS VERY MUCH INVOLVED AND HAS ISSUED CUSTOMER WARNINGS OVER EXCESSIVE PRICE LEVELS. (E) -- DEPENDS ON THEIR CONTRACTS WITH THE PROVIDERS AND WHETHER OR NOT LECs HAVE PURCHASED ACCOUNTS RECEIVABLES.
MO Citizens Telephone Co.	ASSUMING LEC IS WILLING.
NH Telephone Assn.	SEE ATTACHED MATRIX SHEET.
Ohio Cincinnati Bell	YES, AND THERE SHOULD BE AN APPROPRIATE COMPENSATION MECHANISM TO THE LOCAL EXCHANGE COMPANY FOR DOING SO TO PREVENT THE AOS COMPANIES FROM BEING SUBSIDIZED BY LOCAL RATEPAYERS.
Oregon Independent Telephone Assn.	IN MOST CASES, COMPLAINTS SHOULD GO TO AOS, BUT IN PRACTICE THE PUC AND LEC HAVE TO DEAL WITH IT.



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COMPLAINTS  
COMMENTS CONT'D.:

Vermont (B) -- UNLESS IT'S PART OF THE AGREEMENT.  
Telephone Assn. (E) -- IF IT IS PART OF AGREEMENT.

SCHEDULE V

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July 19, 1988

**FEDERAL EXPRESS**

Mr. Paul Pederson  
NARUC Staff Subcommittee  
On Communications  
c/o Missouri Public Service  
Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

Dear Mr. Pederson:

National Telephone Services, Inc. ("NTS") is in receipt of the NARUC Staff Subcommittee on Telecommunications Report on the Results of the Alternative Operator Services Survey ("Report"). NTS commends the Task Force for undertaking the Report in the first instance.

Many of the conclusions reached in the Report reflect the careful balancing of consumer interests while not restricting new market entrants. NTS believes, however, that certain recommendations should be revised prior to the adoption of any resolution by NARUC.

NTS has prepared the attached memorandum which sets forth NTS's perspective on the appropriate degree of regulation for operator services companies, both new entrants and established carriers alike.

Very truly yours,

PIERSON, BALL & DOWD

*Judith St. Ledger-Roty*  
Judith St. Ledger-Roty

Enclosure

VIEWS OF  
NATIONAL TELEPHONE SERVICES, INC.  
ON THE  
STATE TASK FORCE REPORT  
ON THE RESULTS OF THE  
ALTERNATIVE OPERATOR SERVICES SURVEY

National Telephone Services, Inc.<sup>1/</sup> ("NTS") is an operator services provider ("OSP") offering nationwide operator services since 1985. As with other OSPs, its services are tailored primarily to meet the needs of the transient public, and will shortly include not only traditional operator services, but also voice messaging, concierge and other enhanced services. Its subscribers include hotels, motels, hospitals, universities, airports and other institutions with a need for traditional operator services. Offering both interstate and intrastate services, NTS will potentially be subject to the certification, tariffing and other proposals contained in the State Task Force Report on the Results of the Alternative Operator Services Survey ("Report").<sup>2/</sup>

The Report provides the National Association of Regulatory Commissions ("NARUC") with an initial solid framework from which to adopt proposed guidelines for the provision of operator services. In particular, the Report's emphasis on carrier

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<sup>1/</sup> National Telephone Services, Inc. is incorporated under the name American Operator Services, Inc., but is doing business under the name National Telephone Services, Inc. It intends shortly to reincorporate as National Telephone Services, Inc.

<sup>2/</sup> The Report refers to providers of operator services, other than American Telephone & Telegraph Company ("AT&T") and the local exchange companies ("LECs"), as "alternative operator service providers," a phrase which competitive OSPs believe infers second-class status.

identification, and the provision of rate information upon request, recognizes that consumers are entitled to know which carrier they have reached, and the rates charged. On the other hand, the Report suffers from the lack of input from new entrants to the operator services market. Furthermore, the Report fails to consider the benefits of the competitive provision of operator services in reaching its conclusions.<sup>3/</sup>

As the following discussion will make clear, NTS does not oppose reasonable regulation of OSPs, so long as that regulation is applied evenhandedly to all interexchange carriers ("IXCs") who provide operator services. The following paragraphs set forth revisions to the proposed guidelines which NTS believes are necessary if evenhanded regulatory guidelines of all OSPs, including AT&T, are to be promulgated.

I. THE EVOLUTION OF COMPETITIVE OPERATOR SERVICES HAS HAD SUBSTANTIAL PUBLIC BENEFITS.

The competitive provision of operator services has evolved to fill unmet needs for operators. No facilities-based IXCs other than AT&T have had their own operators, and thus have been unable to complete operator initiated calls. As a consequence,

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<sup>3/</sup> Reviewers of the Report should also be cognizant that commenters referenced in the Report as "Non-Regulatory Agencies" do include the LECs. In the context of operator services, the LECs compete with other OSPs, as well as provide services to them, thereby giving the LECs an incentive to urge regulation on other OSPs. The Report does not attempt to break out responses of the LECs or other competitors in compiling "Non-Regulatory Agency" statistics.

AT&T has also had little incentive to improve its own operator services.

The mere fact that NTS and other OSPs have gained a foothold has spurred AT&T to improve its operator service network and to introduce enhanced operator service products. See Attachment 1 at 2. AT&T has also lowered its calling card surcharge for interstate calls to \$.80 in apparent response to operator services competition. The competitive provision of operators has also permitted carriers other than AT&T to carry operator assisted calls, and thus expand the number and diversity of services they may offer.<sup>4/</sup>

Competitive OSPs also offer "private" pay telephone companies "friendly" operator services, and can provide refund and other operator-type services not available from either the LECs or AT&T. Furthermore, these OSPs permit private pay telephone providers to handle operator assisted international traffic, a service which is often otherwise unavailable (blocked) from private pay telephones, as the AT&T international operator cannot prevent international calls from being dialed directly from these telephones without proper payment.

As the Task Force staff notes, the Federal Communications Commission ("FCC") solicited information from competitive operator service companies regarding the services they provide

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<sup>4/</sup> At least one IXC has recently announced the use of competitive operator services in conjunction with its services.

and the rates charged. Since then, recognizing the potential benefits operator service companies provide, it has tentatively declined to adopt regulations which restrict operator service companies. According to the FCC, it appears

that AOS [alternative operator service] companies are potential sources of new, innovative services for the public such as bilingual operators and voice messaging service. There is already evidence that AT&T and some Bell Operating Companies have moved to diversify their operator services in response to this competition.

Letter from D. Patrick, Chairman, FCC, to Honorable John Dingell, Chairman, Committee on Energy and Commerce, dated May 2, 1988. See Attachment 2. The FCC continued that "it seems likely that competition in the operator services market can produce consumer benefits which should not be eliminated by regulatory action."

The competitive provision of operator services is thus providing substantial public benefit, both by spurring the traditional monopolists to improve and diversify their own services, and by filling niche markets which neither AT&T nor the LECs serve. Competition in operator services will continue to spur improvements in both interexchange services and in complementary markets if permitted to continue unencumbered by overly burdensome regulations. The FCC "is proceeding cautiously in this area because, from [its] preliminary assessment, it appears that AOS companies are potential sources of new, innovative services for the public, such as bilingual operators and voice messaging services." Report, Section V at 4. NTS urges NARUC,

too, to adopt only those guidelines which, if implemented, would permit the continued evolution of operator services competition, and thus expand the benefits achieved.

II. OSPS SHOULD BE CERTIFICATED ACCORDING TO THEIR REGULATORY STATUS IN INDIVIDUAL STATES, AS LECS, FACILITIES BASED CARRIERS, OR RESELLERS.

The Report proposes "national certification guidelines" for OSPs "since [they] are offering their services throughout the nation." Report, Section V at 2. NTS submits, however, that "national guidelines" per se are inappropriate.

