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March 1, 2001

FILED

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Secretary of the Public Service Commission
Missouri Public Service Commission
200 Madison Street, Suite 100
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Jefferson City, Missouri 65102

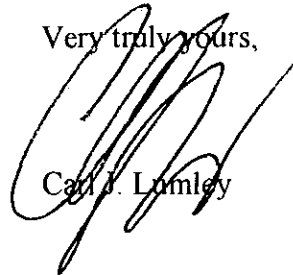
Missouri Public
Service Commission

Re: Case No. TX-2001-73

Dear Secretary of the Commission:

Enclosed please find for filing with the Commission an original and nine (9) copies of WorldCom's Comments to Proposed Rule. Upon your receipt, please file stamp the extra copy received and return to the undersigned in the enclosed, self-addressed, stamped envelope. If you have any questions, please do not hesitate to contact us.

Very truly yours,



Carl J. Lumley

CJL:dn

Enclosures

cc. Office of Public Counsel (W/Enclosure)
General Counsel (W/Enclosure)

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Missouri Public
Service Commission

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

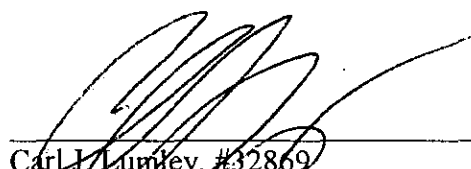
In the Matter of the Proposed New Rules
on Prepaid Calling Cards.

Case No. TX-2001-73

**WORLDCOM'S COMMENTS ON
PROPOSED RULES**

COMES NOW WorldCom, Inc. and submits the comments set forth in Exhibit A hereto
and incorporated herein by reference.

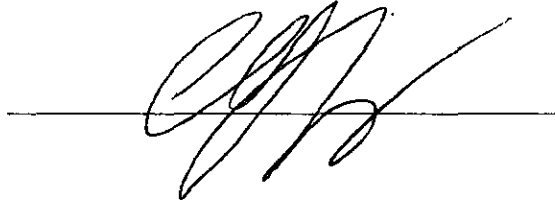
Respectfully submitted,



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Certificate of Service

A true and correct copy of the foregoing document was mailed this 1st day of March, 2001, to the persons listed on the attached list, by placing same in the U.S. Mail, postage paid.



Office of Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

General Counsel
Missouri Public Service Commission
P.O. Box 360
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WorldCom, Inc. ("WorldCom" or "the Company") respectfully submits these comments in response to the Public Service Commission's Proposed Rules regarding Prepaid Calling Services.

Introduction

WorldCom supports the Commission's efforts to ensure that consumers of prepaid calling cards are provided adequate disclosure of the service's rates, terms, and conditions. The Company strives to provide a product that will be well received by consumers. Therefore, WorldCom offers full disclosure, whenever and wherever viable, of the information consumers need in order to take best advantage of prepaid calling card products. WorldCom also supports requirements that all prepaid calling service companies obtain a certificate of service authority and maintain an approved tariff with the Commission.

The Commission must be cautious, however, of implementing regulations that are more onerous to the provider than are helpful to the consumer. Fortunately, overall, the Commission's Proposed Rules do a good job of meeting consumer protection goals in light of the various industry constraints. However, WorldCom does have several suggestions regarding how the Proposed Rules should be modified.

Discussion

- 1. Rule 240-32.140 should be revised so to exclude promotional prepaid calling cards from the definition of prepaid calling card.**

Promotional cards are not bought by end-users. These cards are given to end-users, typically as marketing devices, from companies that buy these cards in bulk from prepaid calling card companies such as WorldCom. Because these cards' terms and conditions are governed by the Company's independent contract with the business customer buying the cards in bulk, it would be infeasible and inappropriate to conform with the Commission's Proposed Rules in so far as these cards are concerned. The terms and conditions of promotional cards simply do not lend themselves to uniform disclosure requirements. In fact, flexibility in regard to the printing on these cards is of utmost concern, since the cards are marketing tools designed for individual customers of the Company. If the Commission insisted on applying these rules to promotional cards, WorldCom's ability to meet the needs of its customers would be negatively impacted and needlessly constrained.

More importantly, however, applying these Proposed Rules to promotional cards is *unnecessary*. These cards are essentially gifts to the end-users, and so there is less need to

impose regulatory oversight for protection purposes. These end-users simply have different expectations regarding the cards and less need for Commission oversight. As such, the Commission should exclude promotional cards from the definition of prepaid calling card and thus unambiguously clarify that the rules do not apply to that particular type of offering.

