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November 24, 1997

Mrs. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Mrs. Bayo:

Re: DOCKET NO. 970882-T1

You will find enclosed an original and fifteen (15) copies of the Direct Testimony of Jerry W. Watts for filing in the above-referenced docket on behalf of AT&T.

Copies of the foregoing testimony are being served on the parties of record in accordance with the attached certificate of service.

Yours truly,

Marsha E. Rule

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Enclosures

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CERTIFICATE OF SERVICE

Docket No. 970882-T1

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail this 24 day of November, 1997, to the following parties:

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Marsha E. Rule

ORIGINAL

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 970882-T1

DIRECT TESTIMONY

OF

JERRY W. WATTS

**ON BEHALF OF
AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.**

November 24, 1997

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1 A. The purpose of my testimony is to discuss AT&T's position regarding the
2 regulation of "slamming" and to describe AT&T's procedures and initiatives to
3 prevent slamming. I will also discuss the considerations that the Florida's Public
4 Service Commission ("Commission") should take into account when making
5 slamming rules.

6
7 **Q. DOES YOUR TESTIMONY INCLUDE COMMENTS ON SPECIFIC**
8 **RULES?**

9
10 A. No. The Commission has not yet proposed specific slamming rules. AT&T will
11 file formal comments on such rules after they are proposed, and reserves the right
12 to supplement its testimony in support of such comments.

13
14 **Q. PLEASE COMMENT ON SLAMMING AND ITS IMPACT ON AT&T.**

15
16 A. First of all, the Commission should recognize that not all PIC disputes are caused
17 by slams, but may arise from causes other than slamming. For example, a spouse
18 or other household member may change carriers without express authorization
19 from the account holder; a new customer may run up a larger-than-usual bill and
20 have second thoughts about the validly-selected carrier; a person who frequently
21 changes carriers (sometimes called a "spinner") may wish to avoid PIC change
22 charges; or a data entry error may be made when switching carriers pursuant to a
23 valid request. In all of these cases, the provider would have followed established
24 procedures for carrier selection, but there nevertheless would be a PIC dispute.

1 Slamming, on the other hand, is the knowing, unauthorized transfer of a
2 customer's primary long distance carrier. Usually, the carrier also fails to follow
3 prescribed verification methods which would detect and often preclude the
4 unauthorized change. A frequent slamming scenario involves a company
5 masquerading as AT&T and offering customers a "new billing plan" which
6 actually consists of a PIC change to the other company. A substantial number of
7 slams result from unscrupulous companies that simply submit lists of billed
8 telephone numbers to LECs without ever having contacted the customer at all. In
9 a 1994 survey, for example, AT&T found that 15% of its Hispanic customers who
10 had been switched without authorization reported that they were not contacted by
11 the new carrier before the change was made. And, despite the Commission's rule
12 outlawing "misleading or deceptive" PIC change documents, some companies
13 continue to use LOAs whose true purpose is difficult or impossible to ascertain.
14 Regrettably, individuals sometimes also forge LOAs despite stringent procedures
15 designed to prevent such occurrences.

16
17 Slamming is a serious problem for telecommunications companies as well as the
18 Commission. In 1996, the FCC received more than 16,000 slamming complaints
19 and the Florida Public Service Commission received 2,393 slamming complaints.
20 The cumulative expense of investigating and resolving these complaints is
21 substantial, as is the irritation and inconvenience experienced by consumers.
22 Additionally, AT&T loses customers - and revenue - to slamming by other
23 carriers: during 1994, seven percent of AT&T's customers who were switched to
24 other carriers reported that they had been slammed away from AT&T. Slamming
25 deprives telecommunications companies of millions of dollars of revenue

1 **annually. Obviously, AT&T has a direct financial interest in preventing**
2 **slamming.**

3
4 **Q. WHAT GOALS SHOULD THE COMMISSION ATTEMPT TO**
5 **ACCOMPLISH IN MAKING SLAMMING RULES?**

6
7 **A. The Commission should strive to prevent slamming from occurring through the**
8 **enforcement of slamming regulations which are not unduly confusing to**
9 **consumers or burdensome on telecommunication carriers.**

10
11 **Q. WHAT PROCEDURES DOES AT&T HAVE IN PLACE TO PREVENT**
12 **SLAMMING?**

13
14 **A. AT&T currently has verification procedures which conform to the existing Florida**
15 **and FCC rules for both inbound and outbound PIC change requests. Customers**
16 **who choose AT&T in response to outbound solicitations are transferred to a third-**
17 **party verification representative to independently verify their selection. Business**
18 **customers can verify their request via written authorization if they indicate they**
19 **do not wish to stay on the line for the third-party verification. On inbound**
20 **requests, notations are made on the screen regarding the person requesting the**
21 **change and a confirmation letter is sent to the customer. All customer contacts**
22 **can be traced back to the individual handling the call so that problems can be**
23 **identified and dealt with appropriately. Both sales representatives and third-party**
24 **verifiers are compensated on an hourly wage basis and do not receive**
25 **compensation based on volume of sales.**