Each state commission must govern the provision of telecommunications services in accord with its own statutes, regulations and policies. Each state should therefore regulate OSPs according to their status as LECs, facilities based IXC's or resellers.<sup>5/</sup> There is no rational basis for treating those carriers who provide operator services in conjunction with their transmission services differently than any other carrier.<sup>6/</sup> Those states

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<sup>5/</sup> The FCC has adopted this approach, treating carriers who offer operator services in conjunction with resold transmission capacity as resellers, and thus not subject to certification or tariffing requirements for their interstate services.

<sup>6/</sup> The Proposed Resolution contains the statement "WHEREAS the new providers of operator services charge different rates than the rates charged by regulated local exchange companies and interexchange carriers," which fails to recognize that these new entrants are themselves interexchange carriers whose rates differ, as they are entitled to, based on their costs of service. See discussion of tariffs, supra.



which impose less regulation on resellers like NTS<sup>7/</sup> than on facilities based carriers should accord OSP resellers the same regulatory status.

The Task Force's conclusion that all OSPs should be required to be certificated<sup>8/</sup> is based on the premise that OSPs have a captive market. This premise ignores the fact that consumers choose which service establishments to patronize. However, even if one assumes a consumer has no choice of service establishment, the premise is only true where location owners program their equipment to block access to alternative providers. Regulations which preclude location owners from blocking access to 950-XXXX or 800 services would eliminate any possibility that consumers are deprived their choice of available interexchange carrier.<sup>9/</sup> This would guarantee that users could access MCI, US Sprint and other IXCs willing to subscribe to non-premium access arrangements. Should it choose, AT&T could also be accessed by its customers through these access arrangements.

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7/  
- NTS leases all of its transmission facilities from underlying carriers.

8/  
- Of course, state commissions which do not now require OSPs to obtain certificates, but which intend to revise their rules to require OSPs to become certificated, should permit OSPs to continue operations pending certification.

9/  
- A requirement that access via 10XXX be provided from all locations may not be technically feasible, given current unavailability of billed number screening features. These features are necessary to alert the IXC to which the call is routed that it originates from a pay telephone or other location which has requested that calls not be billed to the originating station.

NTS's own intention is to offer callers both a choice of IXCs and a choice of billing mechanisms in the "0+" arena. NTS already offers the caller a menu of billing possibilities, including utilization of their LEC calling cards, bank credit cards (i.e., VISA, MasterCard, American Express), or the option of having charges posted to their room account.

Once agreements with underlying carriers are finalized, NTS will introduce its carrier choice plan as well. NTS's plan is to execute agreements which will enable it to route calls -- at the option of the caller -- on the AT&T network at AT&T travel card rates, the MCI network at MCI travel card rates, the US Sprint network at US Sprint FON card rates, and other calls over the combined NTS resale network at rates developed by NTS. Once implemented, this system will in essence introduce equal access to the transient user "0+" market.

It bears noting that even today NTS is "handing off" to AT&T callers who desire AT&T's services. This is despite the fact that NTS incurs a nonrecoverable access charge averaging \$.45 per call in such instances. Thus, callers at NTS locations already have at least two carrier choices for their "0+" calling -- NTS and AT&T. That is double the number of choices the caller has from locations presubscribed to AT&T for "0+" services.

The diversity in service providers available from locations which generate operator assisted traffic supports the conclusion that OSP resellers should be regulated as non-dominant carriers in those states which have a dichotomy in regulatory treatment

for dominant and non-dominant carriers. This treatment is consistent with the staff's view that deregulation or detariffing might be appropriate if the end user had freedom of choice. See Report, Section V at 1.

Assuming, however, that NARUC decides to disregard traditional carrier classifications in favor of "national guidelines," these guidelines should not discriminate against new entrants. Nor does NTS believe the Task Force Staff intends any discrimination. NTS is concerned, however, that Guideline No. 5<sup>10/</sup> may be interpreted to preclude entry if one carrier in a certificated territory is already providing similar services. Because there is no dispute that operator services fulfill a public need and are therefore in the public interest, NTS believes that Guideline No. 5 should be deleted or that, at a minimum, any references to "public need" be omitted.

**III. THE PUBLIC IS ENTITLED TO APPRISAL OF CARRIER IDENTIFICATION, COMPLAINT INFORMATION AND, UPON REQUEST, RATE INFORMATION.**

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**A. Any "Notice" Requirements Should Apply to All Providers of Operator Services.**

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The Report focuses on the type and degree of information to which it believes consumers are entitled in placing operator assisted calls. NTS notes, however, that consumers are entitled to information as to the identity of the carrier they have

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<sup>10/</sup> Guideline No. 5, if implemented, would require that each carrier "demonstrate that [its] proposed service is in the public interest and that a need for the proposed service exists."

reached, as well as rate and other information upon request, of all providers of operator services, not just the new entrants. Furthermore, the institution of notice requirements applicable to a select group of carriers would be unreasonably discriminatory in violation of both state and federal statutes. Any notice requirements should be applicable to all providers of operator services, including AT&T and the LECs.

**B. Reasonable Nondiscriminatory Carrier Identification and Complaint Procedure Notification Requirements May Be in the Public Interest.**

The advent of divestiture (which permitted the Bell Operating Companies ("BOCs") to compete with AT&T in the provision of at least intraLATA operator services), coupled with the evolution of competitive operator service companies has resulted in considerable consumer confusion,<sup>11/</sup> which, in turn, has generated some number of consumer complaints.

Recognizing the very recent evolution of operator services competition, NTS believes that callers are entitled to be informed of which IXC they have reached when they initiate an operator assisted call. To that end, NTS believes it would not be unreasonable to require that operator service companies identify themselves prior to or simultaneously with the outputting of the terminating number in order to permit the user to choose whether or not to utilize a particular IXC's services.

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<sup>11/</sup> In NTS's view, AT&T has contributed to that confusion in its advertisement campaign, instructing users to dial "0" plus the number they are calling in order to reach an AT&T operator. See Attachment 3.

Users who choose not to use the IXC would thus have an opportunity to discontinue the call attempt without charge. NTS believes its practices are consistent with the Task Force recommendation that OSPs "pre-announce to the end user" the name of the OSP. See Report, Section V, Guideline No. 3 at 4. On the other hand, NTS believes that overly burdensome notice requirements can add both significant costs and delays, and are unreasonable.

In order to inform transient users that they have reached NTS, NTS has chosen to orally identify itself prior to call completion on both automated and "live operator" handled calls. If a call is handled automatically, a recorded announcement, "Thank you for using NTS," is made prior to outpulsing the terminating digits, allowing the caller to discontinue the call attempt immediately following the announcement, without charge. See n.1, supra.

Calls which are routed to live operators are answered "NTS operator [name of operator]," immediately notifying the caller that NTS is placing the call. In addition, at the close of each operator handling sequence, the caller hears "Thank you for using NTS," (id.) again giving the caller an opportunity to discontinue the call attempt without charge.<sup>12/</sup> Of course, NTS operators

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<sup>12/</sup> If the location owner subscribing to NTS requests, NTS may modify the second identification on live operator calls by having the NTS operator thank the subscriber for patronizing the location from which the call originated. For example, at the Atlanta Hartsfield Airport, live operators conclude  
(continued...)

elaborate in response to caller inquiries, wherever and whenever initiated.

The market may also dictate that the hospitality industry provide tent cards or other forms of written identification to the caller. NTS does provide tent cards which identify NTS as the operator services provider to its customers upon request. However, the Task Force's recommendation (at Section V, p. 2) that would hold operator service companies responsible for the placement of tent cards or other written identification at the location goes beyond the operator services company's ability to comply, and thus would be unreasonable and unenforceable. Operator service companies do not have access to the premises of their subscriber, any more than AT&T, the LECs or any other OSPs have such access. Furthermore, carriers do not and cannot afford to employ a work force to police the conduct of their customers.