2. **Rule 240-32.150 should be clarified to more clearly state that either the certificated name of the company or the company's registered "d/b/a" name may be used on prepaid calling cards.**

Reading subsection (2) and (3) of 240-32.150, the Company assumes that the Commission's intent is that companies have the flexibility of using its certificated name or its registered d/b/a name as long as the d/b/a is reflected on the certificated name. However, as currently written, subsections (2) and (3) are not as clear as WorldCom would prefer. Therefore, the Company suggests that these sections be amended deleting subsection (3) and modifying subsection (2) as follows:

"(2) The company name used on prepaid calling cards shall be identical to the name in which the certificate/tariff is issued. Alternatively, however, a "doing business as" (d/b/a) name may be used on all prepaid cards if the d/b/a is registered with the Missouri Secretary of State as a fictitious name and the d/b/a is reflected on the certificate and the tariff prior to providing the Service. "

3. **Rule 240-32.160 (1)(b) and (2)(e) should be clarified and revised to allow companies more flexibility in pricing their products.**

As currently drafted, Rule 240-32.160(1)(b) and (2)(e) are unclear as to what rate information must be printed on prepaid calling cards and associated materials. Clearly, the rules acknowledge the difficulty in providing the actual rate per minute, as they provide that companies have the option of complying with the rule by providing the "domestic rate or an appropriate method for the user to calculate the per minute domestic rate. . . ." 240-32.160(1)(b)& (2)(e) (emphasis added). The rate per minute of WorldCom's cards are either stated on the card explicitly or may be derived by the consumer by evaluating the cost of the product in light of the minutes/units associated with the card (just as a consumer buying a box of lightbulbs determines the cost per lightbulb). Any charges adding to the cost of a call (such as the payphone surcharge) are always provided on the card. Accordingly, the rate per minute is never hidden from the consumer.

In light of this fact, if the Commission's intent in subsection (1)(b) and (2)(e) was to require that companies provide either the rate per minute or a *particular statement* explaining to the consumer how to calculate the cost per unit (i.e. dividing the price by the number of units (minutes)), WorldCom respectfully requests that the Commission reconsider this proposal.

Although the calculation for determining a per unit cost is obvious and inherently known by consumers, there is simply not enough room to describe the relevant calculation method in words on the prepaid calling card or its materials. As such, WorldCom would be forced to choose the option of printing the actual rate per minute on the materials. Ironically, this will actually harm consumers. Specifically, in those situations where the rate per minute is not disclosed, the retailer (not the prepaid calling card company) is pricing the overall price of the merchandise at prices that reflect per-minute rates that are less than or equal to the maximum (i.e. tariffed) rate. The retailer therefore has more pricing flexibility, and the ability to discount the cards more specifically. Per the retailer's agreement with WorldCom, the ceiling for the price of the merchandise is that cost which would result in the rate per minute meeting the tariffed rate per minute offered by WorldCom. Accordingly, the consumer only stands to benefit from this flexibility.

Although WorldCom's position is that subsection (1)(b) and (2)(e) are unnecessary in light of industry practice, if the Commission wishes to inform the customer of the maximum rate per minute that may result in the value of the card being diminished, the Commission may simply require that the maximum rate per minute be disclosed. By only requiring that the maximum domestic rate be disclosed, the Commission will allow prepaid calling card providers like WorldCom to offer cards that may be subsequently discounted (and the value of the cards thereby increased) by retailers and distributors. Because the maximum domestic rate will operate as a ceiling, and because customers will be able to calculate the actual per minute domestic rate (by dividing the cost of the card by the minutes/units offered by the card), amending the proposed rule in such a way does not impair full disclosure and yet allows companies the ability to provide the most competitive offerings to end-users.

4. Rule 240-32.160(1)(c) and (2)(f)'s requirement that companies provide a disclosure regarding the effect of rates, surcharges and fees should be deleted.

It is self-evident and intuitive to customers evaluating and purchasing a prepaid calling card that rates, surcharges and fees reduce the value of the card. In short, customers know that is what such charges do. As such, the Proposed Rule does nothing to protect customers and does not address any known problem or concern.

Moreover, there is simply not enough room on the card to make such a disclosure. Already, the Company has faced incredible formatting obstacles and significant development costs in trying to create a card that has all of the various states' required disclosures (to date) and federal de-tariffing information. WorldCom, like most prepaid calling card companies, does

not print state-specific cards; it sells its products to particular retail customers, many of which have stores nationwide. Moreover, the prepaid calling card product is meant to be portable across states and cannot be profitable to the Company or its retail customers if there are state-specific cards. Accordingly, the Commission should delete subsection (1)(c) and (2)(f), as these requirements needlessly take away valuable space for providing other, more important, disclosures.

5. **Rule 240-32.160(1)(b) and (2)(e) should be modified to clarify that the required disclosures regarding surcharges, taxes, and any "added relevant variables" apply only to such domestic surcharges, taxes, etc..**

Just as the disclosure requirement in Rule 240-32.160 (1)(b) and (2)(e) regarding rates applies only to domestic rates, so too should the disclosure requirement regarding surcharges, taxes, and any "added relevant variables." WorldCom provides international service via its prepaid calling cards to 230 countries, at rates and with surcharges that may vary dramatically. Like disclosing the relevant rates, it would be impossible to disclose the surcharge applicable to a particular country. Country-specific information regarding rates and surcharges is already available through WorldCom's toll-free customer service number. As such, there is no need to require any such disclosures on the card, and this provision should be deleted.

