BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone & Telegraph Company	Docket No. 920260-TL Filed: November 16, 1992

CONFIDENTIAL

DIRECT TESTIMONY

OF

MARK N. COOPER

On Behalf of the Citizens of The State of Florida

Jack Shreve
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

(904) 488-9330

Attorney for the Citizens
of the State of Florida

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I. BACKGROUND AND SUMMARY

A. QUALIFICATIONS

Q. Please State Your Name, Address and Occupation.

A. Dr. Mark N. Cooper, President, Citizens Research, 504 Highgate Terrace, Silver Spring, Maryland 20904. I am also Director of Research of the Consumer Federation of America.

Q. What is Your Educational Background?

A. I hold a Ph. D. in Sociology from Yale University, an M. A. in Sociology from the University of Maryland, and a B. A. in English from the City College of New York.

Q. Please Briefly Summarize Your Relevant Employment Experience.

A. Prior to founding Citizens Research, a consulting firm specializing in economic, regulatory and policy analysis, I spent four years as Director of Research at the Consumer Energy Council of America. Prior to that I was an Assistant Professor at Northeastern University teaching courses in Business and Society in both the College of Arts and Sciences and the School of Business. I have also been a Lecturer at the Washington College of Law of the American University, co-teaching a course in Public Utility

Regulation.

Q. Have You Previously Testified on Telecommunications Issues?

A. I have testified on various aspects of telephone rate making before the Public Service Commissions of Delaware, the District of Columbia, Florida, Georgia, Illinois, Iowa, Kentucky, Manitoba, Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Vermont, and Washington, and as well as the Federal Communications Commission and the Canadian Radio-Telephone Commission.

Q. Have You Testified on Problems of Marketing?

A. I have testified on marketing of telecommunications services before the Federal Communications Commission and Federal Appeals Courts, as well as serving as an expert witness in these matters at the state level.

B. OVERVIEW OF THE TESTIMONY

Q. What is the Purpose of Your Testimony?

A. The purpose of my testimony is to review the planning and marketing practices employed by Southern Bell (referred to as the company) to sell optional services in the context of its role as a regulated utility and in light of the

proposal to further relax regulation. In particular, I examine the strategy and tactics applied by the company to influence consumers to take those services when the consumer is also conducting transactions related to the provision of franchise services.

Q. What is Your Conclusion About These Marketing Practices?

A. There exists a clearly articulated corporate plan to increase prices and sales which unfairly exploits every possible advantage enjoyed by the company to the detriment of the public and in contradiction of Public Utility Commission policy and the public interest.

The market conditions which the company has consciously chosen to exploit in its efforts to sell these products include

- its franchise monopoly power,
- its competitive edge as the former monopolist of some services, and
- ratepayer powerlessness that results from their dependence on the company as the franchise monopolist.

Q. How Has the Company Executed This Strategy?

A. The company's strategy is institutionalized and reinforced through training, rewards and a corporate culture that drives sales representatives to make sales at all

costs. The company defines each encounter with a ratepayer as a marketing opportunity, no matter how central the transaction is to the franchise monopoly services it provides. Employees are trained to manipulate the presentation of information in that encounter. The company supports this aggressive sales orientation with analytic tools to target market segments and with sales aids, such as scripts, to enable the sales representative to overcome consumer resistance.

Q. Is This Campaign Contrary to the Public Interest?

A. Yes. This campaign to over price and over sell optional services violates the nature of the relationship between the consumer as a captive ratepayer and the telephone company as a franchise monopolist. The outcome of this sales campaign is not simply to violate laws or principles, it also results in economic harm by fostering purchases of these commodities that far exceed spontaneous expressions of consumer interest in them at prices far above what they would be in a competitive market. In short, with the franchise purchase as leverage, the public has been pressured, manipulated and deceived into over-consuming these optional services.

C. THE CRUCIAL ROLE OF REGULATION

Q. Has Marketing Been an Important Consideration in Traditional Regulation?

A. Yes. The consumer protective characteristics of rate of return regulation for monopoly franchise companies has many aspects. The primary emphasis has always been the prevention of over earnings by the companies providing services. Such excess earnings were considered unfair.

However, rate of return regulation always went beyond the setting of an allowed rate of return. There are behavioral consequences of monopoly control over a necessity service that required the regulation of the terms and conditions of service offerings.

Without this second layer of oversight, monopolists would exploit their market power in ways other than excess earnings. Revenues would be maximized from those services which were the most basic monopoly services -- i.e. had the lowest elasticity of demand. The franchise value would be maximized by extending its monopolistic reach as far as possible into kindred and related services. Thus, regulation of how specific services are offered to individual classes of customers and at what price has always been a central part of regulation.

Regulation went further, into the transaction between

the company and its captive customers. The monopoly transaction itself allows the franchise company a unique opportunity to interact with its customers. Captive customers are forced to deal with the company to obtain a basic necessity service. With no alternatives available to obtain such a crucial service, customers are at a distinct disadvantage in the transaction. For this reason, regulation has always included qualitative measures of franchise performance -- such as speed of response, presentation of information, billing detail, etc.

Q. Has Deregulation Failed in the Consumer Protective Aspect of Regulation of Monopoly Services?

A. While it was always hoped that relaxed or incentive regulation would spur the franchise monopoly to greater efficiency in operation and greater creativity in service offering, it should also have been recognized that the anti-consumer tendencies of monopoly power could assert themselves. In the new world of telecommunications, as rate of return regulation was relaxed and oversight over the offering of services eased, the fundamental consumer protections broke down. With greater opportunities to increase profit through incentive regulation, companies have greater incentive to seek ways to increase sales and revenues. With less oversight of their terms and conditions

of service offerings, they have greater latitude to exploit their market power in the transactional aspects of their monopoly service.

My review of company behavior and market impacts shows that the core of monopoly power available to the company provides a wide avenue for abuse of customers in the marketing of services.

Provided with the opportunity, the company raised the sales aspect to an equal, if not higher level than service.

It devised plans to utilize every advantage it had as the franchise monopolist to increase sales.

It manipulated service offerings and prices to increase revenue.

It diverted the effort of employees to increase sales.

Implementing the plan required management to alter the behavior of employees, who are the company's agents at the point-of-sale. As a consequence, we observe a massive effort to elicit and ensure employee support for what is a radical change in the nature of their work. In order to effectuate this change, the company undertook a coordinated set of activities including,

extensive training of personnel,

provision of sales aids and supports,

incentives schemes,

exhortation and monitoring of activity, and

disciplinary action.

Faced with these pressures, employees, sometimes grudgingly, adapt to the efforts of the company to change its orientation and achieve its new revenue goal.

They "get the message" about sales being number 1.

They adopt sales practices, some legal but distasteful, some illegal, to meet the corporate goals.

They develop rationalizations, which mimic and extend the company philosophy, to gloss over the abuse of customers.

The intense pressures placed on employees results in a combination of legal and illegal activities in an attempt to achieve the goals set by management.

Q. Is the Deregulation Proposal Before the Commission and the Behavior of the Company a Problem from the Point of View of Marketing?

A. Yes. The deregulation proposal before the commission would cut back dramatically on regulation. It is a price cap that further weakens rate of return regulation dramatically and weakens or eliminates regulation of the terms and conditions of individual service offerings. It is crucial for the commission to consider all aspects of regulation and to undertake a thorough review of the behavior of the company since the break up of the national

monopoly and, particularly, under the incentive plan that has been in place.

D. RECOMMENDATIONS

Q. What Do You Recommend?

A. I believe a fundamental change in the marketing of these services must be made to protect the public from abuse. While management blames employees and denies responsibility for wrongdoing, the environment it created was so prone to abuse that fundamental changes must be made, if abuse is to be avoided. Firing a few employees and sending out correction letters will do little to prevent future abuses, if the pressures for sales persists and the opportunity of exploiting the monopoly transaction continues to exist.

The commission must establish effective consumer protection for all telemarketing of telephone services and restore the integrity of the monopoly transactions.

The recommendations of the Grand Jury should be implemented for all telephone company telemarketing transactions. In essence this requires a written contract signed by the consumer which ensures that the consumer understands and receives what was purchased. It also requires a short cooling off period.

In addition to the requirement for a written contract, I recommend that on any inbound transactions other than the placing of an order for service (new connect, transfer and forward or change in service) there should be no selling whatsoever. The customer is not intending to make a purchase and is not prepared to make one. The business of the transaction may be very problematic, e.g. a billing problem, and subject the customer to fears about loss of service. If you call to transact routine business with the telephone company, there should be no selling.

For transactions in which there is a purchase intent, I believe additional services could be sold. The service representatives should be trained to make it easy for the customer to terminate the transaction after purchasing basic service, not difficult. The service representative could simply ask if the caller wants a description of available services, either verbally or in writing. I believe that there should be a sixty day grace period for these purchases.

I also believe that the marketing of services on outbound calls should be reviewed carefully. Overselling should be discouraged. I think the elements of the oversight program contained in the settlement agreement should govern all transactions (outbound, and inbound with an intent to purchase.

II. MANAGEMENT'S PLAN TO OVERSELL AND OVERPRICE NON-COMPETITIVE SERVICES IN A DEREGULATED ENVIRONMENT

Q. Please Describe the Material in this Section.

A. I define marketing abuse as the combination of overselling and overpricing in the absence of competition. I begin with a top down approach -- starting from management decisions -- because I believe it is crucial to stress at the outset the linkage between alternative regulation and the incentive to abuse market power in a case such as this. Relaxed regulation of pricing and profit will open the door to ever greater abuses.

In this section I will describe a few examples of each of these two categories of abuses.

A. OVERSELLING

Q. Is There A Clear Connection Between Alternative Forms of Regulation and the Company's Marketing Efforts?

A. Yes. A most revealing piece of evidence on management's thinking about sales, revenue enhancement, and incentive regulation can be found in the development of the Gold Line incentive plan.

After years of difficulties with these promotions, the company was still trying to perfect a promotion scheme to increase sales. It appears that a great deal of effort had

gone into this program, including a trip by seven Southern Bell employees to Chicago to study an approach being used by Illinois Bell.

The report to company officers by the employees who met with Illinois Bell Telephone gives the rationale for the program. The documents supplied for this proceedings were provided by L. E. Spradlin, apparently one of the Company Officers present (see Attachment MNC-1).

The key is the first agenda item, Origin, which is described in hand written notes as "What led to its creation (MNC-1, p. 4)." Handwritten above the first dot point "Revenue Enhancement" was a new dot point entitled "Incentive Regulation (MNC-1, p. 5)." These notes were labeled with the word "Foremost" underlined. The observations were

- create new revenue sources
- get employees more involved in revenue generation."

Q. Was this Promotion an Important Part of the Company's Revenue Raising Plan?

A. Yes. Apparently meeting with approval at the officers' meeting, the proposal was further developed. The revenue projection was referred to in a Revenue Committee meeting and adopted as a revenue projection (See Attachment MNC-2).

The Revenue Committee is a committee of a large number of state level senior management people whose purpose is to think up ways to increase revenues and seek support for those approaches from the higher levels of management of the holding company.

The Gold Line revenue projection played a prominent role in the Revenue Committee's projections. It accounted for one-quarter of the revenues considered.

The mission statement in the Business Plan published about a week after the presentation to Officers clearly identifies the goals and advantages that the company has.

MISSION STATEMENT

> To enhance Florida revenues by making each employee a marketeer that recognizes and seizes revenue opportunities for our company both on and off the job. To improve our competitive advantage by our ubiquitous presence in the marketplace (MNC-3, p. 6).

No single statement better summarizes the company's philosophy. Everyone is a marketeer, every contact is a marketing opportunity, and the ubiquitous presence in the marketplace is a competitive advantage.

As an integrated incentive scheme, the Gold Line program was rolled out with great fanfare. It was the culmination of a long line of promotion plans including Partners in Profit (1985), Accent on Action and Sale for Sails (1986), Your Marketing Imagination (1987), In Pursuit of Profit and All Hands on Deck and We Still Make House Calls (1988), Ultimate Challenge and Network Florida League (1989), Goldline, Match and Clout (1990), to name just a few.

A regular newsletter reminded employees of management's

commitment to the Florida Goldline program, providing sales tips, exhortation to reach the goal and lists of outstanding performers (see Attachment MNC-4) Company-wide support was touted. For example, Attachment MNC-5 shows the company's speaker bureau being mobilized in support of the program.

B. OVERPRICING

Q. Is the Pricing Aspect of Marketing Abuse Evident in the Same Decision Making Process that Approved the GoldLine Program?

Yes, the other options included in the Revenue Committee's list along with the Gold Line projection are quite revealing in this regard. The backbone of the strategy, in addition to the Employee Sales Campaign, is the manipulation of service offerings.

One major approach is to charge for services that were previously unbilled (MNC-2, p. 1). The items identified include instituting new charges or increasing existing charges for

a change in listing;

business directory assistance;

reservation of a number;

customized billing;

address delivery; and

Spanish language directory assistance.

A second approach is to change the terms and conditions for billing. These include

One day due date on "C" Feature Orders;

Same day billing for initial order; and

Market penetration protection pricing.

Q. Is Regulatory Oversight Important to the Pricing Strategy?

A. Yes. The importance of regulatory oversight is apparent in several comments contained in the Revenue Committee document. For example, in order to get approval for elimination of the 3 free business directory assistance calls, the group considers linking it to the deployment of electronic white pages.

> The product team claims this service will be available in the third or 4th qtr. It could help our regulatory groups sell the removal of the 3 free directory assistance calls per business (MNC-2, p. 3).

Similarly, the committee sees the PSC as an obstacle to Record only Order Charge.

> This suggestion has been made to Regulatory previously and has not been presented to the PSC due to the regulatory climate. It will be presented at the right time in the future (MNC-2, p. 9).

Q. Is the Philosophy of Raising Prices Under Relaxed

Regulation Central to the Company's Plans?

A.

Q. Does Unregulated Monopolist Pricing Underlay these Plans?

A. Yes. Willingness to pay pricing, i.e. charging what the market will bear, is monopolist pricing. It does not concern itself with the supply curve, whether competition

will steal business, only with the demand curve.

The pricing of inside wire maintenance provides the most dramatic example in the document. Since inside wire maintenance had been deregulated, the company had greater latitude to exercise its pricing freedom in this area. Even though it had been detariffed, commissions could still complain about unfettered monopoly pricing.

The obvious implications about the price impact of effective regulation were especially clear to company officials. Re-regulation or more stringent regulation of overpriced monopoly service would lower rates for regulated services.

In May, 1990 the FCC reversed its original decision that deregulated ISW to now allow

> each state to re-regulate ISW, if they so choose. At this time, Alabama is the only PSC with an active investigation into this possibility. Should any/all states decide to re-regulate, revenues from the service would then be "pulled back" into the regulated rate base, which might result in "give backs" and/or a lowering of rates for other regulated services (MNC-6, p. 13).

It is the companies goal to gain pricing flexibility and have the monopolist's limit price -- whatever the market will bear -- be the upper limit.

Thus, the company presumes markets that function quite differently from competitive markets.

Q. Are there Monopolistic Elements Even with Regulated Bundles of Services?

A. Yes. Even in setting bands and packages, the company plans to engage in price discrimination that follows the

demand curve and extracts maximum consumer surplus by overpricing lower elasticity of demand products.

Q. Does the Pricing Philosophy of Shifting Costs Onto Monopoly Services and Increasing Profits Through Deregulation Play a Strategic as Well as Revenue Role in the Company's Thinking?

A. Yes. By getting ratepayers to fund the deployment of intelligent network technologies, and relaxing regulation of profits, ratepayers are stuck with the burden of the huge fixed costs of the extravagant network, while telephone companies enjoy the profits created by incremental costing of enhanced services. Relaxed regulation ensures that these profits go to stockholders, not lower rates.

The following quote is the most explicit statement of the underlying cost and profit dynamic. It is from and

internal document that was circulated at the highest levels of BellSouth (see Attachment MNC-7, p. 11).

While the BellSouth strategy starts with CATV transport, it intends to apply this profit strategy to the entire Broadband Integrated Services Digital Network (BISDN).

III. EXECUTING THE PLAN: THE ABUSIVE SALES CAMPAIGN

Q. Please Describe the Materials in this Section.

A. The decision of management to stress sales required a re-orientation of the activity of the sales force. The previous section was centered around and noted the numerous incentive schemes used to motivate employees to sell more services. That was one leg of the strategy to get the work force to achieve management's goals. Another leg was to undertake a major retraining program. This section reviews the marketing approach taken by the company and the faulty premise on which it was based.

A. THE EMPHASIS ON SALES

Q. Did the Company Place a Major Emphasis on Sales.

A. Yes, the emphasis on sales is overwhelmingly clear. The Service Representatives Initial Training (see Attachment MNC-8 makes this more than clear.

> You have known from the beginning of the class that selling is a very big part of your job. In this lesson we will learn the fundamental skills to enable you to sell on any type of contact. Almost every contact you have has an opportunity for you to help the customer improve service. From now on, each contact you have in class and in the Service Center should have an appropriate sales effort. For example:
>
> o Orders to establish new service

- Orders for change of address (move)
- Inquiries on pending orders
- Calls about payment arrangements on a bill.
- Adjustments on long distance calls.
- Requests to change, add or delete existing service

The list could go on and on. You can easily see that are so many opportunities to apply your best skills (MNC-8 p. 2.)