As with carrier identification, the marketplace already demands that carriers provide complaint information upon request.<sup>13/</sup> NTS's operators are instructed to provide users with NTS's 800 number, which users may call to inquire about NTS's services or to register complaints. However, as previously

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<sup>12/</sup> (...continued)

the operator sequence with the statement "Thank you for using the Atlanta Hartsfield Airport." However, NTS continues to provide NTS-specific identification at the front end of each operator handling sequence.

<sup>13/</sup> Many complaints have stemmed from billing errors or delayed billing of OSP traffic by the LECs, who perform virtually all the billing for competitive OSPs.

discussed, NTS has no ability to force entities which use its services to post its 800 number, even if it were contained on tent cards provided to those establishments. In any event, NTS believes that the operator provision of complaint information, such as NTS's 800 number, is sufficient to provide all consumers seeking to inquire or complain about the services with the means to do so.<sup>14/</sup>

C. Transient Users Are Entitled to Rate Information Upon Request.

It has been NTS's practice to provide rate information to users of its operator services, upon request. Callers desiring rate information who reach an NTS operator have traditionally been instructed to redial an 800 number to reach a customer service representative who could provide that information. In an effort to make rate quotations more readily available, NTS is installing software which permits each operator station to have on-line access to call rating information. This enables live operators to inform callers of the rate charged for their call(s) upon request.

NTS believes that its practice to make rate quotations available upon request satisfies caller desires for rate information. It would not be reasonable, however, to require call rate information on every call, as it would destroy the customer

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<sup>14/</sup> NTS agrees with the Task Force that LECs and OSPs have an obligation to work together and with state and federal regulators to reduce the level of complaints and to resolve complaints, and thus has made no revisions for Guideline No. 6. See Report, Section V, Guideline No. 6 at 4.

convenience of prompt handling of operator assisted calls. And, it is virtually impossible to provide such information on automated calls in any event.

Any Commission requirement that OSPs give rate information on every call would also dramatically increase the costs of providing operator services generally. Live operators would be required to handle each call; they would have to ascertain the location of the called party and the calling party in order to provide the caller with the appropriate information. Not only would there be tremendous increases in costs resulting from lengthened transmission and access time, but labor costs would also show dramatic increases.

The return to live operators would be directly counter to industry initiatives to migrate users from live operator call handling to automated call handling, precisely because of the high labor costs. This is amply illustrated by AT&T's proposal, resulting in part from labor costs, to increase its operator assistance charges for interstate calls. See AT&T Transmittal No. 1238, dated June 1, 1988, contained herein as Attachment 4.15/

Regardless of what regulation NARUC considers appropriate, NTS reiterates that any such notice requirements must be applied evenhandedly. Identification and complaint procedure and rate

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15/ AT&T's revised tariff, if approved, will increase operator assistance charges for person to person calls dialed by the operator to \$4.25, and operator station calls dialed by the operator to \$2.50.



information requirements which differ among IXCs (i.e., AT&T and other providers of operator assisted interexchange services) would be unreasonably discriminatory. A notice option which reasonably balances the callers' and OSPs' interests would require that OSPs provide operator announcements which identify the carrier, thereby permitting the caller to disconnect the call or request an alternative carrier if it prefers not to use the IXC accessed. Similarly, the provision of complaint procedures (e.g., the provision of an 800 number) upon request by all OSPs reasonably balances consumer interests and the carrier's ability to reasonably make such information available.

IV. NTS DOES NOT OPPOSE RATE REGULATION IF NONDISCRIMINATORY AND BASED ON ITS COSTS OF PROVIDING SERVICES.

The Task Force proposes that all OSPs file tariffs for the provision of intrastate services. As with certification requirements, NTS believes that the filing of tariffs by OSPs should be governed by their classification as an LEC, facilities based IXC or reseller. In states where resale tariffs are not required, OSP resellers should not be required to file them. A different result would unreasonably discriminate against a select group of resellers. In states where resale tariffs are required, however, OSP resellers should be required to offer services under tariff.

NTS stresses, however, that any rate regulation of OSPs must be based on each carrier's own costs of providing services. NTS believes that adoption of alternative forms of rate regulation, such as rate caps, would be arbitrary and capricious unless the

rate cap is also based on a carrier's own costs (inclusive of a reasonable rate of return) of providing the service.

NARUC should exercise extreme caution in comparing competitive OSP rates to AT&T and LEC operator service rates. The costs upon which NTS's and other new entrants' rates are based are decisively different than those underlying AT&T or LEC rates. The difference in costs makes it unreasonable to set rates for NTS (or other operator service companies) by reference only to rates charged by another utility.<sup>16/</sup>

In fact, NTS believes that rate regulation is unnecessary, in light of the consumer reaction to rates substantially higher than AT&T or the LECs. Operator service companies will charge just and reasonable rates because the marketplace will not allow them to do otherwise. NTS's own subscribers are very concerned about the rates charged callers because they know that overcharging will reflect poorly on the subscriber as well as the AOS provider.

For example, a recent trade publication reported that the Hyatt hotel chain, one of the largest chains in the country, "keeps close tabs on how the AOS companies are performing and their rates." See Attachment 5. Indeed, Hyatt recently "got Telesphere to roll back its rates." Id. The same publication reported that hotels are "sensitive to customers' convenience,

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<sup>16/</sup> Furthermore, most states have not reviewed AT&T or LEC operator assisted rates to assess whether these rates cover the costs of providing their operator assisted services.

time constraints and charges," and that such hotels place an "emphasis on control of charges to customers." Id. It further quoted a Westin hotel official as saying that he would not "jeopardize [his] guests as far as service quality or the charges made to them." Id.

In addition, caller dissatisfaction is very costly to the provider. A dissatisfied user simply will hang up the next time he accesses that provider. NTS and other OSPs must have repeat customers to stay in business for long. Similarly, the negative publicity attendant to over-charging dissuades callers from utilizing OSP services. It does an OSP no good to contract with a subscriber location if the caller hangs up each time he reaches the OSP operator. Thus, market forces are moving inexorably to set maximum reasonable rates.

Recent reports of overcharging may be largely attributed to an immature industry that still is seeking its appropriate rate levels. The fact remains that an OSP who charges unreasonable rates will quickly be forced out of business.<sup>17/</sup>

V. OSP'S WHO HANDLE "0-" CALLS SHOULD HAVE EMERGENCY CALL HANDLING CAPABILITY.

The Task Force correctly focuses on public safety issues, recognizing that some emergency calls continue to be placed by

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<sup>17/</sup> The number of complaints registered concerning OSP rate levels must be placed in a proper context. The number of complaints received by NARUC are resultant of many millions of call attempts. While the importance of the complaints registered cannot be ignored, they can hardly be viewed as a groundswell of consumer dissatisfaction.

dialing "0-," rather than 911 or other specially designated numbers.<sup>18/</sup> OSPs who handle "0-" traffic must be equipped to properly handle these calls in a timely fashion. This does not imply, however, that these calls must be routed back to the LEC operator, who would in turn patch the call through to the proper emergency authorities if the OSP has the capability to perform the same emergency call handling functions as the LECs. NTS has invested in equipment which permits emergency call handling directly so that no LEC operator need be involved, and understands that other OSPs have similar capabilities. Based on the foregoing, NTS believes that the proposed public safety guideline should read:

That, absent the ability of the OSP to route all emergency calls, at no charge, back to the originating local network or proper emergency authority in a timely fashion, all 0 minus (0-) calls should be directed to the LEC.