6. **Rule 240-32.160(1)(b) and (2)(e) should be clarified to explain that the surcharge, tax, and added variables required to be disclosed are only those *additionally* depleting the value of the card.**

If a charge is "built into" the value of the card, it need not be disclosed. However, if other fees are assessed "on top of" the "built-in" values, that information must be disclosed. This will ensure that consumers are not surprised by hidden charges without requiring that disclosures be made in dollars when it is not possible.

7. **Rule 240-32.160(3) regarding contracts between carriers and their retailers or distributors should be deleted.**

Although the intent of 240-32.160(3) is unclear to the Company, it appears that the Commission may be attempting to indirectly regulate the Company's retailers and distributors, at least in so far as customer disclosures are concerned. As such, WorldCom respectfully suggests that the Commission does not have the appropriate jurisdiction. In addition, the Commission should be aware that such a requirement is unnecessary in so far as the prepaid calling card company relies on its own efforts to provide the required disclosures. In those situations where retailers or distributors design the printing on the card, WorldCom still

maintains control over the legal disclosures on prepaid calling card merchandise by requiring that any independent printing done by retailers and distributors comply with the appropriate regulations and receive approval from WorldCom as a condition of receiving the underlying telecommunications service. This method of ensuring full disclosure is preferable to the Commission's proposal, and this is especially true since it is unclear as to what contractual obligations the Commission would exactly envision. Accordingly, WorldCom respectfully requests that the Commission delete this provision.

8. **Rule 240-32.160(4) should be clarified to unambiguously allow either 24 hr, 7 days a week customer service or electronic voice-recording, by deleting the phrase "and/or" and replacing it with "or."**

By making this non-substantive revision, the Commission will clarify that it has given the companies flexibility in conforming with customer service expectations.

9. **Currently, the requirements of Rule 240-32.170(3) are unclear, especially regarding in what context "expressions" of "increments charged" must be in minutes or fractions thereof.**

WorldCom respectfully requests that the Commission clarify the intent of this provision. The Company is unsure as to which context the "expressions" of "increments charged" must be in minutes or fractions thereof, on voice recordings preceding the phone call, on printed materials, etc.. However, because it may be applicable, the Company does wish to make the Commission aware that most companies in the prepaid calling card industry offer customers a choice of purchasing cards in minute, unit, or dollar valuations. Each type of card accommodates certain markets and retail channels. Accordingly, and although the requirement in Rule 240-32.170(3) is unclear, the Company's first impression is that such a provision is unnecessary. The Commission should not unnecessarily restrict the Company's ability to meet the needs of particular customers whose calling patterns make a specific type of valuation more desirable. In particular, should the Commission have intended to propose that only minutes-based cards be allowed, the Commission should certainly revise the rule so that prepaid calling card companies have the flexibility to express the value of cards and the increments charged thereto in either minutes, dollars or units.

- 10. Rule 240-32.170(10) should be amended to grandfather all merchandise (cards, pins, sales materials, etc.) into compliance with the regulation that are produced prior to the effective date of the rule.**

Despite its best efforts to produce cards compliant with any prepaid calling card rules adopted by this Commission, WorldCom and other companies in the industry may not be able to ensure that all cards in the hands of end-user customers are compliant with the regulations by the compliance date, especially if the Commission does not make changes to the rules as suggested WorldCom. This is because the prepaid calling card business does not operate in a flashcut fashion: there will be some delay between the production of the cards and their appearance on store shelves. Indeed, WorldCom's distributors and direct wholesale (retail store) customers often buy merchandise in quantities that they expect to last more than three or even four months. Moreover, in regard to the Company's wholesale customers, which then warehouse and divide merchandise among various store locations as needed, there is virtually no way to even estimate when the cards will be in the hands of end-users, since one particular retail location's inventory will exhaust before another location's. As such, cards produced even before the Commission adopted the rule may not be on store shelves, much less sold to end-users, until after six months after the effective date of the rule. Accordingly, Rule 240-32.170(10) should state that merchandise produced prior to the compliance date established by the rule shall not be subject to the regulations.

Furthermore, if the Commission amends the rules as described in these Comments, the Company believes that six months to comply with the rules will be sufficient. The Company is hopeful that these revisions will be acceptable to the Commission, because the suggestions address consumer protection needs in balance with industry constraints. However, should the Commission choose not to accept WorldCom's suggested revisions to the rules, additional time to comply may be needed, and the Company respectfully requests that it be granted leave to evaluate and address that issue at a later date should it be necessary.