While the company stresses meeting customer "needs" in fact the sales training is about selling over customer objections and resistance.

The company's and consumers' views of these services are fundamentally contradictory. By and large, consumers see these services as frills that have none of the inherent qualities of necessities. The company markets these services as "needs" and "requirements." It states that it is simply providing some vital function demanded by consumers. The terminology of the company's marketing strategy is a thinly veiled attempt to cast pure and simple marketing activity in a more altruistic light.

The Residence Segmentation Training Facilitator Guide is rife with the paternalistic attitude toward customers.

> It is not necessary to offer the service in the order in which they appear on the segment list but it is important to offer all of the products on the list for which you have uncovered a customer need. This will help us meet the goal of generating and protecting

> revenues while "delighting" the customer with courteous, professional service. You might prefer to begin by offering those products for which you see a strong need. The segment lists are divided into 2 parts. The left column includes Public Switched Network services which meet customers basic calling (dial tone/long distance) needs. Listed on the right are the convenience services. Using the information gained from the customer through the discovery process to support offering the product will help the customer "see" how the product meets their individual needs. (MNC-9, pp. 24-25).

Customers are going to be "delighted" if they can only be made to "see" what they really need. The premise of the sales campaign is based on this fundamental disrespect of the consumer. Consumers do not know what they really need and do not say what they truly mean.

B. SELLING SERVICES BY OVERCOMING CUSTOMER RESISTANCE

Q. Is the Sales Representative Told to Plow Ahead, Even Over Resistance?

A. Yes. The sales representatives are told to assume that the caller will buy. They must bridge, ask questions and make a proposal. It is virtually impossible for the customer to avoid being exposed to the sales routine, no matter how he or she responds to the proposal.

> It is extremely important to recognize buying signals. Silence and absence of objections are common buying signals. Customers rarely say "Yes, I will buy!" You are more likely to hear something like: "I guess so"; "What do

you think?" (MNC-10, p. 6)

When the proposal is resisted, the sales representative is trained to overcome that resistance. Even if the customer rejects the offer, the sales representative is told that "no" does not mean "no".

> Some customers object to your recommendation. This may be because decision making can be threatening. Customers may have to resolve the internal battle of "I want" - telling them to buy and "I ought not" - telling them not to...
>
> Sometimes an objection is raised in the form of a direct question, in which case a direct answer stressing benefits is an appropriate and sometimes effective response.
>
> Other times the objection may take some other form:
>
> o don't really need
>
> o too expensive
>
> o husband/wife would not approve
>
> o can get it cheaper somewhere else
>
> o extra charges seem unreasonable
>
> o won't use it enough to justify
>
> o apartment too small
>
> o it will be a toy for the children
>
> We look at objections as <u>unanswered questions</u>. Ours first task in overcoming these objections is to empathize with the customer and to attempt to clarify the real question behind the objection. (MNC-10, p. 6)

There is virtually nothing the customer can say that the sales representative is told to treat as a no.

The Residence Market Segmentation Guide is most emphatic about making the sales pitch on every contact. The company has precoded a list of options onto every existing customer's record and the onus is on the sales representative to propose every one of those services.

> It is important that you offer every product for which you have uncovered a customer need. In other words, all products on the segment list should be offered unless you uncover specific information which indicates the customer would not benefit from the service. (MNC-9, p. 25).

Since sales representatives will have to explain why they did not try to sell the whole package (MNC-9, pp. 28-29, it is likely that they will just go ahead and make the sales pitch. The burden falls on the customer to give an irate "no" and the sales representative to find a reason not to sell everything. For a monopoly transaction, this burden is backwards.

Q. How Does the Sales Representative Overcome Resistance?

A. Unless the customer is very firm or irate, the sales representative will launch into the effort to overcome objections. This is the ABCDE model.

> Asking open ended questions to identify the real reason for the objection
>
> Being empathetic with customers by acknowledging objections
>
> Clarifying the true objection with a closed question

> Deciding if a new option should be used or restate the old one based on the customer's values
>
> Expect and ask for the sale (It sounds like you have decided you need this service).
>
> and then
>
> Forget it and
>
> Go on (MNC-10, p.3, emphasis added).

Note that the sales representatives is told to disbelieve the customers statement and find the "real" or "true" objections. The customer is not to be taken at his or her word.

The entire interview is being gamed to make the sale.

> Recommend a new way of looking at the question. Come back with a new personalized benefit. Remember we asked you to save some benefits for possible use later. Now is the time to bring them into play while overcoming an objection. (MNC-10, p. 8)

The philosophy underlying the belief that the objection is not to be believed is that the customer really wants to buy.

> Most customer's really want to buy but their "I ought not" feelings can easily take control. You must work on "I want" feelings. A good technique is to stress long term satisfaction. It's worth a little more to be satisfied. (MNC-10, p. 8).

Q. Is this Misdefinition of "Need" Reflected in the Marketing Strategy of the Company?

A. Yes. The company's concept of need is used to target market segments. Therefore, those groups that are identified as having a need for a service are identified as segments and the sales routine will be most heavily oriented toward pitching the specific services "needed" by that segment (including repeated refusals of the entire package).

Thus, the company does not see subscribers' attempts to initiate service as a time to provide balanced information to assist them in making an optimum choice. It treats them as an opportunity to maximize sales by market segmentation and selective presentation of information. What the company has done is replace the traditional role of the service center in providing lists of services and trial periods with the role of the sales center presenting packages of services and pressuring consumers with the model and benefits selling.

The following list of services must be offered to every caller depending on the segment cost which appears on their record (see Attachment MNC-9, pp. 17-20).

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The smallest number of services that the sales representative is required to offer is three, the largest is 14. Based on the company's analysis of the market, the average number of services offered would be 6.9. If no segment code appears, the sales representative is told to use segment eight, a seven item package. These are very large packages to offer, defend and overcome objections for on every transaction.

IV. THE ABUSE OF THE MONOPOLY TRANSACTION

Q. Please Describe the Materials in this Section.

A. In this section I examine the way the company manipulates the interaction between the sales representative and the customer. I identify and discuss the problems that this poses in the context of a monopoly transaction.

A. LEVERAGING THE FRANCHISE TRANSACTION

Q. Is the Customer Trapped by the Sales Approach?

A. Yes, the sales representative is trained to drag the customer through a long series of questions, proposals, and efforts to overcome resistance before the transaction is allowed to terminate.

> The following discovery questions are designed to help you maximize the amount of <u>useful</u> information you obtain from your customer. It is recommended that you ask the following discovery questions (or re-word the discovery questions to obtain the same information) on <u>all</u> "N", "T", and "C" orders as well as on customer contacts where you attempt to "bridge" to determine customer needs for our products. You are encouraged to ask any additional questions you believe are appropriate.
>
> TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME...
>
> [IF CHILDREN] WHAT ARE THEIR AGES?...
>
> WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?...

> WHAT CITIES ARE MOST OF YOUR CALLS MADE TO AND RECEIVED FROM?...
>
> [IF EMPLOYED] WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT? (MNC-9, p. 15)

The sales representative is trained to leverage the monopoly position of the company.

> Remember to prepare the customer for questioning. For example, "To complete an order the way you want it, I'll need to ask you a few questions." (MNC-8, p. 3).

The company recognizes that people enter the transaction without wanting to buy the things it is about to sell. There is no sense in which the information that the sales representative seeks has anything to do with what the customer wants or needs. The only need is for the company to get the information it deems necessary to sell the products it wants to sell. The way this is worded, it sounds like you cannot get basic service without answering the questions.

The company knows that if it does not make this linkage, customers will cut things off.

> A direct question like "Can I ask you some questions?" may result in the customer's saying "No." (MNC-8, p. 5)

Moreover, since most contacts as described above do not involve ordering a new service, the sales representatives are told to bridge on every call.

> Service representatives are expected to bridge on every opportunity.

> Opportunities are present in most cases on these type of calls:
>
> Tolls, Changing PIC, Calling Cards, Changing Telephone Number, Payment Arrangements, Directory Requests, Customized Code Restriction (CREX), Changes to S&E, Billing Inquiries, Pending Orders, Miscellaneous.
>
> No opportunity exits on the following calls in most cases:
>
> Irate Customer, Denied Accounts, and Disconnected Service (MNC-9, p. 26)

Unless you are mad as hell or a deadbeat, the sales representative is going to try to sell you something that you had no intention of buying when you called the telephone company.

In essence, the sales representative is holding monopoly service hostage to the answers to questions. When a customer calls to conduct a monopoly transaction -- such as ordering a new service or taking up a billing question, the sales representative does not need any but the most basic information to complete the transaction. Yet, the representative is told to interview the customer and make a sales effort, no matter what the reason for the call.

Q. Why Can't the Customer Just Hand Up?

A. The fundamental problem with this sales approach is that if the customer just wants basic service or to clear up some problem with that service, he cannot hang up on this tenacious sales person because this person controls his

access to basic service. If he does hang up, he does not have telephone basic service, or continues to have a billing problem, etc. That is the crucial leverage that the sales representative holds over the customer. The customer must fight his way through this aggressive sales pitch to obtain phone service.

Resisting the sales pitch is not simply a matter of saying no and having the sales representative back off. Sales representatives are instructed to keep at it. The customer has to say no repeatedly. First, he must reject the whole package. He then must say no to attempts to overcome his objections. He cannot hang up because the sales person is still holding his telephone service hostage.

Q. Is the Consumer at a Disadvantage in this Transaction?

A. Clearly, this is a difficult process for the customer. The customer who wants only basic service may have trouble getting it since the sales representative wants to push enhanced services. To make matters worse, as the transaction has been structured by the company, the customer has almost nothing to work with in trying to get the package he really wants.

Q. How Do the Company's Pressure Tactics Interact With the Tie-In Between the Monopoly and Optional Services?

A. One of the central problems in tying the sale of optional services to the sale of the monopoly service is that the underlying purchase is likely to be carried out under conditions of urgency and time constraint. Given that they view the telephone as a necessity, consumers need to initiate service in order to get back in touch. Their ability to distinguish between the monopoly service, which they cannot delay, and the optional services, which they do not "need", may be limited, particularly when confronted with the obfuscation and pressure marketing of the company. In the case of termination or back bill negotiations, this problem is compounded.

Consumers know, of course, that there are no alternatives for local service. In some cases, they recognize, correctly, that there are few, if any, alternatives for optional services. In other cases, because of the recent upheavals in the industry, they believe, incorrectly, that they have few or no alternatives for other optional services.

Q. How Do the Characteristics of the Transaction Make the Potential for Abuse and Error Greater?

A. The characteristics of the purchase itself reinforce

the problems faced by the consumer. The purchase is small, and spread out. The company recognizes this in its marketing literature.

Urgency, time pressure, a lack of alternatives, and a small expenditure all tend to lead to less effective purchase decisions and to make the consumer more susceptible to persuasion. Under the circumstances, I believe that the consumer is especially vulnerable to the company's pressure tactics; the company's explicit exploitation of this situation is likely to lead to over-consumption of these services.

The customer must initiate a purchase with the company because of the monopoly franchise. This results in a highly motivated, focused customer and places the costs of the transaction squarely on the buyer. The customer almost certainly "needs" to wrap up the transaction quickly (to avoid being without a phone), which is a reversal of normal sales situations.

Moreover, any warning that the operator may give during this transaction may be ineffective. Having called the company for basic service, the consumer does not expect to be sold additional services. There may be no purchase intention, other than to hookup the phone. Audio warnings are the least likely to be understood and heeded. When they are contrary to expectations, they are especially likely to

be disregarded or ignored.

Q. Aren't Simple Warnings Enough?

A. No. Given the circumstances of the purchase, a brief warning about what is optional is not adequate. The core of the transaction is the monopoly activity and a quickly spoken verbal warning is not going to be effective.

Moreover, the company has an interest in downplaying the warning and emphasizing the sales aspect. For example, in a July 1992 memo stressing the importance of giving warnings, the company still finds ways to place the emphasis on sales (see Attachment MNC-11).

For example, the calling card warnings all start with a statement about how useful the card is, before stating that it is optional. The optional service warning always immediately ties the optional nature to an immediate benefit in the next sentence. Moreover, capital letters the sales representative is told to lump all the services together and present one warning.

> INSTEAD OF DISCLOSING ALL REQUIRED INFORMATION AFTER THE OFFERING OF EACH SERVICE, YOU MAY ELECT TO PRESENT A FULL RECOMMENDATION OF ALL APPROPRIATE SERVICES THEN STATE, "These service are optional and are not require to obtain basic telephone service. (MNC-11, p. 3)

Touchtone is handled in much the same way.

> To get the full benefits from your "switchable" sets, I would like to recommend

touchtone service. This is one of our optional services and is not required for you to obtain basic service. Touchtone lets you dial numbers faster and easier...

"To get the full benefits from the type of phones you have and for your sets to function properly, I would like to recommend Touchtone service. This is one of our optional services and is not required for you to obtain basic service. The touchtone service lets you dial phone numbers faster and easier. (MNC-11, p. 4)

B. ABUSE AND THE MARKET STRUCTURE

Q. Did the Company Understand that it was Altering the Nature of the Relationship Between the Sales Representative and the Customer.

A. Yes. The residence Segmentation Training Facilitator Guide draws a sharp contrast between pre and post divestiture behavior of the sales representative (see Attachment MNC-9, pp 6-8).

Pre-Divestiture

- The BellSouth Residence Market is comprised of 13 million customers. Prior to divestiture the market was "held together" by regulatory boundaries.

- Prior to divestiture customers had limited choices as to who they went to for help when meeting their telecommunications needs.

- The RSSC sold primarily "on demand" Customers called in and told us what they wanted and we issued the order.

- There was no need to sell proactively

since we had virtually all the market

Post Divestiture

- Divestiture has cause the regulatory boundaries to become somewhat "blurred." competition has entered the market.

- Customers now have a large number of telecommunications vendors they can deal with in making their telecommunications decision. We are now one of many.

- Customers have begun to segment themselves. We are discovering certain groups of customers purchase certain products from the same stores and appear to have the same needs and purchase patterns. This segmenting occurs when customers have a large number of options.

- Competition in the marketplace has made us realize there is a need to become more actively involved in selling within this market.

- Customers no longer have to come to us. We can no longer afford to wait for customers to ask us what we have that can meet their telecommunications needs. In order to continue "servicing" our customers we need to be sure our customers are aware of and buy our products.

The explanation for why the sales representatives can no longer let customers simply tell them what they want is incorrect on a number of grounds.

First, as the local telephone monopoly, customers do not have a choice. They are a captive market.

Second, for most of the services being sold, there are no good substitutes, they rely on the control over the switch.

Third, the reformulation of the company's role as salesman also makes clear that "needs" are not the issue. The customers do not have the needs, it is the company that "needs" to sell its products.

Q. What Advantages does the Company Enjoy as the Franchise Monopolist in Executing its Marketing Strategy?

A. There is a tremendous advantage for the telephone company in being seen as the authority on this matter. Its status as the incumbent monopolist conveys significant credibility and customer loyalty which results in considerable power in the transaction. The customer's attention is highly focused, making him more receptive to the information being disseminated. The costs of resisting may be high for the consumer, while the company's costs of influencing the customer are small.

Thus the company has a huge advantage and many resources to influence the consumer. There is a great disparity between the customer and the company in the transaction.

The company exploits its power by package selling. Using the monopoly over basic services and the tremendous advantage it has in the transaction, the company has made a strong effort to bundle the discretionary services with the necessity service. The sales representatives are instructed

by the script to present only packages and resist unbundling them. They are trained to overcome the objections of the consumer and sell the bundle.

As a franchise monopolist the telephone company has a position of trust and expertise. The company has taken the position of an expert by the style, language and structure of the sales exchange.

However, the actual transaction does not reflect fair or balanced information. Having had the position of benign expert conferred on it by the franchise, the company behaves like a self-interested huckster.

Q. Does the Market Structure of Local Telecommunications Services Compound the Problem with the Company's Marketing Strategy?

A. Yes, the effects of this sales strategy are reinforced because the company is not operating in a competitive environment. For many of the services being offered there are simply no good substitutes, as the company recognizes. Where competition is seen to exist, the company targets the franchise transaction as a source of advantage.

Q. Is the Company's Exploitation of its Monopoly Power Central to the Campaign to Sell Optional Services?

A. Yes. The company knows the advantage it has from its

monopoly franchise position. It knows that if it were simply to present balanced information and encourage consumers to try the services for a short period, it would sell fewer subscriptions and many more consumers would terminate the vertical services in short order.

I have pointed out that much of the willingness of customers to convey information, to place faith in the company, etc., stems from the fact that they hold the monopoly franchise for a necessity. The necessity, however, is basic service. As we have seen, the company is intent on convincing consumers that they need the add ons to basic service.

Q. Did the Company Use its Monopoly Power to Gain Further Marketing Advantages?

A. Yes. The market segmentation process, which triggers the offer to every caller, and which is noted on every customer's account, is built, in part from company records. The BellSouth purchase data base was combined with demographic and other data to segment the market.