**VI. ANY QUALITY OF SERVICE STANDARDS SHOULD NOT DISCRIMINATE AMONG IXCS PROVIDING OPERATOR SERVICES.**

Under the heading "Quality of Service," the Task Force proposes that, where applicable, OSPs (not including AT&T and the LECs), "meet established state/national guidelines for operator services dealing with but not limited to operator response and call processing time." NTS is not aware of any national standards promulgated by the FCC or other nonpartisan standard

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<sup>18/</sup> It is NTS's understanding that all 911 calls are routed directly into the network, so there should never be an occasion where such calls reach the OSP.

setting body. However, where such standards are applicable to AT&T and other IXCs, NTS would likely be required to follow them as well. Any such standards or guidelines must of course apply equally to all IXCs.<sup>19/</sup>

NTS cautions, however, that operator service response time is dependent on access arrangements and the technical capabilities of the central offices to which access arrangements are interconnected. It is not an issue limited to the capabilities of the OSP. These issues are getting increased attention with LEC implementation of "alternative equal access arrangements" which allegedly add delays to connection times.<sup>20/</sup> Any standards set or guidelines promulgated would be required to consider the diversity of access arrangements available to AT&T and the IXCs, and to apply those standards or guidelines in a reasonable, nondiscriminatory manner.

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<sup>19/</sup> If applicable to LEC but not AT&T provision of operator services, then NTS and other IXC OSPs would similarly be exempt.

<sup>20/</sup> See, e.g., In the Matter of Southwestern Bell Telephone Company, Trans. No. 1629, CC Docket No. 88-287, DA 88-858, rel. June 8, 1988, where the FCC suspended and designated for hearing Southwestern Bell's tariff proposing two types of alternative technologies for the provision of equal access. The FCC found that preliminary evidence indicated a substantial increase in post-dial delays. The FCC also found: "An end-user switching from a traditional carrier with little or no post-dial delay to a 'new' carrier, and thereafter experiencing more substantial post-dial delay, may attribute all of the additional post-dial delay to the new carrier and return to a traditional carrier." Id. at n.19.

Consistent with the above discussion, Guideline No. 4, Quality of Service, should be revised to read:

That, where applicable, IXC providers of operator services, at a minimum, meet established state/national guidelines for IXC provided operator services dealing with but not limited to operator response and call processing time.

**VII. NARUC SHOULD TAKE POSITIVE STEPS TO ASSURE THAT LEC BILLING AND COLLECTION SERVICES ARE PROVIDED TO OSPS AT NONDISCRIMINATORY, JUST AND REASONABLE RATES.**

NTS believes that AT&T receives unreasonably preferential billing and collection rates from the BOCs, which reflect the historical relationship between the BOCs and AT&T. Apparently the BOCs charge AT&T less than one-third what the BOCs charge operator service companies for their billing and collection services, despite the fact that the BOCs are not permitted under the Modified Final Judgment to discriminate among carriers in the provision of billing services. In tariff support materials accompanying AT&T's Hospitality Network Service tariff (since withdrawn by AT&T after the tariff was suspended and set for investigation), AT&T indicated that its nationwide average costs for billing additional messages was approximately \$.045, whereas NTS's average billing costs are two to three times that.

NTS and other OSPs are required to cover their costs, and thus must recover their costs for billing and collection as well as their other costs from the rates charged end users. NTS believes that the rates charged end users by OSPs would decline if billing and collection were required to be tariffed and

provided to all carriers on a reasonable, nondiscriminatory basis. This action would help eliminate complaints that IXC OSPs other than AT&T are charging excessive rates for services, when in fact many OSPs are merely attempting to recover their costs. NTS has drafted the following language which, if adopted by NARUC and subsequently followed by state commissions, would assist IXC OSPs in reducing their rates consistent with consumer interests:

- WHEREAS, Billing and collection services provided by the LECs have been deregulated by the FCC and by numerous state commissions; and
- WHEREAS, The Bell Operating Companies are charging rates for billing and collection to new OSPs which far exceed those charged to AT&T; and
- WHEREAS, The rates charged OSPs other than AT&T for billing and collection are necessarily reflected in higher rates to consumers than necessary for operator handled calls, now, therefore, be it
- RESOLVED: That, state commissions should consider the reinstatement of regulation, including the tariffing of billing and collection services, at rates which do not discriminate between AT&T and other OSPs, and be it further
- RESOLVED: That, regardless of whether billing and collection services are tariffed, state commissions should not permit the LECs to discriminate in the rates, terms and conditions under which they provide billing and collection services, and that they will institute complaint proceedings against the LECs upon receipt of reasonable allegations that such discrimination exists.

Conclusion

NTS again commends the Task Force for providing NARUC with a solid framework from which to work in adopting guidelines for the regulation of operator service providers. NTS urges NARUC to adopt those modifications to the framework suggested herein, adopting guidelines which promote competition in operator services and which promote reasonable, nondiscriminatory regulation of operator service providers.



**RESOLUTION**  
**Adopting Recommended Standards for**  
**Operator Service Providers (OSPs)**

- WHEREAS,** The National Association of Regulatory Commissioners has, since the enactment of the Communications Act of 1934, been a strong proponent of state policies to deal with telephone services; and
- WHEREAS,** The divestiture of AT&T and introduction of competition has substantially benefitted the public by inducing the proliferation of new services [and lower prices] and the introduction of new providers of existing telecommunications services; and
- WHEREAS,** New providers of operator services have begun furnishing services; and
- WHEREAS,** The new providers of operator services provide credit card calling, operator handled and basic operator services to various locations such as hotels, motels, public telephones and other such locations; and
- WHEREAS,** The new providers of operator services charge different rates than the rates charged by regulated local exchange carriers and interexchange carriers; and
- WHEREAS,** A recent NARUC survey of the opinions of state regulators, the FCC, and the telephone industry on operator services provided by carriers other than AT&T and the LECs, and legislation has been completed; and
- WHEREAS,** The new OSPs have generated a number of consumer concerns; and
- WHEREAS,** Billing and collection services provided by the LECs have been deregulated by the FCC and by numerous state commissions; and
- WHEREAS,** The Bell Operating Companies are charging rates for billing and collection to new OSPs which far exceed those charged to AT&T; and
- WHEREAS,** The rates charged OSPs other than AT&T for billing and collection are necessarily reflected in higher rates to consumers than necessary for operator handled calls, now, therefore, be it
- RESOLVED:** By the National Association of Regulatory Utility Commissioners that OSPs be regulated in accordance with their state regulatory status as LECs, IXC's or resellers, and be it further

**RESOLVED:** That the following regulatory guidelines for the OSP industry be adopted in the areas of:

1. Public Safety.

That, absent the ability of the OSP to route all emergency calls, at no charge, back to the originating local network or the appropriate emergency facility in a timely fashion, all 0 minus (0-) calls should be directed to the LEC.

2. Rate Levels.

That, state regulatory agencies ensure that the OSPs, including AT&T and the LECs, do not engage in the practice of unjust, unreasonable, or unduly discriminatory pricing in violation of their state statutes.

3. Customer Notification.

That, all OSPs, including AT&T and the LECs, have the operator preannounce to the end user the name of the provider handling the call, and upon request verbally quote rates.

4. Quality of Service.

That, where applicable, OSPs, at a minimum, meet established state/national guidelines for operator provided services dealing with but not limited to operator response and call processing time.

5. Complaints.

That, the federal and state regulatory agencies work with OSPs to resolve complaints. Furthermore, to the extent that LECs are involved in the billing process, they should be required to cooperate with OSPs in the complaint process, and that the OSPs take the responsibility for setting up complaint procedures and establishing interagency relations with each of the states in which they are providing services, and be it further

**RESOLVED:** That the Staff Subcommittee on Telephone Service Quality be directed to evaluate the need for minimum technical standards for interconnection and transmission quality, and be it further

**RESOLVED:** That the NARUC Committee on Communications establish monitoring procedures for the OSP industry which include tracking the effects of these guidelines on the services provided to the general public by OSPs, and be it further

RESOLVED: That, state commissions should consider the reinstatement of regulation, including the tariffing of billing and collection services, at rates which do not discriminate between AT&T and other OSPs, and be it further

RESOLVED: That, regardless of whether billing and collection services are tariffed, state commissions should not permit the LECs to discriminate in the rates, terms and conditions under which they provide billing and collection services, and that they will institute.