1 **Moreover, AT&T has initiated additional procedures for contracted temporary**
2 **personnel who are involved in face-to-face solicitations. These additional**
3 **procedures include the following:**

- 4
- 5 • **Policies and procedures pertaining to face-to-face marketing, including all**
6 **slamming and contest guidelines, are reviewed on a monthly basis with**
7 **contracted temporary personnel and quarterly with AT&T sales**
8 **management.**
- 9
- 10 • **In face-to-face marketing, all customer names and signatures are verified**
11 **at the point of sale through customer provided identification to ensure the**
12 **name of the individual authorizing carrier selection on the letter of agency**
13 **(LOA) matches the identification provided.**
- 14
- 15 • **Contracted temporary personnel who interface directly with customers are**
16 **paid on an hourly basis instead of a volume-driven compensation plan.**
- 17
- 18 • **LOAs are coded so customer dissatisfaction can be traced directly to the**
19 **individual who handled the transaction and corrective action can be**
20 **enforced in a timely manner.**
- 21

22 **These and other steps have been initiated by AT&T to prevent the processing of**
23 **unauthorized PIC change requests.**

1 **Q. WHAT OTHER INITIATIVES HAS AT&T TAKEN TO REDUCE**
2 **SLAMMING COMPLAINTS?**

3
4 **A. AT&T has engaged in consumer education programs to inform consumers about**
5 **the dangers of slamming and is now focusing on the non-English speaking public**
6 **which are unique targets for slamming.**

7
8 **On October 9, 1997, AT&T announced an anti-slamming consumer education**
9 **program for the Hispanic market. A recent survey indicated that Hispanic**
10 **customers are twice as likely to be slammed as other customers. The new**
11 **program will utilize a brochure and public service announcements to inform**
12 **Hispanic customers on how to protect themselves against the unauthorized**
13 **switching of their chosen long distance carrier. The National Council of La Raza**
14 **(an organization which is urging awareness in the Hispanic community) is**
15 **distributing the brochures through its member organizations nationwide. The**
16 **bilingual brochure provides consumers with clearly stated ways to avoid being**
17 **slammed.**

18
19 **Q. GIVEN THE STEPS TAKEN BY AT&T TO PREVENT SLAMMING,**
20 **HOW CAN CUSTOMERS BE SWITCHED TO AT&T WITHOUT**
21 **PROPER AUTHORIZATION?**

22
23 **A. Due to the enormous number of telephone and face-to-face customer contacts**
24 **conducted by AT&T and other carriers, it would be unrealistic to expect this**
25 **problem to be eliminated entirely. There will always be some level of error,**

1 whether caused by a slipped keystroke or customer confusion. Historically,
2 however, when compared to other carriers or as a percent of total complaints,
3 AT&T's rate of complaints for unauthorized PIC changes is quite low. A review
4 of Florida slamming complaints received by the AT&T consumer customer
5 service centers for the past three years averaged less than one third of one percent
6 of total complaints received. Additionally, AT&T compares favorably with other
7 carriers in limiting the number of slamming complaints. Attached as Exhibit
8 JWW-1 is the latest FCC "Slamming Complaint Ratio Report." This report
9 shows that during 1995 only Sprint had a lower ratio than AT&T and that as a
10 percent of communications revenue, AT&T had only three tenths of one percent
11 slamming complaints while the seven worst offenders ranged from approximately
12 one percent to almost ten percent .

13
14 **Q. IS IT POSSIBLE TO STOP SLAMMING COMPLETELY?**

15
16 **A.** No. The inter-exchange industry operates in an intensely competitive and robust
17 market. Due to the large number of competitors, multiple marketing channels,
18 and millions of customer transactions each year, there will be some carrier
19 selections which are not handled properly. Moreover, in any competitive market
20 there will always be unscrupulous vendors who will only respond to enforcement
21 action by federal and state agencies.

22
23 **Q. WHAT IS AT&T'S POSITION REGARDING STATE ACTION TO**
24 **PREVENT SLAMMING?**

1 **A.** **AT&T supports state regulations which mirror the existing and forthcoming FCC**
2 **rules. This will ensure consistency in application, implementation, and**
3 **enforcement. If states adopt separate requirements, consumers would be**
4 **confused, and national and regional carriers would face huge financial and**
5 **administrative burdens in dealing with up to 51 differing sets of regulations.**
6 **These additional costs would ultimately be borne by consumers and the important**
7 **goal of promoting robust competition in telecommunication markets would be**
8 **undermined. Instead of new rules, AT&T strongly endorses more vigorous**
9 **enforcement of the existing requirements. We believe that most incidents of**
10 **slamming can be eliminated through effective enforcement of these rules by state**
11 **agencies such as public utility commissions and state attorneys general and by the**
12 **FCC.**