V. ENFORCING THE PLAN

Q. Please Briefly Describe the Materials in this Section.

A. The previous sections have highlighted key elements of the company's strategy to increase sales and overprice services including pressure marketing and incentives to the sales force to sell. Wherever management used a carrot to induce greater sales, it also used a stick -- oversight and discipline -- to ensure sales performance. This section reviews some of the measures that were applied to ensure compliance, as well as some of the problems that arose from placing the sales force under these pressures.

A. GETTING EMPLOYEES TO APPLY THE SALES APPROACH

Q. Did the Company Use its Sales Approach to Govern the Daily Activities of the Sales Representatives?

A. Yes. The sales approach guidelines were used to enforce close control over the activities of the sales representatives. To begin with, the evaluation at the end of the training sessions placed great emphasis on the entire process of the sales approach (See MNC-9, pp. 8-9).

The company then developed a sales reporting form to

Centers (BSSC) sales codes (MNC-12, p. 4).

The company also developed Professional Contact Performance Procedures and forms. This form, which was circulated at least at the Service Representatives Forum level, made it strikingly clear where the company's emphasis was.

The sales approach is then thoroughly embedded in the heart of the evaluation form (MNC-13, p. 8). The wording of the section on recognizing opportunities is most revealing.

> Opportunities can include all contacts except denied service that cannot be restored or where the customer is clearly upset with our collections attempts or for any reason is obviously dissatisfied, or emphatically states, upfront, that she/he does not want to discuss any additional services, or misdirected calls. Did the SR recognize that sales/save opportunity and make an appropriate sales/save attempt (MNC-13, p. 11).

The message that the customer must be an unreclaimable deadbeat or mad as hell in order to avoid the sales pitch is clearly the signal management was sending to employees.

The company also began to impose sales objectives on the sales representatives. The minutes of the Service Representative Forum are replete with complaints about these

objectives. For example, a survey of sales representatives shows that sales objectives being set too high were the largest issue, with overall problems with sales being cited more than two and a half times as often as any other item (See Attachment MNC-14, p. 3-4). Fifty respondents mentioned sales, while the second most frequent item, a four day work week, was cited only 18 times.

The sale representatives were also particularly concerned about having the evaluation of there performance make recognition of the fact that they might not have been in the office the entire time.

> The rest of the meeting was spent discussing the concerns regarding the Current Sales Measurement. It was suggested that we gather some facts to demonstrate the unfairness of evaluating Service Representative Performance without exceptions as compared to Performance with exceptions (MNC-15, p. 1).

Q. Did the Company Monitor Field Application of the Sales Approach?

A. Yes. The company then went out into the field to monitor and check up on the application of the sales approach. Attachment MNC-16 is the report of one such review. The report begins by reminding the office of the importance of sales techniques.

This introduction leaves no doubt about the fact that the emphasis is on sales. Calls were monitored and records reviewed to ensure compliance with company sales training and a basic understanding of reports and reporting (MNC-16, p. 2).

Of 82 calls monitored, 50 were deemed to be eligible for selling. Of those 50, 9 were for orders and 41 required bridging. Efforts were made to bridge on 38 calls. In all, almost fifty items were sold on the fifty calls.

The effort to overcome resistance was frequent, but the report complains that it was not aggressive enough.

Thus, the fundamental philosophy of disbelieving the customer and pressing hard to reveal the "true" objection is being imposed in the field.

This review also noted that there were sales representative who did not know the details of the ongoing sales promotion campaign.

Q. Did the Company Update the Sales Approach as New Products were Rolled Out?

A. Yes. The sales approach was the centerpiece of marketing so that each time a new product came out, discovery and assuring techniques were identified.

> In order to effectively sell Hunting, the sales personnel should uncover customer needs by focusing their "discovery" questions on the incoming call management function of the business...
>
> The Hunting feature would be a "must" for any business that receives a lot of incoming calls. (MNC-17, p. 4).

There was also a continual stream of exhortations to the sales force. By May of 1990, the Florida Goldline Report was making exhortations like the following:

> Financial results
>
> The April financial results reflected a drop in our trend to meet the end of year Team Florida goal. Expenses were up slightly, so we must continue to control the dollars we spend while operating the business. It is especially important now as we head into the traditional rainy season and the normal increase in expenses resulting from added troubles experienced in wet weather. Revenues were also off somewhat, so continued emphasis on sales is important. Keep referring your sales leads via GoldLine (780-2288). (MNC-18, p. 1)

B. SALES PROBLEMS IN THE FIELD

Q. Did the Push for Revenues Put Pressure on the Company?

A. Yes. The tremendous push for revenues through increased sales and manipulation of prices created problems throughout the company. The Price Increase Opportunities document noted the resistance from the individual states to the push for increases in both custom calling services and

inside wire.

Q. Did Employees Have Problems?

A. Yes. Needless to say, if some management people had concerns, employees encountered even more problems. I have already noted the concerns expressed in the Service Representatives Forum. In order for them to be complaining about performance evaluations, management must have been generating negative evaluations based on sales performance.

In fact, the struggle over sales objectives found its way into the job grievance process. Request for documents turned up just over two hundred grievance reports for both North and South Florida covering the period from 1988 to early 1992. The following table lists the cause of the disciplinary action which is being disputed by the employee.

YEAR	REASON FOR JOB ACTION AGAINST EMPLOYEE		
	QUALITY	SALES	FRAUD
1988	3	11	0
1989	21	17	5
1990	13	21	0
1991	24	52	2
1992	13	17	11
TOTAL	74	118	18

The majority of grievances were disputes over a negative evaluation of sales performance. It is also interesting to note that about one quarter of the employee complaints involved a reprimand for poor quality, which was actually based on a failure to reach sale objectives. These employees did not think it was fair to say they had done a poor quality job because they had failed to reach their sales objectives.

Taking disciplinary actions and filing grievances are certainly the most extreme final step and represent only the tip of the iceberg of the churning problem in the sales offices.

C. NON-CONTACT EMPLOYEES

Q. Did Problems Result from Letting Non-Sales People Get Involved in the Selling Effort?

A. Yes. One huge set of problems arose when the company decided to get non-contact employees to act as salespeople. These people were not trained in sales, but when they went out into people's homes to render service, the company saw an opportunity to increase sales.

Even if these people had not done anything unethical, this is an especially problematic transaction. This is a circumstance in which the customer certainly has no intention to purchase. The employee is there almost certainly to provide a monopoly technical service. With an untrained sales person and an unprepared customer, developing this as a sales opportunity is very risky business.

Moreover, if the technician happens to be in the customer premise providing the monopoly component of an otherwise competitive transaction, there is particular opportunity for abuse. He can easily steal the competitors business because he has privileged access to the customer.

As the Georgia Commission found in the Memorycall case

> The record in this case shows that SBT engaged in at least the following marketing and other promotional practices with respect to MemoryCall during the trial period.

1. SBT actively sold MemoryCall to TAS Bureau customers who called SBT to order call forwarding and other custom calling features in preparation for signing on with a TAS Bureau.

2. SBT's marketing included repair service attendants selling MemoryCall to TAS Bureau customers.

3. SBT bills for MemoryCall by using its monopoly billing system.

4. SBT uses its monopoly billing system to promote the sale the (sic) MemoryCall with bill stuffers.

5. SBT refuses to allow its VMS competitors to use its monopoly billing system to either bill VMS or promote VMS.

6. SBT uses its Customer Proprietary Network Information (CPNI) to identify prospective MemoryCall subscribers, while TAS Bureaus are denied real time equal access to SBT's CPNI. (MNC-19, p. 36).

The ultimate problem arose when non-contact employees were pulled into the office to make telephone solicitations for services. Some were on light duty, while others were apparently doing it on their own time. It was unclear how this was monitored. For example, a memo from Helen Prieto, who had participated in the lead line write up to L.E. Spradlin, the company officer who was part of the policy process, complained about the MATCH promotion for technicians.

Service technicians also passed out business cards with the "customer number" for the customer to refer to when they called in. The "customer number" of course, was the tech's sales code. We spoke with one service

> technician who said he passed out hundreds of cards at shopping centers to customers so they would call in with their customer number. When told that was borderline cheating he laughed and said he preferred to call it "hustling".
>
> We have some basic problems with MATCH:
>
> 1. It diverts customers from their regular sales channel thereby hurting the results of customer Services Residence, Business and Marketing.
>
> 2. It encourages "Wage and Hour Violations" such and as such places our Company at risk of suits. (MNC-20, p. 1).

The Match program was not the only one that suffered from "borderline cheating." The GoldLine program generated similar complaints.

> I had received 65 total referrals for wire maintenance from Mr. Eberhardinger. Each of the customers were called and only 5 contacts resulted in successful sales.
>
> I also expressed my concern to Mr. Wright that many of the customers we called were irritated and claimed that no one had talked with them regarding our maintenance plan...
>
> Mr. Eberhardinger is a screener, and he felt that every customer's account being screened that did not presently have SEQ1X was being referred to Gold Line...
>
> This type of referral policy is a violation of the rules of this very important employee incentive plan designed to stimulate additional revenue for our company. My Service Representative's time is being wasted, customers are being irritated, and we are missing out on potential revenue my Reps could generate on open key. (MNC-21, p. 1)

The problem was not only associated with the incentive

schemes. Since sales representatives were under the pressure of performance evaluation, they too could cut corners to achieve higher outcomes. The practices included not wasting time on downgrades of service or options (saving a sale apparently did not count as much as making a sale), manipulating sales codes, refusing to take transactions that did not hold good prospects of making sales, etc. (see MNC-22, p. 1).

In short, the charges and countercharges made by sales representatives and technicians had a firm basis in fact, and all of the problems had been made known to management.

VI. FRAUD AND ABUSE IN THE FIELD

Q. Please Describe the Materials in this Section.

A. With such an emphasis on sales, with high value incentive schemes rolling down the pike every few months, and with disciplinary action threatened and imposed for the failure to reach sales objectives, there were bound to be more severe problems. This section describes the more extreme cases of abuse that arose.

A. SLAMMING IN THE BOILER ROOM

Q. Did Cheating Go Past the "Borderline?"

A. Yes. With incentives and pressures for sales so great, it did not take much for borderline cheating to give way to out and out fraud.

> Initially I was contacting the customer but I was having limited results - sometimes I would only make seven or eight sales a day. On many occasions Edie (my foreman) would ask me how many sales I had made for the day or the week, etc. Many times he made a point of comparing my results to STEVE JONES, another employee who was also on the same selling program, always mentioning that STEVE'S count was much larger. I felt threatened by this.
>
> I asked STEVE 'How do you do it?' He suggested that I tell the customer, if they weren't sure, to just try it out for a while. He also said, and I don't remember exactly how he put it, but I got the message, to just fill out the forms as if I had contacted the subscriber and send it in. STEVE's rationale

> was that most customers wanted Call Waiting anyway and if they didn't, they could just call in and cancel the service. We discussed that Call Waiting was the best feature to go with because most customers liked the feature. (MNC-23, p. 2).

Part of this rationalization is "borderline cheating" -- tell them to just try it and they can always stop it at no additional cost. Part of the rationalization is straight out of the company's philosophy -- they really want the service. Ultimately, the borderline between sleazy sales practices and cheating gets harder and harder to see. Adding services without talking to the customer crosses the line.

The creation of boiler rooms was a case in which the borderline appears to have been systematically crossed. If technicians were put on full time sales, they were probably engaging in wage and hour violations. There seems to be little doubt that boiler rooms existed and they not only violated wage and hour rules, but also marketing rules.

> During one of the very first staff meetings, Davis stated that sales were a very high priority and they wanted to be the best for Paul Singer. Davis also wanted to beat Bob Sattizahn, Operations Manager over the North Broward District. All of the managers in the Palm Beach District agreed to set up a boiler room, it was a team effort. Olsen had a staff meeting and told his people of the boiler room that they would be setting up for sales. Mr. Motely and Magrath felt the effort was futile because the business office normally stole half of their sales...
>
> In 1989 and 1990, Olsen's West Palm Beach

> group used flyers in connection with the MATCH program. The flyers were distributed to condominiums and multi-family residences where prewiring had been done. The flyers contained sales codes of the person dropping off the flyer, all the points were shared, half for the service technician and half with the MATCH program. (MNC-24, pp. 2, 5).

Q. Was There Early Evidence of the Problems in the Marketing Campaign?

A. Yes. The back and forth between middle and upper management over who was ripping off sales from whom takes on considerable importance. People who think that their being unfairly treated will send signals up the management chain.

For example, a manager of customer services who was supposed to input data for one of the boiler rooms complained as early as mid-1988 about batches of referrals. (MNC-25, pp. 1). Suspicions were raised because of the volume and street address sequence. Telephone calls revealed that none of the customers had been contacted.

> Based on this feeling, I telephoned the second level manager over the groups that was preparing the forms who is E.B. "Butch" Olsen...
>
> I telephoned Butch again and told him the results of our sample and explained that I felt the forms involved the customers being charged for services they had not requested. The response from Butch was that he believed I was trying to keep him from making revenue for the company.
>
> It is my opinion that Butch had to have the blessings of his supervisors to continue

> having these forms prepared, and if his supervisors never actually okayed the preparation of these referrals without customers being contacted, I do not see how the supervisors could not have known what was going on.

One of the ironic things is that the incentive scheme tied the fate of management to excessive sales. Starting in 1986 and continuing throughout, the big ticket awards were given to middle management and they got partial credit for their employees sales. (MNC-26). This meant that there was little incentive to report cheating within marketing channels, but considerable incentive to report it across channels.

Thus, there appears to have been at least two years of internal conflict over and warning signs about these abuses from both middle management and employees.

Q. How did Employees Respond to the Pressures?

A. If management was complaining about aggressive sales and fighting about who would get credit for which sales, employees got the message that sales were all that mattered. They adapted to the sales approach.

> When I came to the maintenance center, I was told by fellow employees not to make any waves and to do what I was told or Management would make my life hell.
>
> I knew that what I was doing by adding additional features to subscriber lines without the subscriber's authorization was wrong, and would have had many nightmares

> about it. However, I did what I was told by management. (MNC-27, p. 2).

They also took the philosophy of the sales campaign to it conclusions.

> After a couple of weeks on the sales job, it was brought to my attention that my sales were not as good as others in my district. My supervisor, Don Babair, came to me one day to discuss my low sales. He suggested that one way to increase my sales was to review customer records and find those subscribers that have only the Inside Wiring and Jacks Plan (WMR) and upgrade them to the full Maintenance Plan (SEQ1X), without making a sales contact with the subscriber. He stated that the subscriber really needed the upgrade, and it would only them an extra $1.00 per month that they would not notice on their bill (MNC-28, p. 1).

The small purchase and the "true" need for the service provide the sales representative with the psychological solace to keep on going.

B. THE MANIPULATION OF INSIDE WIRE

Q. Was Deregulation the Trigger for the Manipulation of the Inside Wire Offering?

A. Yes. As the first service to be deregulated, it gave the company an opportunity to flex its muscle in the new telecommunications environment. As a first case, it should have put the company on its best behavior, but that was not what happened. The interesting thing is that management saw inside wire as a test case for deregulation, but not for

good behavior, only for profitability.

When contemplating the prospect of detarrifing inside wire, the company proposed very small offsets, to account for the reduction in the content of local service. The service was inexpensive and profitable when subject to regulation (see Attachment MNC-29). However, within six months of being detariffed, it was seen to be unprofitable (see MNC-30). Without regulatory oversight to slow things down, the manipulation of inside wire maintenance began.

> At a recent meeting in South Florida to discuss the profitability of the various deregulated wiring plans, Mr. Henry and Mr. Crittenden agreed to combine the wire maintenance and trouble isolation plans on October 1, 1987 and charge customers $1.75 for this service. No other service will be available after this date. Customers with existing plans will be "grandfathered" but cannot keep plan if they move. There are no plans to solicit existing customer who have one or both of these plans. Since PSC approval is not required in a deregulated environment, chances are this program will "fly".(MNC-31, p.1 1).

The decision to move ahead was continually accelerated, in spite of significant uncertainties and problems with the rapid changes (MNC-32).

A most interesting complaint about the speed of price and service offering changes occurred in Florida in regard to the early deployment of the combined IWM/TIP plan. In mid-1987 the network operations manager noted that the constant changing of offerings was bound to create problems.

The effort to migrate people to one, more expensive plan certainly created confusion (see Attachment MNC-34).

Q. Did Pricing Freedom Continue to Play a Role Throughout the Period in which it was Unregulated?

A. Yes. The company had the authority to raise prices subject to 30 days notice. It did so in early 1988. (see MNC-35).

The concerns expressed about confusion around inside wire maintenance persisted. When the Pennsylvania case dealing with deceptive marketing practices hit the press, product team members at the holding company level expressed concern.

> Attached please find a copy of an article from the Wall Street Journal dated March 22, 1988. The article advises that the Attorney General and Consumer Advocate's Office for the state of Pennsylvania have accused Bell of

> Pennsylvania of deceptive techniques in selling optional telephone services. Specifically, the selling of Custom Calling services and inside wire service plans are the objects of their accusations.
>
> I would like your assistance in verifying that the procedures specified in the inside wire product guide and re-emphasized in the M&P's developed for the current repricing are being adhered to (see Attachment MNC-36, p. 1).