ATTACHMENT 1

2

# AT&T on Operator Services

By Lee Stess  
Associate Editor

**T**he first part of our INTERVIEW, which begins below, is with Jim Selzer, division manager, AT&T Operator Services Marketing. As such, he is responsible for the overall offerings of operator service products, profitability, and new products and services as they relate to AT&T customers.

Prior to holding this position, Mr. Selzer was the area manager for AT&T in Denver, Colo. Mr. Selzer has been with AT&T for a total of 21 years and started his career with Southwestern Bell, where he worked for 17 years prior to divestiture.

The second part of our interview, which begins on page 22, is with Mark Sinclair, national market manager, lodging industry, AT&T Business Group. Mr. Sinclair will be responsible for managing

lodging industry marketing efforts to support AT&T's recently filed Hospitality Network Service tariff.

Mr. Sinclair has worked for AT&T for seven years and previously held the position of telemarketing specialist with AT&T's Regional Technical Center. Mr. Sinclair's qualifications also include the degree of Master Hotel Supplier, a certification that is awarded by the American Hotel and Motel Association for the successful completion of courses and examinations dealing with the hotel/motel industry.

The HNS tariff, which if approved will become effective on Jan. 1, 1988, represents AT&T's move to compete with the carrier service companies and

hotel/motel, hospitals, and universities. Among other provisions, the tariff will allow AT&T to pay commissions to the hotel/motel, hospital, or university based on the grade of service provided by the institution's CPE and traffic volumes.

The tariff specifies traffic minimums as being 8 million minutes per month, 4 million minutes of 1+ and 4 million minutes of 0+ calls. The commissions range from \$.30 to \$.08 per 0+/0+ message (completed call).

**PHONE +:** From time to time the terms HOBIC (Hotel Billing Information Center), HOBIS (Hotel Billing Information System), and TSPS (Traffic

understand that these are former and current AT&T terms. Could you discuss what these terms mean?

# A

**SELZER:** HOBIC and HOBIS are engineering terms that were used in the old Bell System to describe the system by which time and charges were relayed to either the hotel or the caller.

We decided to rename these service "AT&T Queue Services" because it better describes what functions they perform. It is sort of an updated version of an old term.

The TSPS refers to the operator sub system. This is the system that enable the operator to assist the caller in completing the call. It not only provides the necessary switching, but also the real time rating, billing, foreign exchange rates, and an automatic call distributor which ensures prompt responses to a operator announced request, or a 0-0 call.

# Q

**PHONE +:** The concerns of back handling and delay times are factors choosing an operator services company. Could you explain how the AT&T operator services system interfaces with the network and the average time elapsing before operator intercept?

**SELZER:** I am not familiar with alternative providers of operator services route their calls, so I can't comment on their system and any delay they may or may not experience. I only comment on AT&T's system.

AT&T's hotel system, for example, is a direct path. When a guest calls (typical hotel dialing pattern) reaching an outside operator.

INTERVIEW  
Part II

Mark Sinclair,  
National Market Manager,  
AT&T Business Group

Q

**PHONE +:** AT&T has recently filed a Hospitality Network Service tariff to become effective on Jan. 1, 1988. AT&T has stated that this is in response to the competition from interexchange and operator service companies. Yet it would appear from the filing that AT&T's main point of concern is loss of interstate traffic. Is this a fair appraisal?

**SINCLAIR:** Sure. AT&T wants the interstate traffic, and the intrALATA traffic as well, but it is primarily an interstate market. This tariff will allow us to compete for that traffic in a manner that is consistent with the our competitors in the marketplace.

The point of the tariff is to obtain the interstate minutes and to compensate the institution that provides the minutes.

There is a lot of competition in this market and this is a way of addressing that fact and providing compensation to the hotel, hospital, or university, in recognition of the role that these institutions play in providing access to our network to their guests, patients, or students and faculty.

**PHONE +:** What was the primary reason for AT&T filing the HNS tariff?

**SINCLAIR:** There are really two main aspects to the tariff. The first is to recognize the role that the hotel/motel,



petition for this market.

We want to give the hotels/motels, hospitals, or universities a reason to stay with AT&T's service.

**PHONE +:** According to the HNS tariff, a firm must sign an agreement that stipulates that they will provide AT&T with a monthly minimum of 4,000,000 minutes each of 0+ and 1+ traffic for the period of one year. If a customer falls below the 4,000,000 total minute minimum for 0+ calls for three consecutive months, a penalty of \$04 per minute below the minimum is assessed. How is this penalty assessed and what provisions are there for the seasonal fluctuations in the hotel/motel industry?

**SINCLAIR:** We recognize the seasonal aspect of the hospitality industry and we have provided a review of total yearly minutes. Through the review, we can determine a customer's

customer who may have had to pay a penalty due to off season call volumes would receive a refund if the total yearly volumes were at or above the 48 million minute mark.

The minimum traffic requirements are designed to promote usage of the AT&T network and to serve as a basis for the commission schedule. They are not designed to penalize our customers. We believe that the year-end review provides a fair and equitable means to accomplish both ends, that of network usage and of adjustments for seasonal fluctuations.

**PHONE +:** Also included in the tariff is a grade of service requirement. Would you discuss this requirement and what is involved in the provision of this service?

A

**SINCLAIR:** That requirement basically refers to the number of calls that are blocked or that receive a busy signal during peak hours due to customer premises equipment or lack of access trunks provided. We are offering a higher commission schedule for those institutions that provide touch-tone telephones and a good P. grade of service.

The AT&T network standard for grade of service is P01 (1 call blocked for every 100 calls made during peak hour). Obviously, an institution that provides a P01 and touch-tone telephone service will receive the highest commission schedule. The commissions for this level of service would be \$.25 per message for the first 10,000,000 minutes per month and \$.30 per message for each additional message per month above the 10 million mark.

On the other end of the scale, an institution that provides a grade of service worse than P10 and touch-

In many ways it is exactly like a 1-call on a presubscribed line. If we are providing service to a hotel then they are presubscribed to AT&T long distance, so whether it is a 1+, 0+, or 0- call it was into our trunk through our POP and into the AT&T network. The difference with a 0+ or 0- call is it's routed to our TSPS.

Once a call has been routed to our TSPS, operator intercept takes place in 2.5 to 3 seconds. Any delay time in addition to that is due to call set up in the hotel's system, the local network, and the LEC's Central Office switching systems.

Q

**PHONE +:** AT&T is often looked upon as having set the industry's standards. Why do you believe this is true?

**SELZER:** I think that in the larger part this is related to the fact that we were the first to provide these services. The customer is used to AT&T Operator Services. We have been providing services such as queue-backs, billing, instant credit, and reconnection for years. It is what customers have come to expect from an operator service company.

We have provided this standard and it is our intention to continue to be the premier brand. What I mean by that is that when you think of operator services, we want you to think of AT&T Operator Services. We want you to think of the AT&T standards of quality and service—services without compromise.

In addition to our current services, we are also providing a full range of new services and we are always evaluating our services. The intention is that we will be developing new services to meet the needs of our customers. We are also providing a full range of services to meet the needs of our customers. We are also providing a full range of services to meet the needs of our customers.

**PHONE +:** AT&T rates are also often used as a comparison point; though, recently they have begun to come under

fire from the private sector as being unprofitable. With the issue of surcharges being a prominent debate in the operator services industry, what is AT&T's position on the use of surcharges?

A

**SELZER:** Our surcharges are well known. Our rates are a matter of public record. I feel that we've done a good job of supporting what we charge a customer. Our services are the best in the industry and they're priced according to that value.

If others don't care to compete at our rates that's their choice.

**PHONE +:** What are the AT&T surcharges for operator assisted calls?

**SELZER:** For a customer dialed, calling card call it is \$1.50. For a person-to-person call it is \$3.00, and for a session to third party, collect, or operator dialed call it is \$1.55.