13
14 **Q.** **DOES AT&T SUPPORT EXTENDING THE EXISTING VERIFICATION**
15 **REQUIREMENTS TO BOTH INTRALATA AND LOCAL CARRIER**
16 **SELECTION?**

17
18 **A.** **Yes. The current verification rules, if properly adhered to and enforced, should be**
19 **effective in preventing unauthorized changes of customers' intraLATA and local**
20 **providers.**

21
22 **Q.** **DOES AT&T HAVE ANY CONCERNS REGARDING THE ROLE OF**
23 **INCUMBENT LOCAL EXCHANGE COMPANIES IN ENFORCING**
24 **SLAMMING REGULATION?**

25

1 **A. Yes. The incumbent local exchange companies are no longer disinterested or**
2 **neutral parties regarding the promulgation and enforcement of slamming**
3 **regulations. The advent of intraLATA and local carrier selection requires**
4 **diligence by the FCC and the state commissions to ensure that rules and**
5 **procedures do not advantage incumbent local exchange companies in the local,**
6 **intraLATA or interLATA carrier selection process.**

7

8 **Q. SHOULD ADDITIONAL SAFEGUARDS BE ADOPTED BY THE**
9 **COMMISSION TO PROTECT CONSUMERS FROM SLAMMING?**

10

11 **A. No. The continuing slamming problems experienced by Florida consumers are**
12 **largely the result of non-compliance with the existing rules.**

13

14 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE TO PROTECT**
15 **FLORIDA CONSUMERS FROM SLAMMING?**

16

17 **A. The Commission should take whatever steps are necessary to ensure that its rules**
18 **are consistent with the rules adopted by the FCC and that these rules are**
19 **vigorously enforced throughout the State of Florida.**

20

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22

23 **A. Yes.**

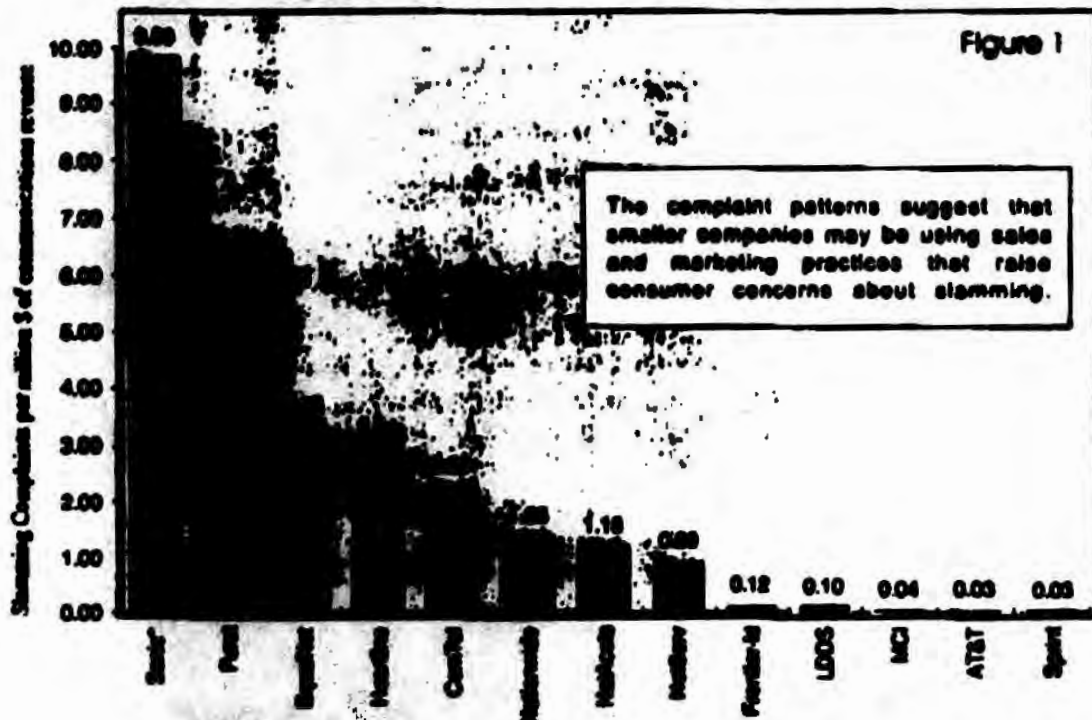
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Figure 1 Shows the slamming complaint ratios for long distance companies. The slamming complaint ratio is the number of slamming complaints served divided by total communications-related revenue for the companies that received slamming complaints and that had more than 100 total complaints. Service of a complaint does not necessarily indicate wrongdoing by the served company. The second section of the Scorecard includes an analysis of complaints involving all common carrier issues.

The major companies such as AT&T, MCI and Sprint have relatively low complaint ratios. Companies with relatively high slamming ratios compared to the rest of the industry should take actions to improve their marketing and customer service programs.

Slamming Complaint Ratios for Long Distance Companies With 100 or More Total Complaints for 1995



*Some Companies are listed for bankruptcy in 1995 and do not have public reporting to the public.