Although the author expressed his belief that the procedures were being adhered to, that was not the case. It was just at this time that the slamming had begun.

The company also had difficulties just keeping pace with the responses of consumers to the racheting up of prices (MNC-37).

The conflicts persisted and continued to pop up. A memo from late 1989 referred back to this original objection to the repripricing.

> As noted in your letter of September 8th, Southern Bell and South Central Bell have again pressed forward with rate increases to the inside wire service plans without the participation of the Inside Wire Product Team. Some of these rate increases were recommended by the Product Team as far back as August of 1987, while others (notably Florida) were implemented even though the product team had recommended AGAINST the increase...
>
> Unfortunately, revenue stimulation programs driven by upper management in both Operating Companies have created this situation (Attachment MNC-38, p. 1).

Whenever problems arose, or customers were expected to

react negatively to price increases, the company stepped up the promotion campaign. Notices about the service were always couched in promotion language.

> While emphasizing that customers are free to repair their own inside wiring (or hire someone else of their own choosing besides SBT/SCB), this notice would also promote the benefits of the Inside Wire Service Plan and direct customers to call their local business office for more information (MNC-39, p. 2).

Saving the sale was paramount when problems arose.

> Customers will receive notification that there has been a billing error on their account and we are adjusting charges from the originating date in addition to any other information we provide. These customers will be directed to call 1-800-522-BELL(2355) ext. 300 if they have any questions or need to discuss the service... We will explain the bvenefits (sic) of the service and the coverage it provides, answer any questions and assist the customer in making the dicision (sic) that best fits his needs...(mnc-40, P. 1).

> It is very important that your Reps refer these customers to the Direct Marketing Center. This is true even if the customer is stating that they want to keep the Service Plan on their account. There are specific procedures the DMC has to follow so that these customers will not have SEQ1X dropped from their accounts. There are also specific instructions which the DMC Reps must follow in speaking with these customers. <u>This is not a sales opportunity! This is very important</u> (MNC-40, p. 5).

It is interesting to note that management is concerned about losing customers who might call the sales representative and also assuring the sales representatives that they are not being denied a sales opportunity. Having

created the atmosphere of sell, sell, sell, it is difficult to control that urge when problems arise.

Q. Did the Company Recognize the Advantages it had in Selling Inside Wire Maintenance?

A. Yes. The company sees virtually no competitive threat to the sale of this service.

The company relies on customer ignorance, its ubiquitous presence and access to the customer, billing support for the monthly plan, and the reputation of the monopolist to dominate the market.

There are also indications that simply leaving or shifting costs in the regulated area are an important means of lowering expenses to create unregulated profits (see MNC-42).

The result has been a huge market penetration and a phenomenally profitable service. The profitability of the service is almost entirely on the revenue side. (MNC-43).

As noted earlier, the company realizes that the pricing and marketing do not appear to follow competitive market principles and is concerned that it will be pulled back into the regulated area. The abuse and profitability of inside

wire maintenance plans rests squarely on the deregulation of a non-competitive services and the willingness and ability of the monopolist to exploit it market power to oversell and overprice this service.

VI. RECOMMENDATIONS

Q. Please Describe the Materials in this Section.

A. In this section I present my recommendations. My recommendations have two components -- to restore the integrity of the monopoly transaction and to provide consumer protection during telemarketing. I will begin with the general consumer protection issues, since I believe that all of these should apply in all cases. I will then discuss the additional safeguards necessary to ensure the integrity of the franchise transactions.

A. CONSUMER PROTECTION FOR TELEMARKETING OF TELECOMMUNICATIONS SERVICES.

Q. Why do You Think General Consumer Protection is Necessary for Telemarketing of Telephone Services?

A. The recent Tenth Statewide Grand Jury explains the very sound basis for insisting on vigorous consumer protection of telemarketing of all services and especially telephone services (MNC-44, p. 5) Detection of fraud is difficult for consumers, confusion is likely, and post-purchase follow-up is difficult. I would add the observation that traditional purchases involved purchases of tangible items for which a bill was rendered and funds transferred at the point-of-

purchase. Electronic purchase of telephone services entail no tender of a bill or transaction. The service will be consumed in the future and prices will appear on a monthly bill. It is a new type of transaction that needs new consumer protection approaches.

Q. What do You Recommend for General Consumer Protection?

A. I believe that the recommendations of the Grand Jury should be implemented for all telephone company telemarketing transactions (see MNC-44, p. 5). In essence this requires a written contract signed by the consumer which ensures that the consumer understands and receives what was purchased. It also requires a short cooling off period.

The provision of a written contract addresses many of the troubling aspect of the transaction that I have identified in my testimony. It takes away the time pressure of the telephone transactions. It gives the consumer a piece of post-purchase information which can be contemplated and considered. It should be a fully itemized bill so that the costs of each component of service can be considered and it should have a description of the service so actual performance can be compared to claims.

B. RESTORING THE INTEGRITY OF THE MONOPOLY TRANSACTION.

Q. Do You Think Marketing of Optional Services can be Fairly Integrated with Sales of Monopoly Service?

A. No. The potential for abuse and error is simply too great. For decades a basic necessity has been provided by a franchise local monopoly. For residential ratepayers that monopoly for local service remains hard and fast. The confusion between the monopoly transaction and optional services is bound to be great. Even well designed warnings are not likely to be heeded.

Q. What do You Recommend?

A. In addition to the requirement for a written contract, I recommend that on any inbound transactions other than the placing of an order for service (new connect, transfer and forward or change in service) there should be no selling whatsoever. The customer is not intending to make a purchase and is not prepared to make one. The business of the transaction may be very problematic, e.g. a billing problem, and subject the customer to fears about loss of service. If you call to transact routine business with the telephone company, there should be no selling.

For transactions in which there is a purchase intent, I believe additional services could be sold. The service

representatives should be trained to make it easy for the customer to terminate the transaction after purchasing basic service, not difficult. The service representative could simply ask if the caller wants a description of available services, either verbally or in writing. I believe that there should be a sixty day grace period for these purchases.

I also believe that the marketing of services on outbound calls should be reviewed carefully. Overselling should be discouraged. I think the elements of the oversight program contained in the settlement agreement should govern all transactions (outbound, and inbound with an intent to purchase). (see Attachment MNC-45).

Q. Why do You Think the Settlement Agreement is Inadequate to Deal With the Marketing Problem?

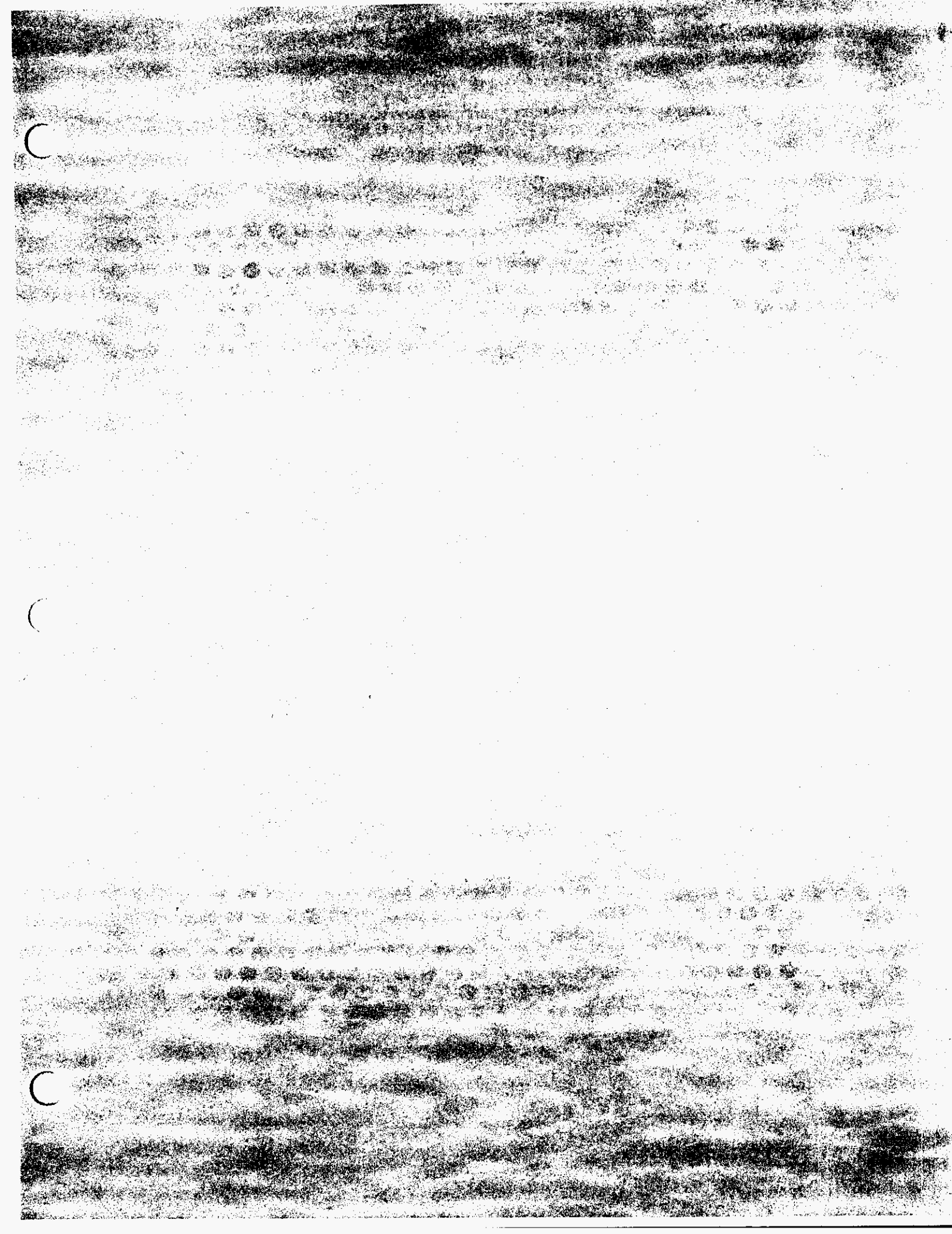
A. The settlement agreement was based on a criminal investigation of certain fraudulent practices. In my testimony I have shown that the problem of abusive marketing goes much farther and deeper. The monopoly transaction and the ubiquitous telephone company presence go far beyond the problem on which the settlement agreement focuses. Just as the Grand Jury felt that the response of the Public Utility Commission needed to go farther, I have presented an extensive analysis of a pervasive problem that needs to be

addressed.

This is especially true as the telephone companies begin to market more and more services. And, it is true regardless of what form of regulation the Commission applies to the company.

Q. Does this Complete Your Testimony?

A. Yes.



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone & Telegraph Company	)	Docket No. 920260-TL Filed: November 16, 1992

CONFIDENTIAL

ATTACHMENTS TO THE DIRECT TESTIMONY

OF

MARK N. COOPER

On Behalf of the Citizens of The State of Florida

Jack Shreve
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

(904) 488-9330

Attorney for the Citizens
of the State of Florida

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MNC-2
1 of 11

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 900600-TL
Citizen's Request for
Production of Documents
December 07, 1990

(ATTORNEY/CLIENT
WORK PRODUCT)

POD ITEM #: _____

TITLE OF DOCUMENT: OFFICERS SLIDE PRESENTATION

DESCRIPTION OF DOCUMENT: HARD COPY OF SLIDE PRESENTATION, MADE BY CARL CHILDS TO COMPANY OFFICERS PROPOSING AN INTERDEPARTMENTAL EMPLOYEE REFERRAL PROGRAM.

NO. OF PAGES: 10 SOURCE OF DOC: CARL CHILDS

PERSON FURNISHING DOCUMENT: L E SPRADLIN

PROPRIETARY TREATMENT: YES ____ NO ✓

EXPLANATION: _____

IRRELEVANT OR NON RESPONSIVE INFORMATION: YES ____ NO ____

TYPE: OTHER COMPANY ____ OTHER STATE ____ UNREGULATED ____

OTHER _____ BLOCKED: YES ____ NO ____

PREPARED AT THE DIRECTION OF COUNSEL IN PREPARATION FOR LITIGATION

15-79

73

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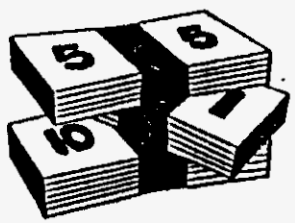
FLORIDA
EMPLOYEE SALES
REFERRAL INCENTIVE
PLAN



GOLD LINE

08-51
INTRO.
CEL
$
HELEN / DM
PRIETO
- FLA. CUST. SVCS.
- BEAUTY & BEAST
-

11 of 11

MNC-1
3 of 11

INFO. FROM EMPLOYEES RESULTS IN REVENUE FOR BELL.

$ REWARDS TO PARTICIPANTS

15-81

75

Blue Binders

FLORIDA
EMPLOYEE SALES REFERRAL INCENTIVE PLAN

A • ORIGIN → WHAT LED TO IT'S CREATION

B • PROGRAM BENEFITS - OF AN EMPLOYEE SALES REFERALL PLAN

C • ESRIP FEATURES - FOR FLA.'S PLAN

D • ESRIP STRUCTURE - HOW IT IS ORGANIZED

[redacted]

28-51

9L

F021201 A-F

4 of 11

- CAN. DEPEND ON EXP. RED. OF $62 M IN 1990!
- GTTG → REV. ENHANC. & EXP. REDUCTION
  - FLA. NEEDS $
  - TEAM FORMED MID-JAN. TO LOOK AT EMPLOYEE SALES

ORIGIN

FOREMOST:
- CREATE NEW REVENUE SOURCE
- GET EMPLOYEES MORE INVOLVED IN REVENUE GENERATION

- INCENTIVE REGULATION

F • REVENUE ENHANCEMENT

G • TEAM MEMBERS --- { MKTNG. / NET. / CUST. SVCS. / NET. TROV.

- LEAD
- MATCH
- PREVIOUS PLANS, E.G. PRESIDENT'S CUP

H • PLAN ASSESSMENTS

I • IBT LEADLINE EVALUATION – A MATURE TRACKING

22K EMPLOYEES
5 K TARGET = 20%

80% CONTACT
20% NO CONTACT

1989
62M SALES
$25M REV.

$2-3M RES.
$9 M COIN
$14 M BUS.

REWARD PTS.
- GIFTS
- TRAVEL
- SAVINGS BOND
- CHARITY
- DONATE

TRACKING

F-I

11 Oct 89

F-25-83

IBT LEADLINE HIGHLIGHTS

3 LEADS → $5M

1987
3700 SALES
$16.5 M REV.