I would also like to note that a customer can use their Reach Out America Plan to pay for operator assisted calls or they can use an AT&T Gift Certificate.

**PHONE +:** How has competition from operator services companies affected AT&T?

A

**SELZER:** We know that there is competition in the marketplace. We know that we are being challenged and we know that we are being challenged and we know that we are being challenged.

**PHONE +:** At the recent Telestrategies show in Miami, Norma Hultman, a staff manager for AT&T, said that any misrepresentation of AT&T association will be challenged. Could you explain what she was referring to?

**SELZER:** I'm not sure what she was

specifically referring to, but I can say that in an industry with this change, we put an incredible amount of value on the AT&T name and we definitely be challenged by AT&T.

**PHONE +:** I have heard some people say that AT&T would like to get out of the operator service business, that a drain on revenues. Would you comment on this allegation?

**SELZER:** We believe that open services is a major element of AT quality, personalized service. So calls require human interface—and do it seven million times a day.

As an example of the importance we place on our Operator Service we've recently committed to provide new switching equipment and technology upgrades for our Operator Services.

So, we consider it an important part of our on-going business.

Q

**PHONE +:** Does AT&T view operator services as a profit center as a means to the end of securing certain usage minutes?

**SELZER:** The answer to this question is yes. Various aspects of our Operator Services are managed as a product line and, therefore, have profitability targets. Examples of these aspects are call card, collect, and third party bill calls.

But other parts of our Operator Services such as instant refund credit, dialing assistance, and dialing instructions are provided at no charge. So a whole, operator services is a valuable aspect of our network service. Though, we do try to make it efficient and profitable within itself.

When taken together, these aspects of our operator services provide benefit to our customers that increase the value of our network.

minutes per month.

The reason we included the grade of service requirements and incorporated them into our commission schedule was to promote service as close to the standards of the AT&T network as possible. It is our hope that this will result in CPE standards that will provide the guest,

patient, student, or faculty member with the best telephone service available. The better the service, the happier the caller, and the greater the customer satisfaction with both the institution and AT&T.

**PHONE +:** What would you say is the best selling point of the HNS offering?

**SINCLAIR:** I think that the best selling point is that we are now providing compensation to the institutions. In addition to which, the institutions can provide AT&T's quality services to ensure that anyone who uses their phones will experience the high level of service that they would want representing them.

## AT&T's Suggested Commission Schedule for the Hospitality Network Service Tariff

AT&T's Hospitality Network Service tariff has become a hot topic among both Operator Service Companies and the Hospitality industry (hotels/motels, universities, and hospitals). As such is the high volume end of the hospitality market, which AIRT estimates will provide an additional \$28.4 million in gross revenues in 1968, \$84.7 million of which is expected to come from operator assisted calls.

The following description of the HNS tariff is quoted from "Revisions to AT&T Communications Tariff F.C.C. No. 1, Hospitality Network Service, Description and Justification, I. Introduction, paragraph 1, lines 4-9 (footnote omitted).

"HNS is a new AIRT Switched Network service that is designed to be attractive to high volume AT&T switched service customers whose usage includes both '1+' and '0+' traffic. HNS is particularly useful in meeting the unique needs of hotels, hospitals, universities and other such customers—traffic 'aggregators' who resell 1+ calls to their guests and at the same time generate high volumes of 0+ calls. HNS provides customers

who have at least four million minutes each of 1+ and 0+ calling a rate of 18 cents per minute for 1+ calls, and a payment ranging from 5 cents to 30 cents for each 0+ call made from the customer's premises. In exchange, the customer must commit for a period of one year to deliver to AIRT at least four million minutes of interstate 0+ traffic per month and to pay the monthly recurring charge for 1+ calling regardless of its 1+ calling volume."

The recurring monthly charge is incorporated in the AT&T 1+ charge of 18 cents per minute. That charge is composed of a 9 cents per minute usage sensitive charge and a 9 cents per minute recurring charge. Based on the four million minutes per month minimum, the cost of the recurring charge is set at \$360,000. The rate for additional minutes above the four million mark is an 18 cents per minute usage sensitive charge with no additional monthly recurring charge.

Cost of ordering the HNS service is set at \$100 per subscriber and \$10 per participating subscriber location. These

charges are designed to cover the costs of order processing and establishing billing arrangements to ensure that the costs are recovered directly from the users of the service.

The following table is AT&T's suggested commission schedule for operator assisted calls covered under the HNS tariff:

GRADE OF SERVICE	TYPE OF PHONE PROVIDED	
	Touch Tone (dollars per message)	Rotary
FOR	.30*	.30
FOR	.20	.15
P.O.	.10	.05
greater than P.O.	.05	not applicable

\* reflects commissions paid for more than 10 million messages per month. A \$.25 commission is paid for P.O. touch tone service with traffic volumes of 10 million messages per month or less.



ATTACHMENT 2



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON

MAY 2 1982

Honorable John D. Dingell  
Chairman, Committee on Energy and  
Commerce  
Room 2125  
Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Dingell:

As promised in my March 28, 1982 letter to you, I am providing herein the report regarding alternative operator service (AOS) companies which you requested in your letter of February 24, 1982. You requested that the Commission provide information on four subjects: (1) how AOS companies operate; (2) the regulatory status of AOS companies and the extent of our authority over their rates; (3) the options available for handling consumer complaints against AOS companies; and (4) the actions the Commission intends to take in this area.

Alternative Operator Service Characteristics

Based on our current analysis of available information, AOS companies typically lease long distance lines from interexchange companies like AT&T or MCI. The AOS companies then combine that long distance service with their own operator services and offer the package to businesses such as hotels, motels, hospitals, universities, privately owned pay telephone owners, and other businesses which have telephones available to "transient" users. Under the usual agreement, the host business agrees to route its customers' interstate calls to the AOS provider in return for a commission. AT&T provided similar commission arrangements pre-divestiture.

The calls routed to the AOS company are usually "0+" calls, that is, calls such as person to person, collect, third-party billed or credit card calls (including calls made with telephone company calling cards and major credit cards). When the end user places a call, the AOS companies generally use a live operator to take billing information and route the calls. In some instances, the AOS company's system permits the customer to dial all the digits required to route and bill the call without the intervention of a live operator. This procedure is similar to that presently available in some areas by which a customer dials the number to be called, receives a tone signal called a "long tone," and then enters a calling card number or other billing information. Once the AOS company obtains necessary routing and billing information, the company routes the call over its leased lines. The AOS company may also be able to transfer a call to the caller's preferred long distance carrier if the caller requests such a transfer.

depending on how the AOS service is technically configured. If the AOS company is not capable of transferring the call, the caller must use a telephone at another location to access a long distance carrier other than the AOS company.

#### Regulatory Status and Commission Authority

The AOS companies that have come to our attention are resellers of interstate services. As such, the Commission is authorized under the Communications Act (Act) and must require resellers to comply with both the statute and the Commission's regulations and policies. Under Sections 201-205 of the Act, AOS companies must charge just and reasonable rates and cannot engage in unreasonable practices or unreasonable discrimination. In addition, under Section 206 of the Act, the Commission entertains and investigates any complaints against an AOS company's provision of interstate and international services. (An AOS company's provision of intrastate services is, of course, within the jurisdiction of the appropriate state public utility commission.)

The Commission has classified resellers as non-dominant carriers for purposes of applying our policies established in the Competitive Carrier proceeding. Resellers of domestic interstate services are not required to file rate schedules with the Commission or applications for operating certificates under Section 214. Resellers of international services must file both. In either case, resellers such as AOS companies remain fully subject to our Section 208 complaint procedures and to the Act's requirements of just and reasonable rates and practices. The Commission receives and resolves over 1,000 complaints a year against non-dominant carriers. The Commission also has authority under Section 403 of the Act to investigate any matter within its jurisdiction. If the Commission finds that a non-dominant carrier has violated the Act, the Commission can take enforcement action through appropriate procedures, such as issuing a show cause order or a notice of apparent liability. If non-dominant carriers are found to be engaging in a violation of the Act or the Commission's rules, they can be fined or ordered to take steps to bring themselves into compliance with the law.

