

**DRAFT****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 )

No. TA-88-218  
(consolidated)

**PREFILED REBUTTAL TESTIMONY OF  
PAUL FREELS  
INTERNATIONAL TELECHARGE, INC.**

1. Q. Please state your name and business address.  
A. Paul Freels, 108 South Akard, Dallas, Texas 75202.
2. Q. Are you the same Paul Freels who prefiled testimony in this docket?  
A. Yes.
3. Q. What is the purpose of this testimony?  
A. This testimony will address the concerns raised by John Van Eschen, witness for the Commission, and rebut several of the assertions made by Dianne Drainer, witness for the Public Counsel's Office. I also want to express my agreement with and address the concerns of other witnesses who prefiled testimony in this docket.

**COMMISSION STAFF RECOMMENDATIONS**

4. Q. Mr. Van Eschen for the Commission Staff made seven broad recommendations regarding conditions which must be met before an operator service provider could provide service. Since a number of his concerns were concerns expressed by other witnesses in this docket, could you address each recommendation separately?

Exhibit No. 7

Date 4-20-88 Case No. TA-88-218 et al

Reporter Tweedy

A. Yes.

5. Q. First, Mr. Van Eschen recommended that operator service providers must not knowingly bill for any incomplete calls or emergency calls. Do you agree with this recommendation?

A. Yes. I would also note that in regard to the issue of billing for incomplete calls, by the wording of this condition, I believe Mr. Van Eschen is recognizing that billing for uncompleted calls is actually a problem of answer supervision signalling. This is not a problem unique to ITI. Rather, ITI currently has the same problem as any other interexchange carrier utilizing Feature Group B access. On those occasions when a caller allows a telephone to ring an excessive amount of time, approximately 12 rings or 72 seconds, current software supervision could show a call completion and therefore a bill would be rendered. Until the telecommunications industry can solve this problem, all a caller would have to do would be to notify either ITI or the billing agent i.e. local exchange company or major credit card company, and the call would be removed from the bill.

ITI is converting its service from Feature Group B facilities to Feature Group D facilities, which will eliminate the problem. For those areas where Feature Group D is not available or utilized, such as suburban

or rural areas, ITI is investigating changes on its own as well as its transmission vendor's software answer supervision.

6. Q. Second, Mr. Van Eschen recommended that operator, service providers must provide identification of the operator's company to the caller during the initial verbal contact as well as to the billed party on third number billed calls and collect calls. Do you agree with this recommendation?

A. Yes. I proposed a draft regulation for providers of operator services in my prefiled direct testimony. In subdivision 2, Notice, of that proposed regulation, I stated that ITI provides notification at the beginning and end of every call. This branding of calls also occurs at the beginning and end of calls handled automatically. Thus, instead of hearing a tone, the caller hears a recording which advises that caller that he or she is using ITI. ITI believes the caller is entitled to know what carrier is handling the call and entitled to know why he may be receiving a bill from a new carrier. ITI is excited about the array of innovative services it is offering to the public, and wants the public to look for that ITI label. As consumers become familiar with the existence of competitive operator service providers, ITI is convinced that the current level of confusion and complaints will drop off, just as they did with the

emergence of 1+ competition.

ITI believes that the requirement to provide information should be borne by all providers of similar services. For example, ITI suggests that the "bong" tone utilized by several carriers be replaced by carrier-specific information scripts. If the public is entitled to know who is carrying its call (as it is), then every carrier should identify themselves on every call. ITI has gone to considerable expense to ensure that callers reaching ITI know at the start and at the end of the call that ITI is handling the call.

7. Q. Third, Mr. Van Eschen recommended that, upon request, the operator service providers must provide rate quotes, at no charge, which include the rates associated with the initial minute and additional minute (or other appropriate rate structure), operator surcharge, and any additional charges. Do you agree with this recommendation?

A. Yes. Once again, I would refer you to ITI's proposed regulation, subdivision 2, Notice, paragraph C, in which I state that rate information should be available on request of the caller to the operator and should also be available through the information on file with the Commission.

8. Q. Fourth, Mr. Van Eschen recommended that only charges established by certificated parties that have also

submitted rates to the Commission may be combined into a single charge on a customer's local exchange bill and also receive discontinuance of service for nonpayment. He further recommended that all other charges established by noncertificated parties must be separately identified and specifically associated with each call. Do you agree with this recommendation?

- A. I have some problems with this recommendation. First, initially, ITI tariffed subscriber surcharges in its proposed tariff but were requested by Staff to remove those provisions. Second, a number of entities with whom ITI has billing and collection agreements, both local exchange companies and national credit card companies, either cannot or will not separately identify subscriber surcharges on their bills to the end user. I think if the Commission wishes to impose this requirement it will have to do so on those billing entities. That will be an impossible requirement for many of them.