1989
6,000 ↑
$25.0M

- REVENUES
- INCENTIVES → POINTS → · GIFTS · SAVINGS BONDS · TRAVEL · CHARITY
- PARTICIPATION
- TRACKING/REPORTS – BY REFERRAL
  – POINTS
  – PENDING
  – DEPT. REPORT

88-91

22K EMP.
5 K PARTIC. = 25%
80% = CONTACT
20% = NON-CONT.
1200 SALES

91-

1990 MMC-

PROGRAM BENEFITS

- SINGLE POINT OF CONTACT
- TOTAL EMPLOYEE INVOLVEMENT
- INCREASED REVENUES
- "SKUNK" WORKS ⟶ MOTIVATION
- POSITIVE IMPACT ON NET INCOME

PROPOSED FLORIDA ESRIP FEATURES

780 # FOR STATE

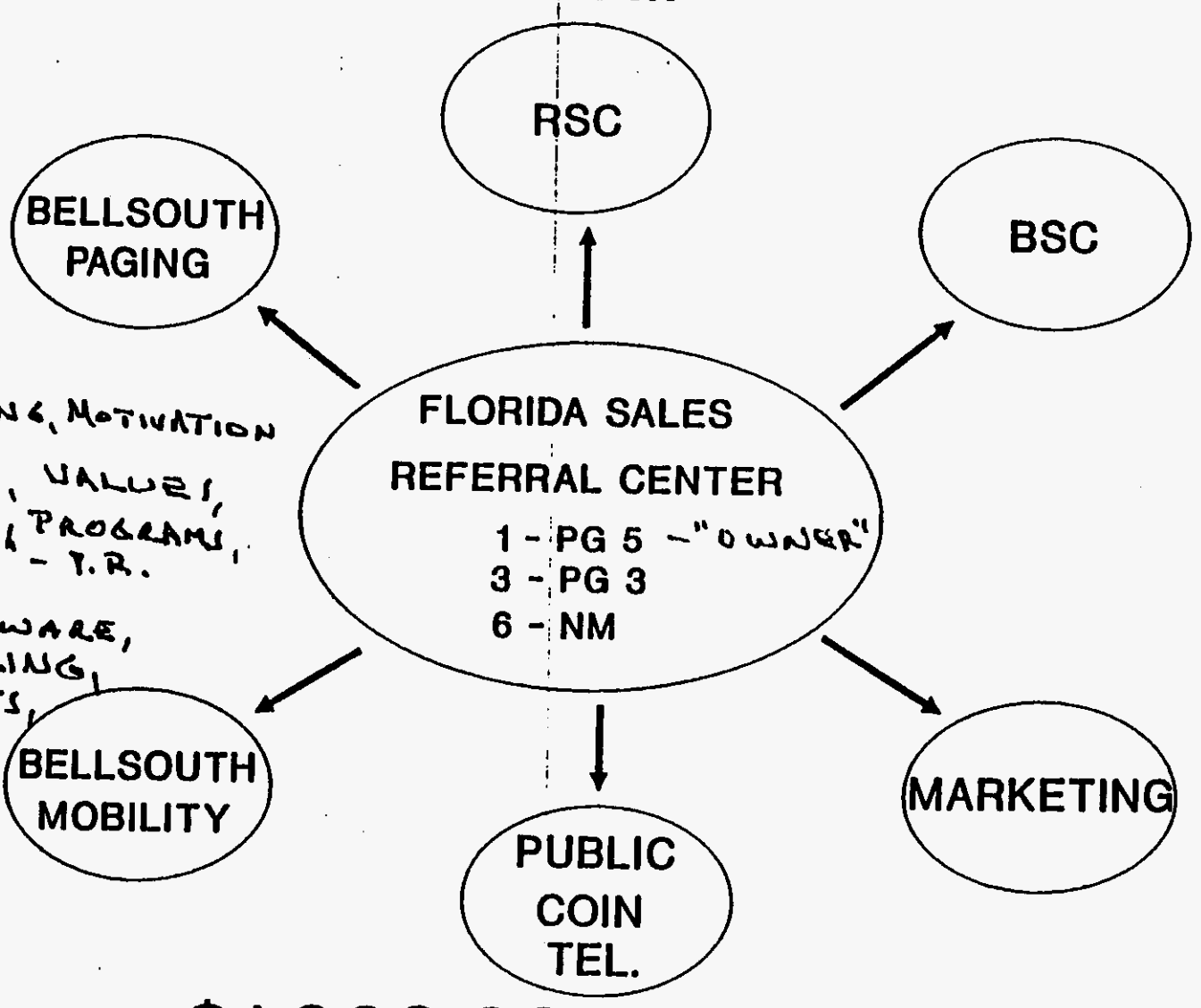
- ~~SINGLE POINT OF CONTACT~~ - ONE # (NOT 80 - ANY EMPLOYEE CA - EASY TO SELL/BUY
- CUSTOMER SERVICES COORDINATION - L.E.
- ENHANCES MATCH - ADDS SVCS./FOSTERS TRAINING (SVC. TECH. & SVC. REP.
- TOTAL EMPLOYEE PARTICIPATION - EDUCATES EMPLOYEE } WH HA S
- HIERARCHICAL INCENTIVES - ~~EMPLOYEE~~ EMPLOYEE I.E. FROM PENDING TO CLOSE
- REVENUE/LEAD TRACKING - REPORTS FOR EMP. / DEPT. REPORTI - # LEADS - % PARTIC. - REV.
- ~~COST EFFECTIVENESS~~
- ~~MORE NET INCOME~~

98-51

11 28 8 Nov-1

BELLSOUTH PAGING
UP TO 4 LINES
BSC
SELL LEADS
5 LINES-RES.
1-9 LINES-BUS.
FLORIDA SALES REFERRAL CENTER
10+ LINES COMPLEX
SELL LEADS
BELLSOUTH MOBILITY
PUBLIC COIN TEL.
MARKETING

ESRIP



1-PG3 - TRAINING, MOTIVATION
1 PG3 - POINTS, VALUES, COORD. PROGRAMS, "HYPE" - T.R.
1 - PG3 - SOFTWARE, TRACKING, REPORTS, ETC.

88-51

10

$1,000,000 BUDGET

FLORIDA'S OPPORTUNITIES

- CCS — 13% IMPROVEMENT (TO SCK LEVEL) → $1.3M
  2-4% IMPROVEMENT → +5M ANNUAL REV.

	LINES EQPD	# FEAT. IN SVC.	$ COST.	$ REV.
EOY 89	2.8M	70K	46K	$700K
EOY 90	3.8M	360K	240K	$10.2M

- TOUCHSTAR
- VMS — 1990 POTENTIAL = $2M
  (MEMORY CALL)
- #9,509000

ALL SOURCES PRIME MKTS. FOR EMPLOYEE SALES REFERRAL!

STIMULATION → $4.5M

HOW ORGANIZED

15-89

11 & 11

MNC4

83

MNC-2
1871

February 13, 1990

Memorandum To: Revenue Committee (see attachment A)

From: P. E. Blanco - Manager Network Provisioning

Re: February Meeting - Revenue Committee

The February meeting of the Revenue committee was held on February 13, at 10 A.M. in room 1115 of the Ft. Lauderdale Headquarters building. All expected departments were represented.

Mr. Davis opened the meeting with general comments on the various related committees operating this year:

Cost Improvement - J. R. Ellis/J. Benedict (Chair/Co-chair)
Rev. Enhancement - A. M. Davis/L. E. Spradlin (Chair/Co-chair)

The Committee proceeded to review the Agenda (see attachment B). A summary of potential Incremental Revenues emerged from that review and it is listed below:

Employee Sales Campaign	4.5M
Touchtone/CCS	.7M
Memory Call	1.0M
One Day Due Date on "C" Feature Orders	.5M
Market Penetration Protection Pricing	4.5M
Mobile Feature Display	.5M
Late Payment Charge for CPE	.3M
Same Day Billing for Initial Order	.5M
Third Advertising Campaign	1.8M
(Cost 2.15M in 90 but yearly rev. will be 5.5M)	
Elimination of business 3 call allowance on D.A...	4.0M
Coincident with implementation of electronic white pages	
Total	18.3M

10-662

84

MNC-2

2 of 11

FEBRUARY AGENDA ITEMS

1) Employee sales campaign - C. E. Childs

Carl gave a report to the Revenue Committee and to the F.O.C. The plan to be known as "Florida Goldline" will be a unified sales campaign for the state based on a point system and will be established under L. E. Spradlin and Helen Prieto. All employees are to be covered by 4/1/90.

2) Touchtone CCS Audit - P. E. Blanco

Pablo reported that Customer Services obtained a good Spanish translation of customer contact procedures. Dial America started contacting customers from the first two offices bashed on February 9th. All 1A offices will be done in 1990. The current estimate of incremental revenue yield from this program is .7M. Beverly Boone will provide a new estimate based on actual results as well as an updated cumulative status of accomplished revenues. Beverly Boone and Tom Alexander are still looking into a bash program for the digital offices. We will report when plans are finalized.

3) Memorycall Plans - Don Ried

Status:	Office	In Service	Mailboxes sold A/O 2/9
	1) WPB	in service	6,200
	2) Grande	4/ 90	0
	3) Ft. Idle.	4/ 90	0
	4) Jax	6/90	0
	5) Gainesville	8/90	0

4) South Central Bell Service List - Terry Holman

Terry reviewed the services SCB provides to determine which ones might be useful for implementations in Florida. She found two areas of interest worth pursuing. SCB processes their new feature additions (CCS, Touchstar Etc.) in one day compared to a 2-3 day interval for Florida. This could have a .5M revenue potential. SCB also charges to change a listing. Cindy White and Corana Zak will look at these issues from a Network and Customer Services prospective.

5) Florida Plans to Achieve SCB Penetration

This issue was briefly discussed. Arnold Davis stated that Tupelo, Mississippi had a higher CCS penetration than Florida. The committee is looking for ways to improve CCS penetration. One analysis tool that may offer clues to possible geographical or demographic patterns would be a summary of residential CCS penetration by area and district, and hopefully by central office. Luis Quintero is pursuing this.

MNC-2
3 of 11

NEW IDEAS AND ACTION ITEMS

1) Cindy White and Corana Zak will pursue "one day due date on 'c' feature orders" and "charge to change listings" from a Network and Customer Services perspective. These were the two issues brought up by Terry Holman from SCB.

2) Gerry Nettuno proposed charging businesses for all directory assistance calls eliminating the 3 free calls. Gerry estimates this will generate 4.0M. Gerry will research this issue further with SCB.

3) Sheri Davis suggested we expedite electronic white pages in Florida. The product team claims this service will be available in the third or 4th qtr. It could help our regulatory groups sell the removal of the 3 free directory assistance calls per business. Don Riedel will research the potential revenue and Network issues on this product and how fast we can get it.

4) Fred Shay has arranged for a representative of the Inter-Exchange carrier group to be present at future revenue meetings.

5) Fred Shay suggested that we need a link between this committee and employee suggestions that have a revenue yield impact. Diane Ludwig will investigate and report.

6) Beverly Boone/Pablo to provide incremental revenue programs for 1990 from the Touchtone/CCS audit program. In addition monthly cumulative actuals revenue reports will be provided.

7) Diane Ludwig to research charging for reserving a telephone # prior to service installations.

8) Rick Higgins will develop a call simulation plan and budget for a mobile feature display or portable product demo to be used at fairs, open houses etc. to show the public how features work. L. E. Spradlin will develop a priority list of features and services and a list of possible locations and events where display could be used.

9) John St. Amant will research the possibilities of termination charges for customers who disconnect a 3rd residential line. This idea was raised at the last FOC meeting.

10) Gerry Nettuno will research charging customers to look up an address for a given telephone #. This is done now but we do not charge. Caller ID could significantly increase the requests for this information.

11) L. E. Spradlin will set up a monthly report on Employee sales results. The report will be brought to each revenue meeting.

10-664

12) L. E. Spradlin will seek to obtain headquarters agreement to give priority to Florida offices in the Touchtone/CCS audit program since we have the most 1A offices and can make the highest contribution to Revenues and Net Income.

13) Don Riedel to research the potential revenue and network issues for expediting Electronic White Pages in Florida.

14) L. E. Spradlin to check-out whether we can bill for "customized billing". We do not currently charge when a customer requests that their billing charges be segregated by various multiple lines or telephone #'s.

15) L. E. Spradlin will look into the use of discount coupons to encourage customer feature purchases in conjunction with offering customers the ability to select features from different groups such as CCS, Touchstar, Ringmaster, Unbundled Prestige etc. For example a coupon could give a customer a fourth feature free if he buys three other features. Coupons could be mailed to customers as bill inserts or could be part of telephone directories.

16) Gerry Nettuno will look into possibility of setting up Spanish DA using 780 telephone # to handle exclusive Spanish calls and charge $.50 vs. $.25/call.

17) Gerry Nettuno to research listings for mobile phones and beepers.

18) Audible Call Return - When call return is activated the telephone # being called is stated audibly. Arnold Davis to refer to L.O.B. for further research.

19) Business Class Ringmaster (for businesses operated out of homes) with opportunity to advertise with yellow pages. (Davis/Riedel/Hamby)

20) Propose creation of a service that from any station a customer could access Memorycall, leave a message and have that message sent to the phone he wants to for a charge. (AMD/Don Riedel).

NEXT MEETING

The next meeting will be held on Monday March 12th from 1 to 5 P.M. via videoconference tying the following sites together:

Ft. Ldle.	-	8th Floor videoconference
Jax	-	Tower
Atlanta	-	Not available (on stand by, trying to get on)

ATTACHMENT A

5811

REVENUE COMMITTEE

NAME	DEPT/GROUP	ADDRESS	PHONE
* HAM COREY	NETWORK	6451 N. FED. HWY.	492-3141
* A. M. DAVIS	NETWORK PLANNING	6451 N. FED. HWY. RM 1220	492-2992
* P. E. BLANCO	NETWORK BUDGET	6451 N. FED. HWY. RM 1218A	492-3182
* D. C. MAGGERT	NETWORK STAFF	6451 N. FED. HWY. RM 1011	492-3332
K. B. SWINEA	NETWORK STAFF	6451 N. FED. HWY. RM 1011	492-2770
* DON RIEDEL	NETWORK	6451 N. FED. HWY. RM 1201	492-2929
JOHN BENEDICT	NETWORK	8038 N.E. 2 AVE. RM 205	795-1400
* CARL MOERING	NETWORK	6451 N. FED. HWY. 1205	492-2690
* BARBARA CRUIT	NETWORK BUDGET	6451 N. FED. HWY. RM 1218A	492-1491
* JOHN ST. AMANT	NETWORK	605 W. GARDENS PENSACOLA	(904)436-1700
* CINDY WHITE	NETWORK	250 S.W. 62 AVE. 3RD FLOOR	966-4355
* RICK HIGGINS	NETWORK	715 N. FED. HWY. 2ND FLOOR	926-8840
* STEVE KLOSE	NETWORK	715 N. FED. HWY. 2ND FLOOR	926-8844
* DIANE LUDWIG	NETWORK	6451 N. FED. HWY. RM 1218A	492-3216
* L. E. SPRADLIN	CUSTOMER SVCS	666 NW 79 AVE. MIAMI RM 660	263-2163
DIANE BAGGETT	CUSTOMER SVCS	6451 N. FED. WHY. RM 1113	492-3865
* CORANNA ZAK	CUSTOMER SVCS	6451 N. FED. HWY. RM 1113	492-2726
BETTY THAYER	CUSTOMER SVCS	6451 N. FED. HWY. RM 310A	492-9862
* TERRY HOLMAN	CUSTOMER SVCS	6451 N. FED. HWY. RM 310A	492-9873
* ELSA CARABALLO	CUSTOMER SVCS	666 N. W. 79TH AVE. RM 525	263-5150
* TELE CALAS	CUSTOMER SVCS	666 N. W. 79TH AVE. RM 425	263-5101
* JOYCE LITTLE	CUSTOMER SVCS	666 N. W. 79TH AVE. RM 525	263-5150
TOM ALEXANDER	CUSTOMER SVCS	27D55 SBC ATLANTA	(404)529-8879
DEBBIE JACOBSON	CUSTOMER SVCS	20TH FLOOR SBT JAX	(904)350-2020
* BEVERLY BOONE	CUST. SVCS HQ.	2295 PARK LAKE DR.	(404)493-3004
* SUE DUBOSE	CUST. SVCS.	305 W. BAY ST. JAX	(904)350-8360
* EDNA MAULTSBY	CUSTOMER SVCS	666 N. W. 79TH AVE. RM 425	263-5173
* G. L. NETTUNO	OPERATOR SVCS	321BSE 2ND ST DELRAY BCH	(407)272-1454
* C. E. CHILDS	CAC/E911	6451 N. FED. HWY. RM 1220	492-2992
JOE REGA	FORECASTING	6451 N. FED. HWY. RM 305	492-2723
DAVID SEYMOUR	FORECASTING	6451 N. FED. HWY. RM 305	492-3723
WILL HENDRICK	LOB	34T65 SBC ATLANTA	(404)529-2489
* VIC BENINATE	CORP/COMM AFFAIRS	150 W. FLAGLER RM 1801	530-5400
PAULA GUERREIN	CORP/COMM AFFAIRS	150 W. FLAGLER RM 1801	530-5407
* SHERI DAVIS	MARKETING	7757 W. FLAGLER RM 225A	263-7614
* RUSTY RHODES	MARKETING	6451 N. FED. HWY. RM 1106	492-2190
* FRED SHAY	MARKETING	6451 N. FED. HWY. RM	492-2700
BARBARA OLSEN	COMPIROLLERS	666 N. W. 79TH AVE. RM 228	263-2103
* LUIS QUINTERO	EXECUTIVE	150 W. FLAGLER RM 2015	530-5482
* ELISE NIVICA	EXECUTIVE	150 W. FLAGLER RM 1801	530-5423

* THOSE IN ATTENDANCE

Attachment B

6 8611

February 13 Revenue Committee Agenda

4.5	1) Employee Sales Campaign - Carl Childs
.7	2) CCS/Touchtone Audit A) Revenue Projection for 1990 - Pablo B) Digital Switch Plan - Tom Alexander
1.0	3) Memorycall Plans - Don
	4) South Central Bell Service List - Elsa
4.5	5) Florida Plans to Achieve SCB Penetration
	6) New Ideas

LMC-2

7 of 11

Attachment C

March 12th Meeting Agenda

1) Review action items from February

2) New Ideas

4) Market Penetration Package Pricing

L. E. Spradlin has received a commitment from the Pricing/400 group to work on a workable proposal by June that Florida could trial. This would be a situation where we could do a mix-and-match from a group of services. There would be a list of features under "A" and a list of features under "B". The customer could select one or two from each column for a packaged rate.

5) Expedited Order Charge

Wall Custers will look at types of orders such as due date, special services, etc. to evaluate the feasibility of placing a charge if the customer requests an earlier due date other than the date the Company can provide without taking special steps to work the order sooner. With all the programs that are taking place today such as quick response, 30 day due dates on "5" routed orders, etc., there may be a need to review all due dates to see if we can start billing sooner with shorter due dates. 10-669

6) Record - Only Order Charge

This suggestion has been made to Regulatory previously and has not been presented to the PSC due to the regulatory climate. It will be presented at the right time in the future.

8) One day due date on feature only orders

The NNX screen could not be noted for just feature orders. N, T, and Cordless are on one screen.
Cindy White's group agreed and began a trial on March 1ST that provided one day due dates on all "S" printed orders.
The results from March 1ST to March 7th since 2415 orders flowing thru the system with no fallout. It was transparent to the Business. It is recommended that the entire State implement as quickly as possible.
Pam Corey will get approval from the remaining "Network" organizations. 10-670 92

18) Change for customer billing

This item was in connection with customers who have more than one line that are being billed on one record and request individual billing to be established. If the record only charge for item 6 was approved this item would be included.