#### Consumer Complaints

Since January 1988, the Commission has received approximately 270 written complaints against AOS companies. During that same time frame, the Commission received a total of approximately 2600 complaints on all subject matters.

Most of the complaints against AOS companies received by the Commission involve calls made by individuals from telephones placed in one or more transient locations. The complaints most often allege that AOS companies are charging excessive rates and that they are providing services without notifying customers that an AOS provider is handling the call. The Commission has also received complaints with respect to billing practices for uncompleted calls and alleged nonresponsiveness to complaints made directly to the company.

When the Commission receives a complaint against an AOS company, our Enforcement Division contacts the company and requires it to provide a written response to the allegations in the complaint. To date, AOS companies responding to complaints filed with this Commission have in every case reimbursed customers the difference between their charges and what the customers' carrier of choice would have charged for the calls. The Commission has a variety of options for dealing with the issues raised in the complaints. These options are described in the next section of this report.

#### Future Commission Action

On March 28, 1988, the Common Carrier Bureau contacted all AOS companies against which we have received complaints and requested detailed information about the services these companies provide. I am enclosing a copy of that letter and the list of the AOS companies receiving it for your convenience. We also expect to receive in the near future a comprehensive market study conducted by the Information Publishing Corporation on all AOS companies operating in the market. The Bureau is presently reviewing the AOS companies' responses to its inquiry. In the meantime, to inform consumers, the Commission prepared and disseminated a consumer bulletin to alert consumers to their rights and remedies under the Act. I am enclosing a copy of that bulletin.

As soon as the Commission has completed its analysis of available information, we will determine what federal action may be appropriate. In making that determination, the Commission has a broad range of possible responses. At present, the Commission has successfully received complaints filed pursuant to Section 208 of the Act, as described above. The Commission can also continue, and expand upon, the significant steps it has taken to educate consumers as to what AOS companies are, when consumers may have dealings with them and what steps they can take to have their telephone calls handled by the company they choose and at rates they are willing to pay. In addition, the staff can continue its ongoing efforts to meet

informally with AOS companies to obtain consensual solutions to consumer problems. I should note in this regard that almost two thirds of the AOS companies currently operating have joined a new trade association, the Operator Service Providers of America (OSPA). In order to join OSPA, a company is required to agree to abide by a "code of ethics." A copy of this code is attached for your information.

If these approaches prove unsuccessful, the Commission has authority to take additional actions. For instance, if the Commission concludes that an AOS company is violating the Act, the Commission can order companies to take specified actions to comply with the law through a show cause proceeding or by issuing a notice of apparent liability. Finally, the Commission can initiate a rulemaking proceeding to develop appropriate rules for operator service providers.

The Commission is proceeding cautiously in this area because, from our preliminary assessment, it appears that AOS companies are potential sources of new, innovative services for the public, such as bilingual operators and voice messaging services. There is already evidence that AT&T and some Bell Operating Companies have moved to diversify their operator services in response to this competition. Thus, it seems likely that competition in the operator services market can produce consumer benefits which should not be eliminated by regulatory action. In addition, as in all industries, some AOS companies appear to be more responsive to consumers than other companies. It is important for the Commission to select options that are narrowly tailored to rectify the specific problems involved. It therefore may be appropriate to take action only against those companies causing the problem, rather than burdening responsible AOS providers with restrictions, such as requiring all "0-" traffic to be delivered to AT&T or requiring AOS providers to charge AT&T rates, as some observers have suggested.

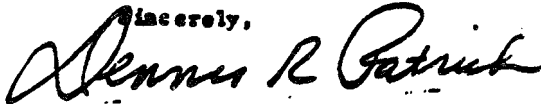
Please be assured that the Commission will carefully review all complaints and other material submitted to us regarding AOS companies. The Commission will take appropriate action if it appears that the practices of an AOS company contravenes the Act or the Commission's rules or if an AOS company does not adequately respond to a complaint. The Commission has also advised the National Association of Regulatory Utility Commissioners that we would work with state commissions to resolve problems of mutual concerns.

Honorable John D. Dingell

5.

I trust that the foregoing, along with the enclosed information, addresses your concerns. I will keep you abreast of any further actions the Commission takes in this area. Thank you for your interest in this matter, and please let me know if I can be of further assistance.

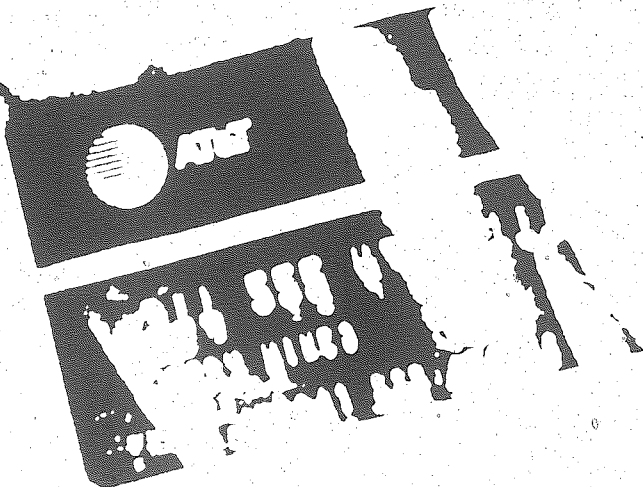
Sincerely,

A handwritten signature in cursive script that reads "Dennis R. Patrick". The signature is written in dark ink and is positioned above the typed name.

Dennis R. Patrick  
Chairman

Enclosures

ATTACHMENT 3



Extend Your Reach.

When you have the AT&T Card, the entire world suddenly becomes closer.

Almost every phone becomes an extension of your own phone. You just dial "0" plus the area code and the number you're calling. Then your card number starts the tone, and your call is billed to your home or office phone.

You enjoy the convenience of calling from public phones without needing coins. And the excellent AT&T rates that are the next best value to AT&T direct dialed state-to-state calls.

The AT&T Card gives you reliable AT&T service through the advanced AT&T Network, wherever it is from a hotel, airport, or a client's phone. And you always receive an itemized statement for your records.

So why not extend your reach today? Order your free AT&T Card.

1-800-ONE-AT&T  
EXT. 3105

\*Dialing instructions apply to phones that have AT&T in their Dial II long distance carrier.

Please send me my FREE AT&T Card

Please send me \_\_\_\_\_ AT&T Card(s).

Please send me \_\_\_\_\_ AT&T Card(s).

Simply fill out this coupon and mail it to:  
AT&T CARD SERVICES  
PO Box 41910  
Kansas City, MO 64101-4110

You should receive your AT&T Card in 4-6 weeks.

Name (Print or Type) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip (Add 4 or 5 digit extension) \_\_\_\_\_

Your best telephone number \_\_\_\_\_

The AT&T Card is provided at no charge.





ATTACHMENT 4

*B. Mic*



W. E. Lind  
Administrator - Rates and Tariffs

Room 28007  
65 Corporate Drive  
Bridgewater, NJ 08807-6001  
201 686-6861

June 1, 1988

Transmittal No. 1238

Secretary  
Federal Communications Commission  
Washington, D.C. 20534

Attention: Common Carrier Bureau

The accompanying tariff material issued by AT&T Communications and bearing Tariff P.C.C. Nos. 1 and 13, effective July 16, 1988, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended. This material consists of tariff pages as indicated on the following check sheets:

- Tariff P.C.C. No. 1 - 276th Revised Page 1
- Tariff P.C.C. No. 13 - 12th Revised Page 1

This filing increases the service charges associated with domestic operator assisted calls and makes them uniform over all mileages as follows:

	Service Charges	
	Existing	Proposed
- Operator Station		
1-10 miles	\$ .75	\$1.75
11-22 miles	\$1.10	\$1.75
Over 22 miles	\$1.55	\$1.75
- Person-to-Person		
All mileages	\$3.00	\$3.30
- Customer Dialed		
Calling Card Station		
1-10 miles (includes Mexico)	\$ .60	\$ .80
Over 10 miles	\$ .80	\$ .80

These operator service charges have not been increased since they were implemented in 1982. Yet, in that six year period, AT&T's costs to handle operator assisted calls have increased significantly. The proposed revisions will improve the revenue/cost relationship for these types of calls, provide additional contribution to common costs and allow AT&T to maintain its rates for basic NTS as low as possible.