9. Q. Fifth, Mr. Van Eschen recommended that the operator service provider's name should be listed on the local exchange bill rather than the billing agent's name. Do you agree with this recommendation?

- A. In theory I agree with this recommendation. ITI would prefer that our name be listed on the local exchange bill. However, some local exchange companies do not have this capability and it is unfair to penalize ITI

for this shortcoming on the LEC's part.

10. Q. Sixth, Mr. Van Eschen recommended that if telephone company calling cards are used, the operator service provider must appropriately bill for these charges, including the correct identification of the caller's location and the called party's location. Mr. Van Eschen further recommended that the operator service provider must also utilize reasonable calling card verification procedures, which are acceptable to the company issuing the calling cards. Do you agree with this recommendation?

- A. Absolutely. It should be noted that where the ITI operator transfers a call, the call will be redirected and redialed from the point of origination. This ensures the user's bill will always reflect the city of origination from where the user actually originated the call.

11. Q. Seventh, Mr. Van Eschen recommended that operator service providers may eventually handle "0-" calls, if the company can satisfactorily demonstrate that emergency calls would be adequately and efficiently handled. However, Mr. Van Eschen added that until this can be demonstrated, all "0-" traffic will be handled by AT&T or the local exchange companies. Do you agree with this recommendation?

Yes. Once again, I would refer you to the proposed regulation of ITI, subdivision 3, Emergency Services.

*Check discrepancy that can be referred to here.*

*Either sec 1 is in portion to meet all or is partial*  
*Alternately, if can't meet all, then don't ASAP provide all data.*  
*"B"*

ITI has advocated that all operator service providers, including local exchange companies, should have certain capabilities in regard to emergency services. Operator service providers should be capable of timely identification at the operator's console of the location from which the call is being made and of the verified telephone numbers of emergency service providers that serve the telephone location including, but not limited to, police, fire, ambulance, bomb squad, and poison control. Operator service providers should be capable of dialing the appropriate emergency provider from the operator's console. The operator service provider operator should be capable of staying on the line with the emergency call until the emergency service is dispatched. Lastly, no charge should be imposed on the caller from the telephone or the operator service provider for emergency calls. ITI can provide this service with three quick keystrokes from its operator's console. Some local exchange company operators do not automatically know the location of a caller, or do not automatically know the appropriate emergency service provider and must manually input the seven-digit number for that provider.

*Since ITI is contl. call ex. co. but it is not in the public utility company*

**PUBLIC COUNSEL'S RECOMMENDATIONS**

12. Q. Ms. Drainer, witness for the Office of Public Counsel, has made several recommendations regarding disposition of this proceeding based on the Public Counsel's

*May want to move panel 3 this to Dennis*

position that operator service providers are not in the public interest and have been "a negative force in the telecommunications environment for end users". Do you agree with that assessment?

- A. Absolutely not. Operator service providers, such as ITI, do provide services not currently available from local exchange carriers or interexchange companies. As I previously stated in my direct testimony, there are a multitude of services offered by ITI which the local exchange companies do not provide. These services include allowing a caller to bill a call to any one of seven major credit cards. If this method is utilized, ITI offers a 5% discount from our tariffed rates. ITI offers an immediate trouble reporting service as well as repair and maintenance services. These are invaluable services to private pay phone owners which are not offered by the local exchange company. ITI offers end users the availability of multilingual operators. Presently, ITI can assist and users in eighteen languages in addition to English. I am not aware of any local exchange company or interexchange company which can provide this service. ITI offers hotel bill to room arrangements which are not always available in every area of a state from local exchange companies or interexchange companies. ITI offers state-of-the-art emergency response service which can instantly pinpoint the exact location of the caller and



immediately connect the caller to the appropriate emergency service provider. Most telephone company operators have no way of pinpointing the location of the caller without consulting other terminals or information resources. ITI operators can provide dialing instructions to hotel guests. AT&T operators must refer those questions to the hotel operator. And ITI operators provide 24-hour dialing assistance for patients in hospitals--a service which is usually not available in hospitals.

13. Q. Will the presence of operator service providers foster the introduction and development of innovative services?

*my conf to  
more probly  
this is A.*

A. Because of the presence nationally of the operator service provider industry, new and innovative services have been introduced to serve the public. The presence of this industry has also prompted the dominant carriers to introduce new services. For instance, recently AT&T announced the nationwide, 24-hour availability of a Spanish-speaking operator. As I stated in my direct testimony, ITI is in the process of offering two enhanced services--teleconferencing and message forwarding. These features are not available from most local exchange company operators or, with the exception of more limited teleconferencing, AT&T. ITI is expanding into the cellular and maritime markets and has added an international calling card. These

services are not available from any single phone company. ITI will continue to develop and introduce further enhancements for the benefit of the calling public.