19) Use of discount coupons

This suggestion was also recommended in the "WPB sales forms and Marshall Crises, Regulatory Law" as an action item.

April 16 1:00 p

11 Rm 12 18 Pablo

REVENUE ENHANCEMENT COMMITTEE AGENDA

March 12, 1990

1)	Florida Goldline	
	- Progress	Carl Childs
	- Retroactive Sales Tracking/Credit	Helen Prieto Network Credit
	- Monthly Sales Tracking Report	Helen Prieto
2)	CCS/Touchtone Audit	
	- Audit Schedule	Pablo Blanco
	- Progress on Calling	Beverly Boone
	- Revenue Projection	Beverly Boone
	- Digital Office Bash	Tom Alexander
3)	Memory Call Plans	Don Riedel
4)	Market Penetration Package Pricing	L. E. Spradlin
5)	Expedited Order Charge	Coranna Zak
6)	Record-Only Order Charge	Coranna Zak
7)	Same Day Billing for Initial Order	Barbara Olsen ✓
8)	One day Due Date on Feature-Only Orders Corrana Zak	Cindy White ✓
9)	Elimination of 3 Free DA Calls	Jerry Nettuno - Regulatory
10)	Electronic White Pages Offering	Don Riedel
11)	Charge for Name/Address look-up (Cor ID)	Jerry Nettuno - Regulatory
12)	Creation of Spanish DA for additional charge	Jerry Nettuno - Regulatory
13)	Charge for Fax, Mobile, Beeper, Pager Directory List	Jerry Nettuno - Regulatory
14)	IXC Services	Al Jugo
15)	Telephone Number Reservation Charge	Diane Ludwig $25.00 for electric
16)	Portable Product/Feature Demo	
	-Technically Feasible/Cost	Rick Higgins - Steve Elias
	-Which Products/Services?	Corrana Zak
	-Where to be used?	Coranna Zak
17)	3rd Line Termination Charge for Residence	John St. Amant
18)	Charge for Customized Billing	Coranna Zak ✓
19)	Use of Discount Coupons	Coranna Zak ✓
20)	Audible Call Return	Arnold Davis
21)	Business Class Ringmaster	Don Riedel
22)	Residential Message Delivery	Don Riedel
23)	Late Payment Charge for CPE - Deposit	Rusty Rhodes
24)	Third Advertising Campaign	Arnold Davis
25)	Link Between Revenue Comm. & Suggestion Plan	Diane Ludwig

New Items:

1)	Verifying Busy Through Repair We Charge for 0 - Verification, Should We Charge for Requests to Repair?	Cindy White
2)	Charge For Transfer of 0 - Calls to IXC	Jerry Nettuno

10-672

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MMC-3

11 OB4

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 900600-TL
Citizen's Request for
Production of Documents
December 07, 1990

(ATTORNEY/CLIENT
WORK PRODUCT)

POD ITEM #: _____

TITLE OF DOCUMENT: Business Plan

DESCRIPTION OF DOCUMENT: Business Plan for proposed Florida Goldline, covered with officers by Helen Prieto as the second half of the presentation.

NO. OF PAGES: 20 SOURCE OF DOC: Helen Prieto

PERSON FURNISHING DOCUMENT: L E Spradlin

PROPRIETARY TREATMENT: YES ____ NO ✓

EXPLANATION: _____

IRRELEVANT OR NON RESPONSIVE INFORMATION: YES ____ NO ____

TYPE: OTHER COMPANY ____ OTHER STATE ____ UNREGULATED ____

OTHER _____ BLOCKED: YES ____ NO ____

PREPARED AT THE DIRECTION OF COUNSEL IN PREPARATION FOR LITIGATION

95

15-90

MNC-3
2/8/24

Southern Bell

Helen G. Prieto
Operations Manager

Building H-3
7780 N.W. 50th Street
Miami, Florida 33166
305 883-2800

February 20, 1990

Memorandum

To: All Members of ESRIP Steering Committee

Subject: Florida Goldline Program

Attached, for your perusal, is a copy of the Florida Goldline Program Business Plan. This plan was presented this morning to the Revenue Enhancement Steering Committee by Susan Pokora, and it was very well received. In addition, Carl Childs and I presented a brief overview to the Officers at last Monday's officer's meeting and they are also looking forward to some great things coming out of this center. We are hoping that by Mid-March we will be able to invite all of you to a sneak preview of our center. Also attached is a list of the outstanding issues that were pending and their resolutions. If you have any questions please let me know.

Helen
Operations Manager

Attachments

Copies To:
W. R. Dresser
L. E. Spradlin
Paul Singer
Hank Anthony
Read Montague
Charlie Cuthbertson
John Benedict
Jack Sellers
Bob Sattizahn
Davis Johnson
Carl Childs

RECEIVED
MAR - 6 1990
SOUTH FLORIDA
LEGAL DEPARTMENT

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FLORIDA GOLDLINE PROGRAM

(FORMERLY KNOWN AS ESRIP)

ISSUES:

1. RESPONSIBILITY

   Reporting to Customer Services in the L. E. Spradlin organization.

2. PERSONNEL/LOCATION

   Reports to Helen Prieto, Operations Manager
   Staffed by PG5 Manager Susan Pokora
   Three PG3 and 6 Administrative Reports Clerks.

3. LEGAL ISSUES

   An attorney has been assigned to field our questions and at this point it is Ms. Dorian Denburg.

4. EXISTING PROGRAMS

   All programs will be merged into this one with an effective date of 4-1-90.

   Methods for converting points from one system to the other are being worked out at this time.

5. INCENTIVE POINT VALUES

   Based on six months revenues and a percentage allocation of the sale. Although final point values are still being developed our goal is to be sure this is at least as good as, if not better, than any plan in effect now.

6. TAXES

   Tax plans are being developed and it is expected that they will follow past plans that allow for gross up.

7. SCHEDULE

   Schedules are covered in the attached plan.

8. HIERARCHICAL ALLOCATION

   Up to Tier One Manager, percentages to be developed as soon as Item 5, Point Value Allocation is resolved.

9. BUDGET/FUNDING

   Separate RC Code has been established to properly capture all expenses associated with this program.

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10. SOFTWARE

Computer expert, Paul Tarantino, has developed a list of the needs and has submitted them for approval. Paul will also develop the programs needed to work with this plan.

11. UNION SUPPORT

Preliminary discussions do not indicate a problem due to the structure of the program.

12 TRAINING/INTRODUCTION

Departmental coordinators will be established in each department and coverage of all employees will be completed by April 1, 1990.

13. DOC

This will be a regular agenda item at DOC meetings.

14. TRACKING VEHICLE

Tracking of expenses will be available by RC code and tracking of revenues will be available through program results.

15. JOB TITLES

When program is up and running jobs will be MJE'd and permanent titles assigned.

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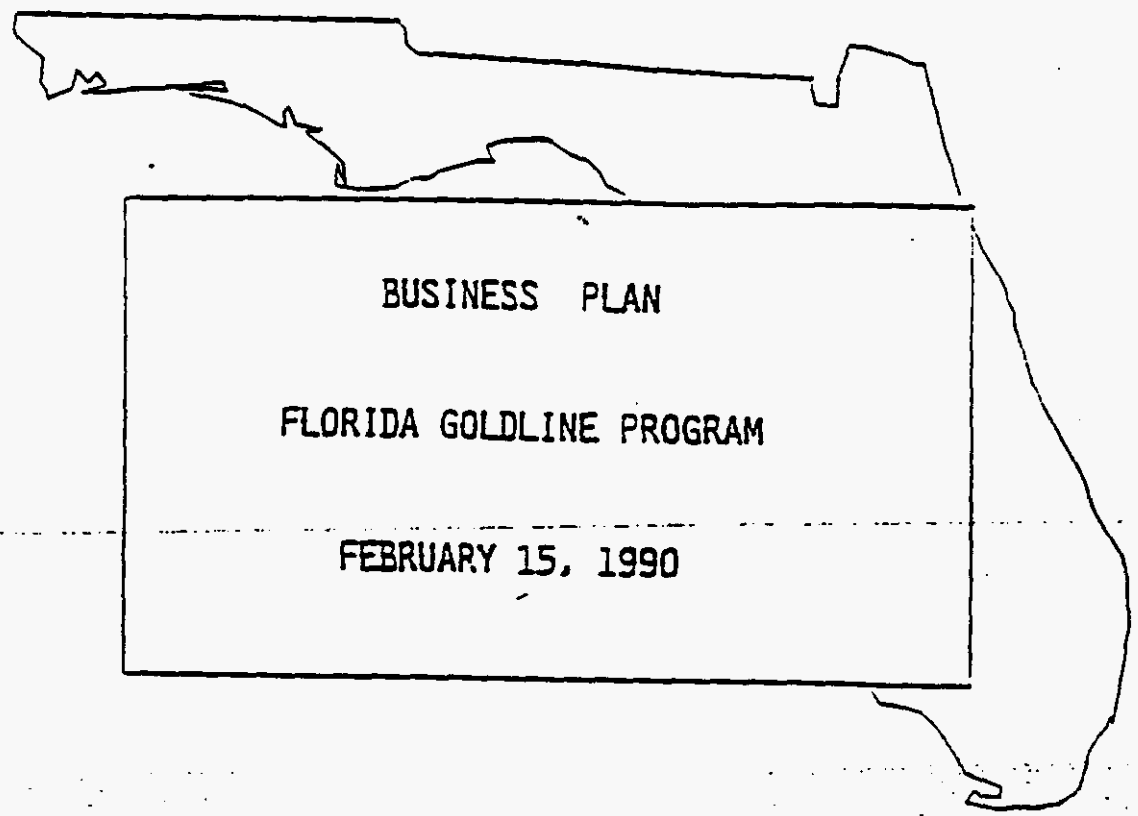
MMC3
5 of 4



BUSINESS PLAN

FLORIDA GOLDLINE PROGRAM

FEBRUARY 15, 1990

Helen Prieto
Operations Manager

15-94

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FLORIDA GOLDLINE PROGRAM

BUSINESS PLAN

MISSION STATEMENT

To enhance Florida revenues by making each employee a marketeer that recognizes and seizes revenue opportunities for our Company, both on and off the job. To improve our competitive advantage by our ubiquitous presence in the marketplace.

I. OBJECTIVE

To contribute $4.5M to Florida revenue in 1990.

II. ANALYSIS

A. Strengths

1. Encompasses all employees in all departments.
2. Support of program emanates from the top down.
3. Qualified staff to design, implement and maintain program.
4. Encompasses entire products and services line.
5. Produces a win-win atmosphere for participants.
6. Broadens employees' knowledge of products and services.
7. Makes Southern Bell the vendor of choice that's easy to do business with.

B. Weaknesses

1. Must overcome any negative perceptions that employees may have regarding previous plans.
2. Departments may be unwilling to relinquish existing individual plans to one consolidated program.
3. Must identify and deal with employees who may abuse system in a manner that will not interfere with the momentum of the majority.

C. Opportunities

1. Supports "Customer First" by focusing on the needs of our customers and allows us to be responsive in an "easy to do business with" manner.
2. Makes our employees aware of the capabilities of various products and services offered by the family of BellSouth companies through training, brochures and trade shows.
3. Provides our employees with "one point of contact" to refer the sales lead to the right sales person in the right location. (Attachment A)
4. Computer-based tracking system for the employee referral program designed for the routing, administration, and analysis of sales leads. (Attachment B)
5. Fast, accurate and efficient transmittal of lead information to the appropriate sales channel.

D. Threats

1. Program results must not be used to punish or appraise employees.
2. Follow through of leads and feedback to employee must be handled in an expeditious manner in order to build credibility and trust among our employees and our customers.
3. Concern that lead priority will be compromised by departments already busy with responding to day to day needs of the business.
4. Potential conflict with BellSouth Sales Lead Referral System "MAPS" if we try to incorporate referrals to subsidiaries.
5. Program should be supported by CWA in order to ensure the support of all employees.

Attachment C
8 of 21

III. START - UP INTERVAL

The following time commitments should be considered:

Feb. 1 -	Program Manager in place.
Feb.15 -	Business Plan completed.
Feb.19 -	presentation of Business Plan and Program Overview to Company Officers.
Mar. 1 -	Positions filled and training commences on referral center employees.
Mar 12 -	State employee coverage commences.
Apr. 1 -	Coverage of employees completed; fully functional referral center in operation.
May-June	Streamlining of program.
July 1 -	Re-evaluation and recommendations for changes.
Dec. -	Summary of results and final evaluation.

IV. STRUCTURE

A. Location - Miami BSC, 7780 NW 50th St. Bldg. H2.

B. Reports to "ALL" employees in the State of Florida who are interested and committed to increasing Florida revenues.

C. Interdepartmental focus and involvement through District/Departmental coordinators

D. Receives leadership and direction from Tier 1 Managers involved in the Revenue Enhancement Committee and from Florida Operations Council members.

E. Organization chart attached. (Attachment C)

UNC-3
9 of 24

V. PROGRAM ADMINISTRATOR OBJECTIVES

Charged with the responsibility of developing and implementing a plan that will accomplish the following goals:

- Arrange office space to accommodate referral unit.
- Staff unit with qualified personnel.
- Design a program that all employees will want to be a part of because it operates professionally; and equitably compensates them for their efforts.
- Ensure favorable publicity of program kick-off.
- Provide adequate training and maintenance support.
- Ensure day to day operation of unit meets expectations of employees to maintain their confidence and participation level.
- Continuously updates availability of products and services to stimulate participation.
- Monitor the program and implement corrective action to areas that may need improvement.

VI. AVENUES TO SUCCESS

A. Consolidation of all existing incentive plans to a single and unified point of referral with no Area boundaries.

B. Consolidation of fragmented budgets to one in order to provide maximum rewards to employees for their participation.

C. Attachment D: Description of Incentive Program

D. Attachment E: Description of Tax Plan

E. Expand program to include all products and services offered by the BellSouth family of companies to provide maximum opportunities to employees and to ensure maximum revenue potential of Florida is realized.

VII. FINANCIAL INFORMATION

Proforma Income Statement Attached (Attachment F)