This filing also introduces a \$2.00 service charge when an operator verifies that there is conversation in progress on a called station and

Finally, this filing introduces a \$.75 surcharge on those operator handled calls where the customer dials "0" and requests that the operator dial the called number. This charge is in addition to the applicable Operator Station and Person-to-Person service charges and will also apply on international calls where the customer has the capability of dialing the desired telephone number. This tariff revision is being made to encourage customers to dial "0" plus the called number and therefore promotes more efficient use of AT&T's network by reducing both operator work time and network holding time.

The introduction of the \$.75 surcharge on operator dialed calls and the \$2.00 service charges for busy-line verification and busy-line interruption will not be implemented until December 1, 1988 to allow AT&T to make the required software and equipment changes and to make arrangements with the local exchange carriers to provide customer billing of these charges. Also, beginning on November 1, 1988, customers who use these operator services, will be advised by the operator that AT&T will begin charging for these services on December 1, 1988.

Support material required by Section 61.38 of the Federal Communications Commission's Rules and Regulations is submitted herewith. The above tariff revisions are estimated to increase AT&T's Switched Services net earnings in 1988 by \$110 million (on an annualized basis).

Notification to customers of the tariff changes is being made through advertisements scheduled to appear during the next several days in general circulation newspapers in the 25 largest metropolitan areas within the country. In addition, advertisements will appear in USA Today and the national editions of the Wall Street Journal and the New York Times.

Acknowledgment and date of receipt of this filing are requested. A duplicate letter of transmittal is attached for this purpose. All correspondence in connection with this filing should be addressed to Mr. W. E. Lind, Administrator - Rates and Tariffs, AT&T Communications, 1120 - 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

  
Administrator - Rates and Tariffs

Duplicate Letter  
Attachment:

Tariff Pages  
Support Material

Copy of Letter, with attachment, concurrently sent to:  
Commercial Contractor

**AT&T OPERATOR SERVICES RATE  
AND RATE STRUCTURE REVISIONS**

**TRANSMITTAL NO. 1235**

**DESCRIPTION AND JUSTIFICATION**

**TRANSMITTAL NO. 1238**  
**DESCRIPTION AND JUSTIFICATION**

This attachment provides the support material for Transmittal No. 1238, in compliance with Section 61.38 of the Commission's Rules. This tariff filing makes revisions to AT&T's rates and rate structures for operator station, person-to-person and certain Customer Dialed Calling Card ("CDCC") station calls, and introduces charges for certain operator-assistance functions for which no charge presently is assessed. These revisions are designed to (a) improve the cost recovery achieved by AT&T's operator services rates; (b) provide additional customer incentives for more efficient use of AT&T's network facilities; and (c) assure that the costs of operator assistance functions for which new charges are being introduced are borne by those customers who use those services.

**1. INTRODUCTION**

AT&T's present MTS rate structure for operator-assisted calls, implemented in 1982, incorporates fixed service charges, which are added to basic dial message rates, for each of three classes of operator service: person-to-person, operator station (e.g., collect, third number billed, and sent paid), and CDCC calls.\* This rate structure

\* Prior to 1982, AT&T's operator services charges were based on a 16-step rate schedule aggregating operator services and message charges, with an initial three minute minimum billing period and additional minute rates in each rate step. See AT&T (Equalization Filing), 89 F.C.C.2d 1000, 1001-02 (1982).

reflects the fact that operator services costs do not vary significantly with distance." The use of separate service charges also provides a simplified, readily understandable rate structure that identifies for the customer the added cost of operator services over direct dialed calling, as well as cost differences among the classes of operator service.

The current service charge for person-to-person domestic and offshore calls is \$3.00, and is applied to all calls on which the person specified by the call originator is reached by AT&T's operator.\*\* The service charge for domestic operator station calls for distances over 22 miles is currently \$1.55 per call, and the current service charge for CDCC calls over 11 miles in distance is \$.80 per call. For "short haul" traffic, a service charge of \$.60 applies to domestic CDCC calls for distances from 1-10 miles, and charges of \$.75 and \$1.10 apply to domestic operator station calls for distances of 1-10 and 11-22 miles, respectively.\*\*\*

This filing makes the following changes to domestic and offshore operator service charges:

\* See AT&T, 64 F.C.C.2d 1, 98 (1977).

\*\* See AT&T Communications Tariff F.C.C. 1, Sections 2.8.3.D, 3.2.1.L.2. The person-to-person charge is also applied to calls on which the originator requests or agrees to speak to a party other than the person initially specified.

\*\*\* Id., Section 3.2.1.L.2. For CDCC calls to Mexico, the service charge is \$.60 for distances of 1-10 miles, and \$.80 for distances greater than 10 miles. Id., Section 3.2.4.L.1.

- increases the service charge for operator station calls to a uniform \$1.75 per call;
- increases the service charge for person-to-person calls to \$3.50 per call;
- establishes a uniform service charge for CDCC calls of \$.80 per call by eliminating the current rate differential for short haul (1-10 mile) calls;
- introduces a \$.75 surcharge, effective December 1, 1988, for certain operator station and person-to-person calls dialed on a "0-" basis (i.e., without dialing the digits of the called number); and
- implements new service charges, effective December 1, 1988, of \$2.00 per attempt for busy line verification ("BLV") service and \$4.00 per attempt for busy line interruption ("BLI") service. These service charges will be applied when the operator is successful in reporting that a conversation is in progress (BLV) or in requesting that a conversation be terminated (BLI).

The filing also eliminates the current differential between the service charges for short- and long-haul CDCC calls to Mexico and, effective December 1, 1988, implements the "0-" surcharge for operator services calls (other than collect) to Mexico and all other international points except Canada.\*

The tariff changes in this filing are the first comprehensive revisions to AT&T's operator services rates and

\* AT&T intends to file changes later this year to its tariffs for service to Canada, adjusting the mileage steps in those rate schedules. Revisions to the rates and rate structure to introduce the "0-" surcharge for operator services calls to Canada will also be incorporated in that filing.

rate structure since their initial implementation in 1982.<sup>\*</sup> These rate increases are being made in response to changes over time in AT&T's costs of providing operator services. As the Commission has previously recognized, AT&T's operator services rates were established in 1982 at levels sufficient to recover their costs.<sup>\*\*</sup> While operator services rates continue fully to recover the costs of those services, the level of contribution to other Switched Services has been eroded as a result of declining revenue growth for operator station and person-to-person calls, accompanied by increased operator services expenses.

Specifically, total annual revenues from these call types, which increased by only 2.5 percent between 1984 and 1986, declined by .9 percent in 1987 and are projected to decline by a further 4.2 percent in 1988. In the same period, operator contract wage expenses increased between 1984 and 1987 by a total of \$90 million, and are projected to increase by a further \$15 million in 1988. Moreover, concomitant benefit expense increases for operator personnel over the same period total \$30.1 million.

<sup>\*</sup> Certain modifications have been made during this period in individual operator services rates. For example, effective May 1, 1987, AT&T implemented a reduction in the CDCC rate for domestic CDCC calls over 22 miles from \$1.05 to the current \$.80 level. See Transmittal No. 809, filed December 31, 1986, Description and Justification, pp. 2-3.

<sup>\*\*</sup> AT&T (Equalization Filing), 89 F.C.C.2d at 1009.



ATTACHMENT 5

SCHEDULE M