14. Q. Ms. Drainer lists six reasons why operator service providers are not in the public interest. Would you please address those concerns?

A. Yes. Ms. Drainer refers to "excessively high toll rates and surcharges" imposed on end users. ITI believes that competition has, and will continue to, regulate rates. ITI has reduced its rates in order to stay competitive. The rates charged to end users are also of critical importance to subscribers. For instance, the hospitality industry has a vested interest in seeing that the rates charged the user of its telephone are not excessive. As the attached articles from the trade press indicate (Attachment 1), property owners are very concerned about the rates charged their users. Westin's telecommunications manager, Larry Barth, told Pay Phone News "Basically, I like the idea of the extra revenue, but would not want to jeopardize our guests as far as service quality or the charges made to them." Hyatt Hotels persuaded its operator service provider, Telesphere, "to roll back its rates". These reactions are common, for owners of telephones have a great interest in the charges imposed upon the users of their phones. At least one Bell

Company has recognized that market forces, if allowed to work, will resolve any problems in this area. Pacific Northwest Bell stated in its comments filed in a generic operator service provider proceeding before the Oregon Public Utility Commission that:

"If a hotel chooses an AOS to handle its calls and the AOS charges a rate significantly higher than the LEC or other carriers, the hotel's customer will not only be angry at the AOS, but at the hotel as well. PNB believes that hotels/motels, hospitals, universities, etc. should have the right to set up their telecommunications service as they see fit. However, if a particular hotel's customers feel they have been overcharged, over time they will cease to patronize that establishment. If a hotel receives many complaints about its telecommunications service or sees its business declining as a consequence of that service, it will no doubt look for a different method of providing the service. If the AOS loses clients or finds itself having to settle too many claims, it too will restructure its rates and service or ultimately go out of business. AOS providers who do not respond to customer concerns will not stay in business long as market forces and increasing customer awareness erode their customer base."

Ms. Drainer's second concern was notification to the

end user. The Commission Staff also expressed concern in this area. As I stated above, ITI supports the Commission Staff's second recommendation regarding Notice.

Ms. Drainer's third concern was in regard to the end user having access to the long distance carrier of his choice. First, I would refer you to ITI's proposed regulation set forth in my direct testimony--subdivision 4, Interconnection. Subscribers to all operator service providers should allow access to other carriers by allowing access codes to be dialed. Subscription to ITI should not affect the manner in which the CPE reacts to any access code. That choice is made by the CPE owner. ITI strongly encourages its subscribers to ensure that 950-XXXX and 1-800 dialing is available from the phones that ITI services. Although ITI does not have the ability to police the routing restrictions of the phones on its network, we believe that access to alternative carriers is possible from virtually every phone connected to ITI. However, because of the risk of fraudulent billing to their lines, most private pay phones and many hotels block 10XXX access to alternatives carriers. Moreover, again because of the risk of fraud, most carriers will not process 10XXX calls with ID digits indicating that they originate from hotels or public or private pay phones.

Ms. Drainer was also concerned regarding "splashback". I previously addressed this concern in response to Commission Staff's sixth recommendation. Ms. Drainer also referred to operator service providers misrepresenting themselves to end users by accepting another company's calling card. ITI is permitted to accept and bill calling cards by all telephone companies which furnish billing and collection services to ITI. In the Department of Justice's view, all Bell Operating Companies must provide ITI with non-discriminatory billing and collection services, including processing of calling card calls.

App. B

Ms. Drainer's fourth concern was in regard to the processing of emergency calls. I have previously addressed this concern in response to Commission Staff's recommendation number seven and would therefore refer you to my response above.

Ms. Drainer's fifth concern was the disconnection policies by the LEC for nonpayment of charges by an operator service provider. Disconnection policy is one established by the state regulatory body and should properly be directed to that body.

Ms. Drainer's sixth concern was in regard to billing for 'uncompleted calls. I have previously addressed

this concern in response to Commission Staff's recommendation number one and would therefore refer you to my response above.

15. Q. Ms. Drainer makes recommendations for regulation of operator service providers. What is your response to those recommendations?

A. As Ms. Drainer notes in her testimony, those recommendations, with the exception of the last one regarding uncompleted calls, are taken from the NARUC resolution. Generally, ITI supports the recommendations contained in the NARUC resolution with the exceptions I have already noted above regarding rate regulation in a competitive marketplace.