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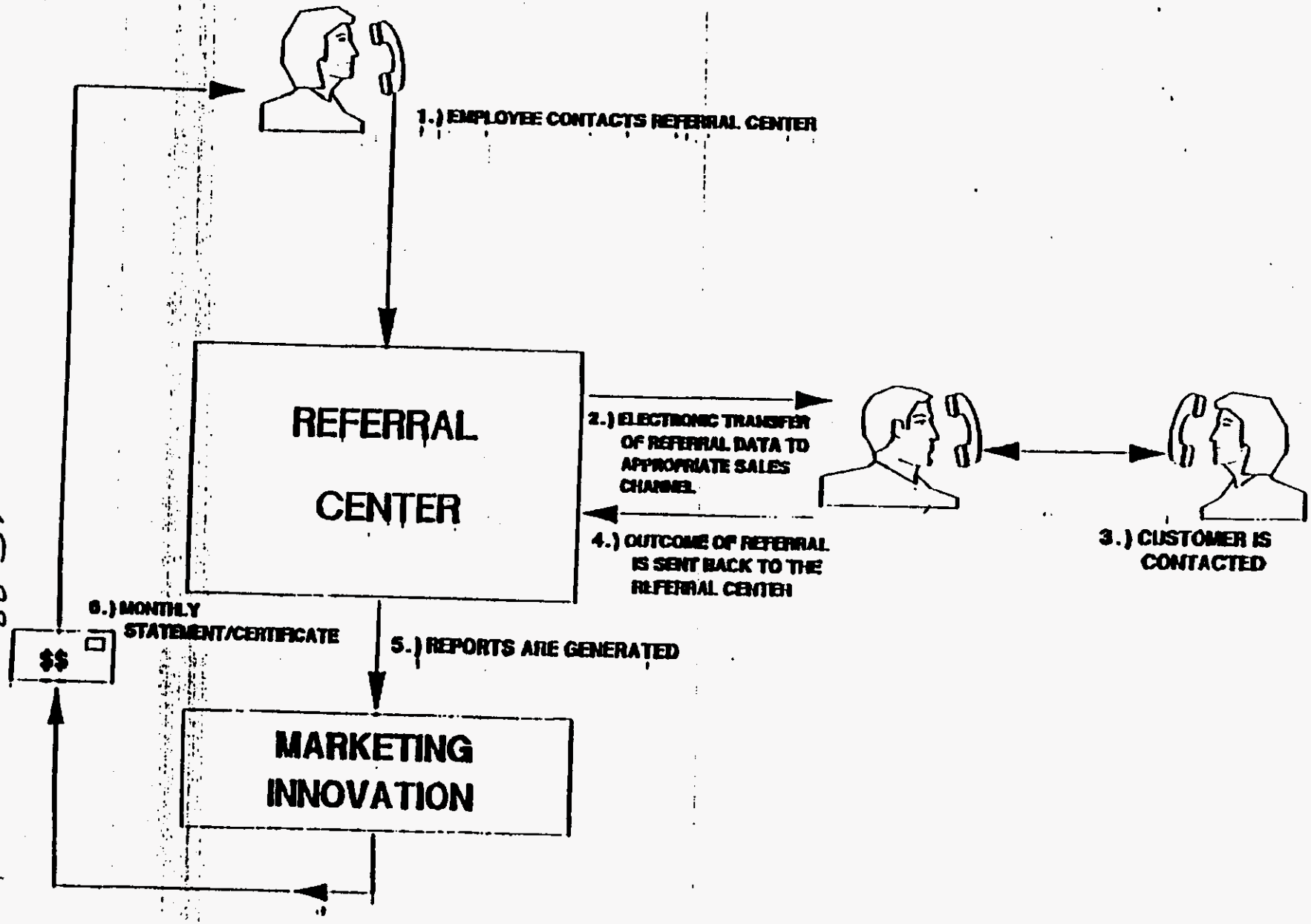
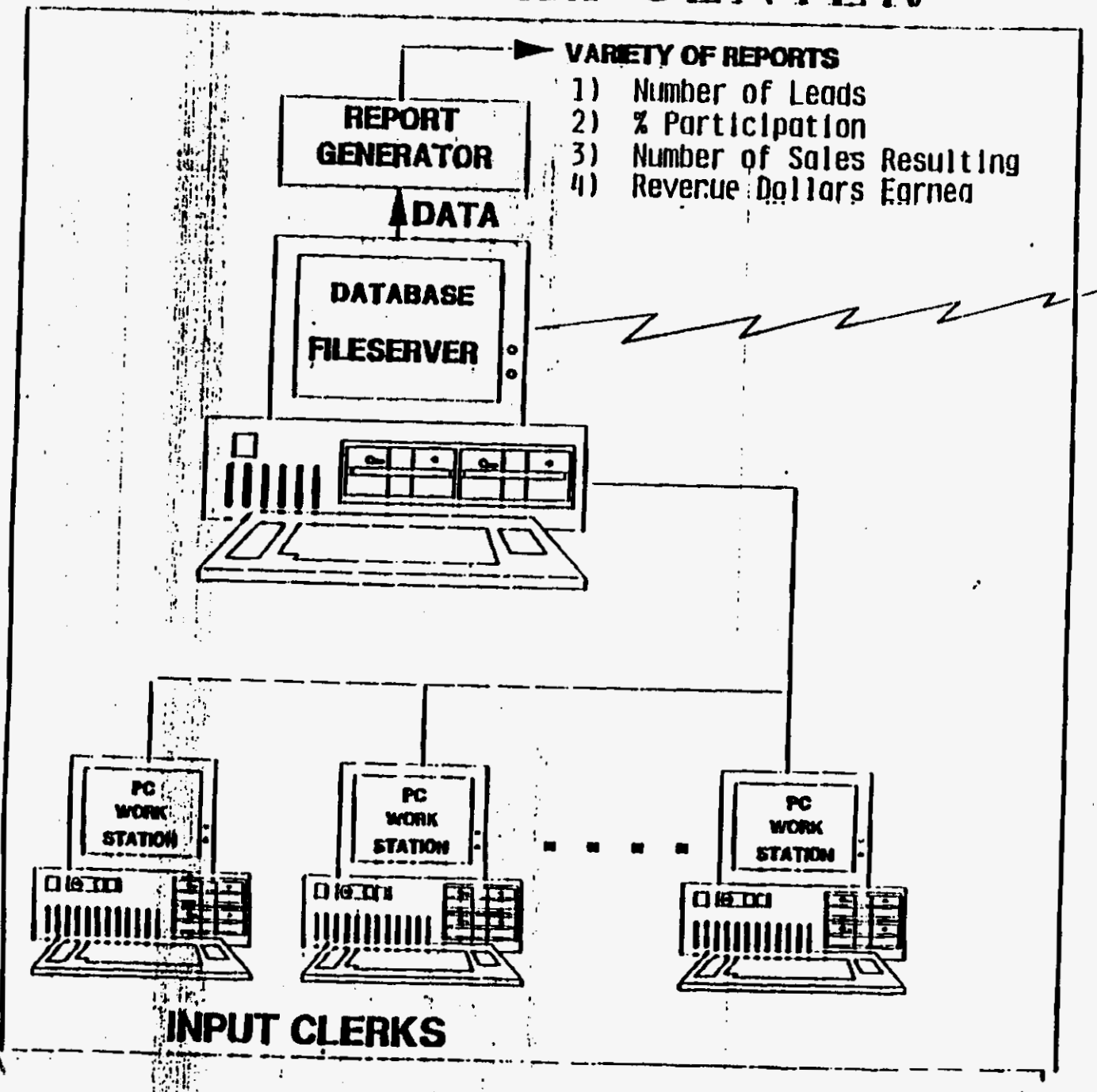
COMMUNICATIONS FLOW DIAGRAM



Attachment A

REFERRAL CENTER

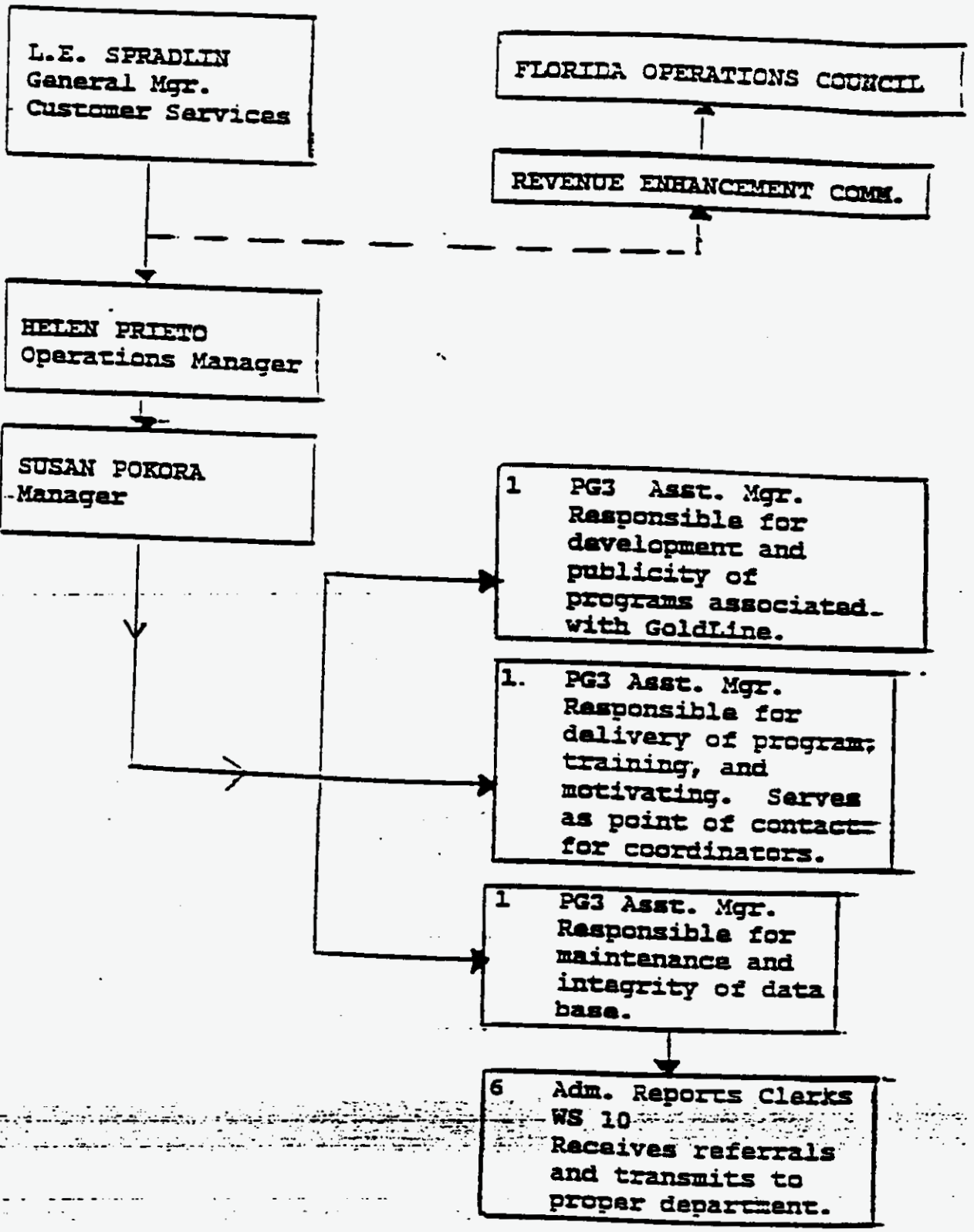


Attachment 8

Attachment C

FLORIDA GOLDLINE PROGRAM

Organizational Chart



Attachment D1

Incentive Program

We are working with BellSouth Services Staff and Market Innovators Inc. Our negotiations are following the "Freedom To Choose" incentive award guidelines. We expect that we will be able to secure like terms of the existing contract which charges cost plus ten percent for allocation of awards. Details are not yet finalized.

FREEDOM TO CHOOSE

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1990 INCENTIVE PROGRAM

15-103

THE FREEDOM TO CHOOSE®

Welcome to the Freedom to Choose incentive program! This year's program promises to be the best ever with an abundance of merchandise and a world of travel award options. Freedom to Choose gives you the most personal award of all—the award of choice. As a Freedom to Choose participant, you will be eligible to earn gift certificates to purchase your own incentive award from any one of a number of fine retailers. And if travel is what you want, Freedom to Choose offers you a world of exciting travel options.

In the Freedom to Choose program, your efforts will be duly rewarded because you earn the opportunity to select what you want, when you want it!

RETAILERS

With the Freedom to Choose, there are a number of exciting award choices in store for you! Should you choose to reward yourself with merchandise, you select from thousands of quality merchandise items offered by the retailers in your program. Clothes, toys, electronics, home furnishings, appliances and thousands of other items can all be a part of your incentive award. The retailers offered in the Freedom to Choose program can fill nearly every merchandise wish while backing their products with exceptional service, commitments to excellence and satisfaction guaranteed.

e awards offered in your Freedom to Choose program are available from the following quality ..tailers:

- Burdines
- Dillard's
- JCPenney
- Maas Brothers/Jordan Marsh
- Macy's
- Parisian
- Rich's
- Service Merchandise

THROUGHOUT THE PROGRAM, ADDITIONAL RETAILERS MAY BE ADDED TO ENHANCE YOUR AWARD OPTIONS.

PLEASE NOTE: Your certificates are redeemable for all merchandise offered by the retailer, including sale items. **THEY ARE NOT REDEEMABLE FOR CASH.**

The turnaround time to process orders for certificates is 7-10 business days from the date the request arrives at Award Headquarters.

For more information on how to receive your awards, please turn to pages 3 and 5.

Freedom to Choose® is a registered trademark of Maritime Incentives International, Inc.

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TRAVEL

Freedom to Choose® has put together special vacation packages with you in mind. You can choose from a variety of fun, value-packed vacations to a number of exciting destinations worldwide. You might choose a trip to Disney World with the family, a Colorado ski weekend, or a vacation paradise in exotic Hawaii. Whatever you choose, Award Headquarters will help you select the travel packages that fit your specific needs.

Professional travel counselors will help you choose the perfect vacation. They can assist you in booking vacation packages through the tour companies listed below. Your Freedom to Choose program also offers you spectacular cruises, airline tickets to destinations worldwide, and hotel certificates with the companies listed below. Additionally, you may purchase other travel related services such as travel insurance. For questions or further information, please call 1-800-MIBANC7.

FREEDOM TO CHOOSE Tour Companies

- America West Vacations
- American Airlines Vacations
- American Express Vacations
- Brendan Tours
- Classic Hawaii
- Club Med
- Condo Network
- Cosmos Tours
- Delta Dream Vacations
- Eastern Airlines
- Empire Tours
- Funway/Funjet
- Globus/Gateway
- MTA-Mexico Tourist Authority
- Pan Am/Melia Tours
- Pleasant Hawaiian Holidays
- TWA Getaway Vacations
- United Vacations
- Walt Disney World Travel

Plus . . . cruises worldwide

FREEDOM TO CHOOSE Hotel Certificates

- Best Western
- Holiday Inn
- Hyatt
- Marriott
- Sheraton
- Stouffer

The above hotels carry different restrictions and booking instructions. Please call Award Headquarters for further details.

Please note: There is a 15% service fee for booking any hotels other than those listed above.

HERE'S HOW IT WORKS

Call your Award Headquarters' toll-free number and ask for a travel counselor.

1-800-MIBANC7 (1-800-642-2627)
8:30 AM to 5:00 PM Central Time, Monday through Friday

When you call to make your travel arrangements, you will be assigned a personal travel counselor. Identify yourself as a participant in the Freedom to Choose program and notify the travel counselor of your plans. They will advise you of availability, prices, payment schedules and will take care of all the details. When you have approved your itinerary, your travel counselor will forward all travel documents to you.

In addition to any other cancellation fees imposed by travel suppliers, there will be a $25 administration fee for any trips cancelled after payment has been received at Marketing Innovators.

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Travel arrangements are subject to supplier restrictions, changes and availability. Call Award Headquarters for details and further information.

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YOUR ACCOUNT STATEMENT

An exciting feature of your incentive program is your own personal award bank account called MIBANC®. Your award earnings will be deposited into your account monthly and can be redeemed at any time for your choice of awards.

You will receive a monthly Account Statement reporting your award earnings and redemptions for the period. The statement will be printed with your name, address and unique account number. Be sure to check this information for accuracy, and let your office sales coordinator know of any changes that should be made.

Your MIBANC Account Statement will look like the one on page 4. Please review the following information so you'll understand how to read your statement and be able to use it properly.

1. The statement will be identified with your program's theme.

2. Each statement is unique to you and will be mailed to your office. Please make sure your name and address are correct as printed.

3. You will be assigned a unique account number. Verify that this number is correct each time you receive your statement.

4. The statement date reflects the activity for your account during the specified period. Any deposits or withdrawals that are reported after this period will appear on your next statement.

5. This is your responsibility code which provides us with your geographical location.

6. This row of boxes will summarize your account activity during the statement period.

   - **BEGINNING BALANCE** will be the same number as the ending balance on your previous statement.
   - **DEPOSITS** reflect the total amount of award earnings for that period.
   - **WITHDRAWALS** reflect the total amount of award earnings you redeemed for the period.
   - **ENDING BALANCE** reflects the total amount of earnings you have available for use as of the last date of your statement.

7. This section will detail all transactions for the period. It will include:

   - **THE DATE** of the transaction.
   - **TRANSACTION/REFERENCE** is a description of your deposit or withdrawal.
   - **TYPE** is a description of the transaction type (i.e., deposit, withdrawal, refund, reissuance, replacement or other charge).
   - **THE AMOUNT** of the transaction which was deposited or withdrawn.
   - **THE BALANCE** reflects the total amount of award earnings available after each transaction has occurred.

8. This area contains your monthly statement message.

MIBANC® is a registered trademark of Marketing Incentive International, Inc.