## SOUTHWESTERN BELL'S CONCERNS

*Barry Myers*

The zero button is just like all the other buttons on the keypad and does not "belong to" anyone other than the CPE owner. The fallacy that the "0" belongs to the LEC is shown by the fact that in hotels, hospitals and many offices, when a caller presses "0", he or she reaches the front desk or receptionist. If logically extended, this would mean that the common practice of having a PBX operator would have to be discontinued. This is clearly not a result that the Commission would desire.

User expectations have changed. First, for many years operator calls were handled by AT&T, not the LECs. In fact, AT&T still provides operator services for several LECs and for hotels under HOBIC. Thus, end user expectations have changed in the past, and can change again.

Second, end user expectations vary on who will answer a "0-" call. As noted above, if you just dial "0" in a hotel, you will reach a switchboard or the front desk. Thus, the expectation is not universal that the LEC will always be reached on a "0-" call.

Third, if competition benefits the public, expectations should change. The expectation that AT&T will handle all interLATA calls will (and should) change.

Similarly, if competition in the intraLATA market provides new services and the potential for lower rates, "0-" and "0+" expectations should also change.

In light of such change, the appropriate thing to do is educate the consumer that competition has come to the operator services industry. This is a task on which all of the participants must join together. The Commission, the LECs and the competitive operator service providers have an obligation to educate the public, and to work together to minimize customer confusion. That is why I proposed in my direct testimony a bill stuffer that would help explain the new competitive realities. ITI, for its part, plans a broad-based publicity campaign to acquaint callers with the new services and enhancements ITI offers. The Commission should recognize that old expectations cannot be a barrier to new innovation. Otherwise, benefits of competition could never come to Missouri nor would the information age.

#### GTE NORTH'S CONCERNS

18. Q. What are your areas of disagreement with Meade Seaman, witness for GTE North?
- A. Mr. Seaman and I are basically in agreement. Mr. Seaman's position is that all providers should be subject to equal levels of regulation--that there should be a level playing field for everyone. I also



info comprehensive  
cost study, which takes  
into account all of the  
costs and revenue  
(including toll revenues)  
such as there are  
by service companies  
misleading.

The GTE  
assertion is  
unsubstantiated by  
data.  
and can be  
should require -

agree with Mr. Seaman that when the end user has a choice, then the end user always benefits. Lastly, I agree with Mr. Seaman that rates should be established based on the cost structure of the service provider and the market. If competition is permitted by this Commission to work, then rates will be cost-based and not artificially low because of cross-subsidization. As for Mr. Seaman's statement that GTE's operator handled revenues and intraLATA toll revenues are being negatively impacted by competing operator service providers, I would need to see the hard data backing up that assertion. As for the customer concerns of GTE, I have addressed those concerns above and would refer you to those responses.

MISSOURI TELEPHONE COMPANY AND EASTERN MISSOURI TELEPHONE COMPANY  
CONCERN'S

19. Q. Do you have any response to the testimony submitted by B. Wayne Clark, witness for Missouri Telephone Company and Eastern Missouri Telephone Company?

A. Yes. ITI shares Mr. Clark's concerns regarding "splashing" of calls which later appear on the end user's bill as originating from incorrect locations. Since I can only speak for ITI in this proceeding, and as I stated earlier in my response to Commission Staff recommendation number six, where the ITI operator transfers a call, the call will be redirected and redialed from the point of origination. This ensures

the user's bill will always reflect the city of origination from where the user actually originated the call. As for Mr. Clark's other customer concerns, I have previously addressed those concerns and would refer you to my responses above.

CONTEL OF MISSOURI, INC., CONTEL SYSTEM OF MISSOURI, INC., AND  
WEBSTER COUNTY TELEPHONE COMPANY CONCERNS

20. Q. Do you have any response to the testimony submitted by Mr. Schmersahl, witness for Contel?

A. Mr. Schmersahl related Contel's concerns regarding customer confusion and splashing. I have already addressed those concerns above.

SUMMARY

21. Q. Could you briefly summarize your testimony?

A. Yes. Public Counsel as well as Commission Staff have relied heavily upon the recommendations contained in the NARUC resolution. ITI supports those recommendations except in the area of rates. We believe that ultimately competition in the marketplace should set rates and that such rates should be cost-based. Lastly, a great many of the concerns expressed by the other parties to this proceeding actually can be stated as a need to educate the public. ITI has suggested ways to do just that in its direct testimony. The necessary consumer information can be accomplished through information on or near the phone, at the time of the call, and from the local exchange company. ITI

*Availability of  
data to  
show rates  
dropping.*