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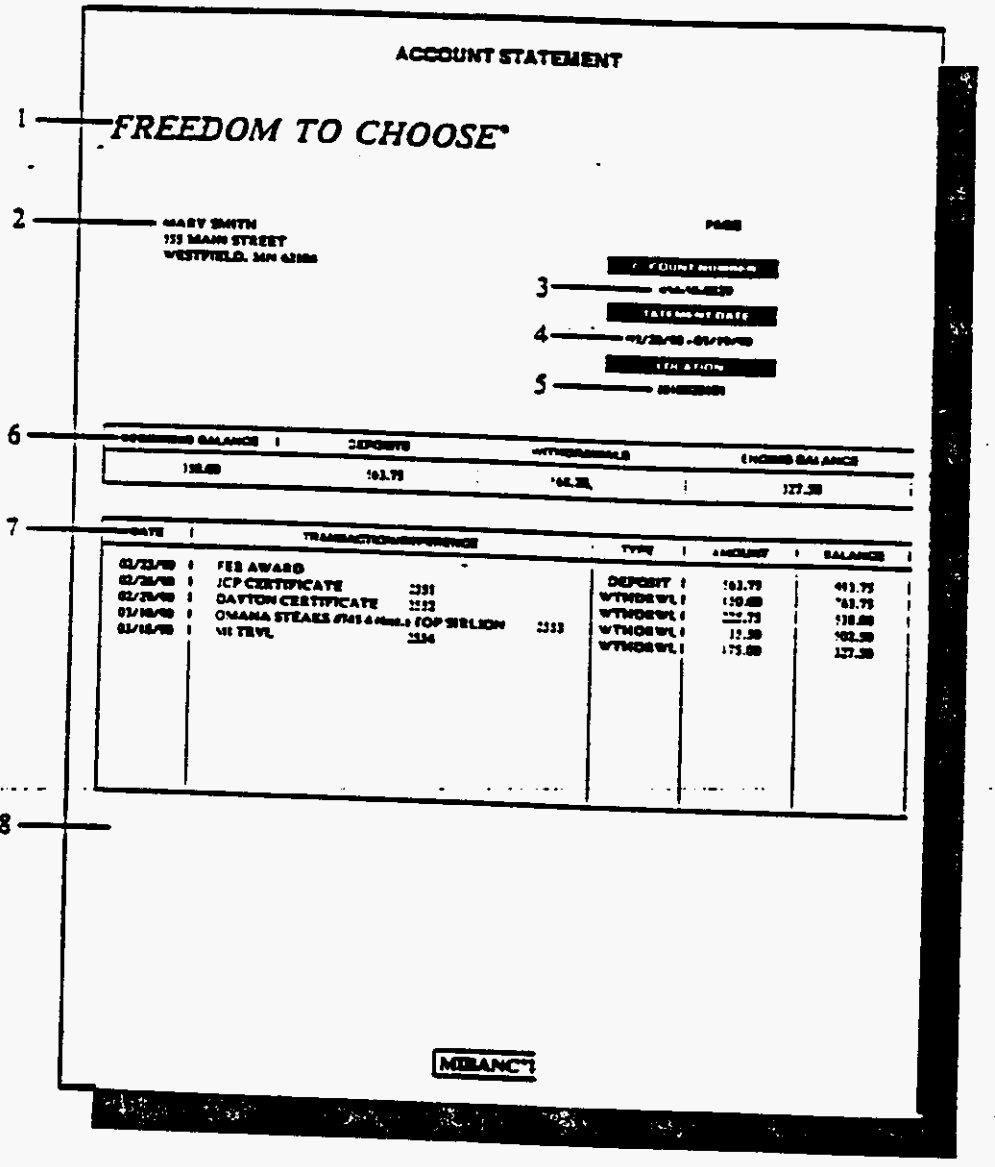
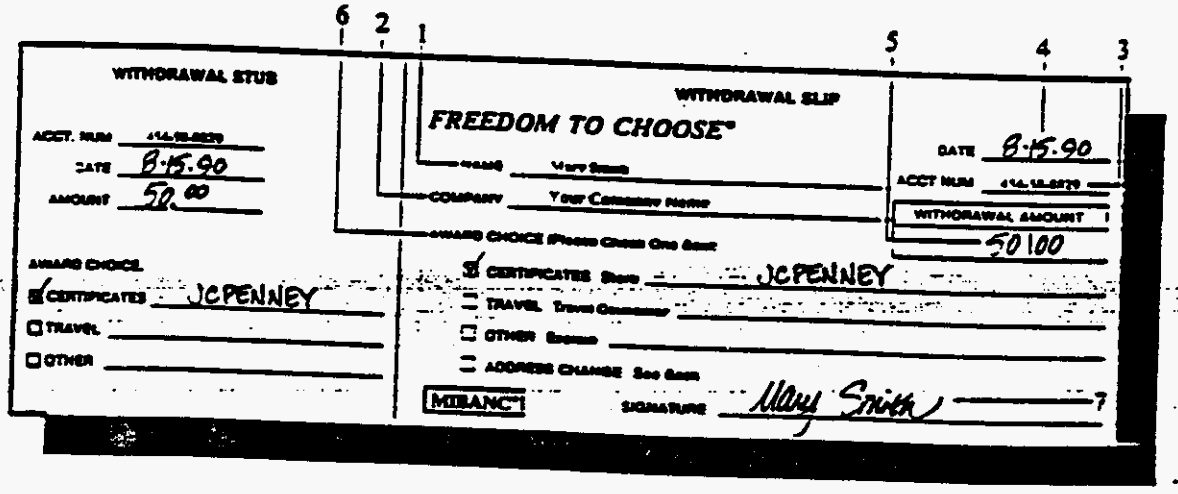
YOUR MIBANC FORMS





See pages 3 and 5 for explanation of forms.

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YOUR WITHDRAWAL SLIP

You may make a withdrawal from your account at anytime. Simply complete the Withdrawal Slip and the attached stub. Print the information requested. SIGN THE SLIP, detach it from the stub and send it to:

MIBANC® AWARD HEADQUARTERS
P.O. Box 5078
Des Plaines, IL 60017-5078

Please use one Withdrawal Slip per retailer. For example, if you wish to withdraw $25 from JCPenney and $25 from Dillard's, please use a Withdrawal Slip for each award. Additionally, if you wish to withdraw for travel, please use a separate Withdrawal Slip. Be sure to complete and keep the withdrawal stub for each slip you use. This will give you a record of the withdrawal in case questions arise at a later date.

Any questions about the MIBANC system, your award orders, or the awards themselves may be directed to your MIBANC Customer Service Representative at Marketing Innovators. Please identify yourself as a participant in the Freedom to Choose program and have your account number ready.

1-800-MIBANC7
8:30 AM to 5:00 PM Central Time
Monday through Friday

Your Withdrawal Slip is unique to you and should not be used by anyone else. When you receive your Withdrawal Slips, please check them to make sure they are accurate. To make changes to the information, simply line out the incorrect information and print it correctly. Send the correct slip to MIBANC Award Headquarters. A new supply of Withdrawal Slips will be issued to you. When you receive these, please destroy the incorrect ones.

Your Withdrawal Slip

1. Your name will be printed here. Check it for accuracy.

2. The company name will appear here.

3. Your account number will be printed here. Make sure all of your Withdrawal Slips have the same number. The rest of the information on the Withdrawal Slip will be filled in by you. Please print neatly (or type) to prevent mistakes and confusion.

4. Place the current date in this area on your slip. Make sure this is accurate since you will use it as a reference if questions arise later.

5. Indicate here the amount you want to withdraw from your account. Please be neat and make sure it is legible.

6. Your award choices are outlined on page 1. Review them and be specific when ordering.
   - Check the appropriate box.
   - Fill in the line, indicating the store name if you are choosing retail certificates. Indicate your travel counselor's name and your chosen destination for travel.

   The OTHER category will be used to order more Withdrawal Slips and will also be used to order any special awards that may be announced during the program.

7. SIGN THE SLIP, remove it along the perforated lines, and send it to Award Headquarters in the Freedom to Choose return envelope.

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Attachment E

Tax Plan

We are presently gathering information on all existing employee sales referral programs State wide. We expect to have a summary of each plan's guidelines and their respective point value systems by the end of February. At that time, we will be positioned to review and consolidate all plans to one that is as good or better than what's out there today. Once this is accomplished, we will establish the point value system within this program and file the appropriate tax plan forms.

Attachment F

PROFORMA INCOME STATEMENT

FLORIDA GOLDLINE PROGRAM

December 31, 1990
(000)

Sales Revenue Expected	$	4,500
Start up implementation expenses		
Space Arrangement to accommodate Referral Unit:	$	6
Corporate Communications telephone system: annualized local service & CPE	$	8
Computers: Data Base/Equipment	$	76
Office Furniture	$	6
Office stationery & supplies	$	2
Travel Expense associated with kickoff of Program	$	12
Initial Advertising & Publicity	$	100
TOTAL START UP EXPENSES	$	210
Ongoing Expenses:		
Space Allocation & Expenses	$	83
Salaries and Wages	$	360
Advertising & Publicity Costs	$	100
Other Expenses	$	35
Employee Recognition Expense	$	212
TOTAL ONGOING EXPENSES	$	790
NET INCOME FOR 1990	$	3,500

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FLORIDA GOLDLINE'S GOOD NEWS

FLORIDA GOLDLINE...YOUR EMPLOYEE SALES REFERRAL PROGRAM FOR THE STATE OF FLORIDA

ISSUE 1 VOLUME 1 JUNE 1990

Florida is "So *Excited*" about Florida GoldLine

To the rocking sound of "I'm So Excited", Florida GoldLine has arrived at Southern Bell in Florida. Just in case you haven't been to one of the Florida GoldLine presentations (or seen the video!), let us tell you *why* everyone's so excited.

Florida GoldLine is the new employee sales referral program. In fact, it is *the* employee sales referral program for the entire State of Florida. That's what's so exciting about Florida GoldLine...every Southern Bell employee in every department throughout the State of Florida can play.

How do you play? It's easy. When you have a referral for a customer who might be interested in one of Southern Bell's many great products or services, all you have to do is call one number...780-2288! That's it. From anywhere in the state...call 780-2288. We'll take your information and do the rest.

If your referral results in a sale, you'll earn Florida GoldLine credit. What is that? Glad you asked! Florida GoldLine credit comes in the form of gift certificates that can be used at a whole list of popular department stores...or for car rentals...hotels...airline tickets. This list goes on and on.

Just think...not only will you earn great gifts and prizes for yourself, but think about what all that new revenue will do for Southern Bell in Florida! So, finally, here's a way we can all contribute something extra to Southern Bell in Florida...and have fun and earn great prizes at the same time.

So, what are you waiting for? Go on out and start "looking for leads" and start building your Florida GoldLine gift certificate account. Remember...from anywhere in the state call...

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Florida GoldLine's Good News is published by the Florida GoldLine program for all Florida Southern Bell employees. Please address your comments, questions and story suggestions to:

Charlotte Boc, Editor
Florida GoldLine's Good News
7780 N.W. 50 Street, Bldg. H-2
Miami, Florida 33166

MF-7
2011

★ ★

An Open Letter Of Thanks

This open letter is sent to the many people who have helped Florida GoldLine get off to such a great start. There were people and departments who moved mountains...and due dates...like no one has ever seen at Southern Bell.

This willingness to go the extra mile to help out shouldn't go unnoticed. And we won't let it go unnoticed! So, many, many thanks to...

Property Management for getting the office space, walls and furniture in place in record time...

Corporate Communications and Network for installing our telephone service before the due date...

Miami Graphics Department for doing all the artwork, typesetting and graphics...

Miami Mailroom for coordinating shipments of brochures and flashlights all over the State...

Mr. Ham Corey for dreaming up our exciting logo...

Corporate Information for finding the artist who brought the logo to life...

Jim Green, North Florida Network, who named the Florida GoldLine parrot ("Nugget")...

Personnel who helped the Florida GoldLine staff "appear" almost magically...

Paul Tarantino, Network, who wrote all the applications programs for Florida GoldLine...

User Management Group (UMG) for buying and installing our software with lightning speed...

All the members of Florida Operations Council who voted Florida GoldLine into existence and who provide unwavering support for the program.

And a very special thanks to all Florida Southern Bell employees to whom this program and its success belong.

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3 of 11

Hi everyone and welcome to Florida GoldLine! The new Florida employee sales referral program has spread its wings and is well on its way to becoming a great success. Thanks to each and every one of you who have called in a referral to Florida GoldLine and...keep on "looking for leads".

Here's more great news! The recognition structure for Florida GoldLine has been approved. At last, we can tell you that...

- YOUR "REVENUE CREDIT" (The amount of dollars that your referral generates) for Network services will be based on 6 month revenue. Your "Revenue Credit" for C.P.E. (yes, equipment is eligible for Florida "GoldLine Credit" too!) will be based on 10% of the purchase price of the C.P.E.
- YOUR "GOLDLINE CREDIT" (what you earn in your Florida GoldLine account) will be 4% of your Revenue Credit. (You can earn up to a maximum of $500 on a single referral!).

  For example, let's say you give Florida GoldLine a Touchstar referral for a business customer and that referral results in a sale for a full package of Touchstar services at $23.00 per month. Your "Revenue Credit" for this referral will be $138.00. ($23.00/month revenue X 6 months = $138 revenue credit).

  Your "GoldLine Credit" will be 4% of that figure or $5.52. So, you will receive a Florida "GoldLine Credit" for $5.52 in your account.

  ...Or...say you give Florida GoldLine a successful referral for a $10,000 Norstar key system. You'll earn a $40 Florida "GoldLine Credit" in your account. PLUS...on a new system, you'll also earn "GoldLine Credit" for the lines and trunks!!!!

Remember...these are *NOT* points that you have to redeem from a catalog at a value of 10 points to the dollar. These are actual "$" credits for which you will receive "$" denominated gift certificates that can be used at a whole list of very popular department stores.

Buy *whatever you want* with your gift certificates. Get *whatever brand* you like...get it *on sale!* That's the beauty of Florida GoldLine's "Freedom to Choose" gift certificates. You're gonna love it!

Sound good so far? Well, there's more. In addition to these great certificate dollars, these same referrals will put you in the running to win VCR's, color TV's, trips and more! So, be on the "lookout" for more details in July's issue of *Florida GoldLine's Good News.*

And remember that Nugget wishes you..."Good Luck and Good Leads!"

JUST • ASK • NUGGET

Just in case you haven't heard, "Nugget" is the name of the Florida GoldLine parrot. Well, this parrot isn't just *lovely* to look at. Nugget also has a lot to say! So, "Just Ask Nugget" will be a regular feature of *Florida GoldLine's Good News.*

Nugget is ready and willing to answer all of your Florida GoldLine questions. That's why we've included a form at the bottom of this page that you can use to send in any questions that you might have about the program. Clip it off and send it in with your questions to:

"Just Ask Nugget"
Florida GoldLine
7780 N.W. 50 Street, Bldg. H-2
Miami, Florida 33166

Since this is our first issue and you haven't had time to send in your questions yet, we'll give Nugget a couple of questions that came up at the Florida GoldLine presentations throughout the state.

Q **How much revenue is Florida GoldLine expected to raise this year?**

A Florida GoldLine was given a goal of $4.5 million in new revenue for the last 9 months of this year (April through December). We've got a way to go, but if you all continue to participate like you did in April and May, we should make it with ease!

Q **Who can participate in Florida GoldLine?**

A This is the first time that every employee in every department throughout the state of Florida can participate in a single employee sales referral program. So, all 20,000 Southern Bell employees in Florida can play. The only exception is the Florida GoldLine Staff.

QUESTIONS FOR "JUST ASK NUGGET" SHOULD BE WRITTEN ON THIS FORM AND SENT THROUGH COMPANY MAIL TO:

Florida GoldLine / 7780 N.W. 50 Street, Bldg. H-2 / Miami, Florida 33166

NAME _____ CONTACT NO. ( ) _____

MY QUESTION IS: _____

_____

_____

_____

_____

☐ PLEASE WITHHOLD MY NAME ☐ PLEASE DO NOT PUBLISH MY QUESTION

Only a limited number of questions will be selected for publication. In all cases, you will be called by Florida GoldLine with an answer to your question. If you wish your name to be withheld or do not wish your question to be published, please indicate this on the "Just Ask Nugget" form.

You've all gotten off to a great start in Florida GoldLine, but to make sure that no one loses steam we've got all kinds of special promotions and contests coming up this year. Here's a preview...

"Driving Ambition"...The winner of our "Driving Ambition" game promotion will also be the winner of Florida GoldLine's grand (and we do mean *grand!*) prize for 1990. One lucky employee will "drive" in the new year in a brand new 1991 gold Dodge Shadow automobile!

How do you play? Well, the more successful referrals you provide, the more entries you will receive. On December 14, 1990, a drawing will determine the lucky winner. Look for details to be posted at all work locations during the week of June 18, 1990!

"LEADing the Way"...Here's a promotion that everyone will love! Maybe you've seen one of our beautiful, brightly colored Florida GoldLine T-shirts around (if you haven't, trust us... they're great looking!). Well, every employee who generates 10 successful (resulting in a sale) referrals will receive a T-shirt for "LEADing the Way". So, be on the lookout for leads...*and* for your Florida GoldLine T-shirt.

"Worth My Weight In Gold"...Each month, a "Worth My Weight In Gold" product will be featured. At the end of the month, the top 26 revenue producers (1 per department) for the featured product or service will be selected as "Worth My Weight In Gold" winners. Great prizes and recognition will come our way...if you're "worth your weight in gold".

"Golden Opportunity"...Every quarter, 10 employees who have "seized a golden opportunity" to bring a customer back from competition will be selected as "Golden Opportunity" winners. Candidates must have made their referral through Florida GoldLine.

This important and timely promotion will shower the 10 quarterly winners with outstanding prizes and lots of "kudos". Look for details in July's issue of *Florida GoldLine's Good News.*

That's just a bit of what we've got in store for you. So, be a LEADer and call...

780-2288

Are you "Worth Your Weight In Gold"?

Florida GoldLine says "Let the games begin!" And begin they will...next month with the first edition of "Worth My Weight In Gold".

Florida GoldLine's kickoff contest, "Worth My Weight In Gold" features a different product or service each month. The featured product for the month of July is ESSX!

At the end of each month, *the employee in each department whose referrals have produced the most revenue for the featured product or service during the month will be selected as a "Worth My Weight In Gold" winner.* So, there'll be a total of 26 winners each month.

What will you win if you show that you're "worth your weight in gold"? A beautiful, brilliantly colored Florida GoldLine "Worth My Weight In Gold" T-shirt and a personalized "Worth My Weight In Gold" desk clock will be presented to you!

So, for the month of July get those ESSX referrals coming in! Winners will be announced in the August issue of *Florida GoldLine's Good News.*

P.S. To give you a headstart, the "Worth My Weight In Gold" product for August will be Nonstop Key Systems! Be on the lookout!

Good Luck and Good Leads!

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TYPESETTING AND GRAPHICS BY MIAMI GRAPHIC ARTS / SF June90-1 — 6 D289 (6-5-90)

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FLORIDA GOLDLINE'S GOOD NEWS

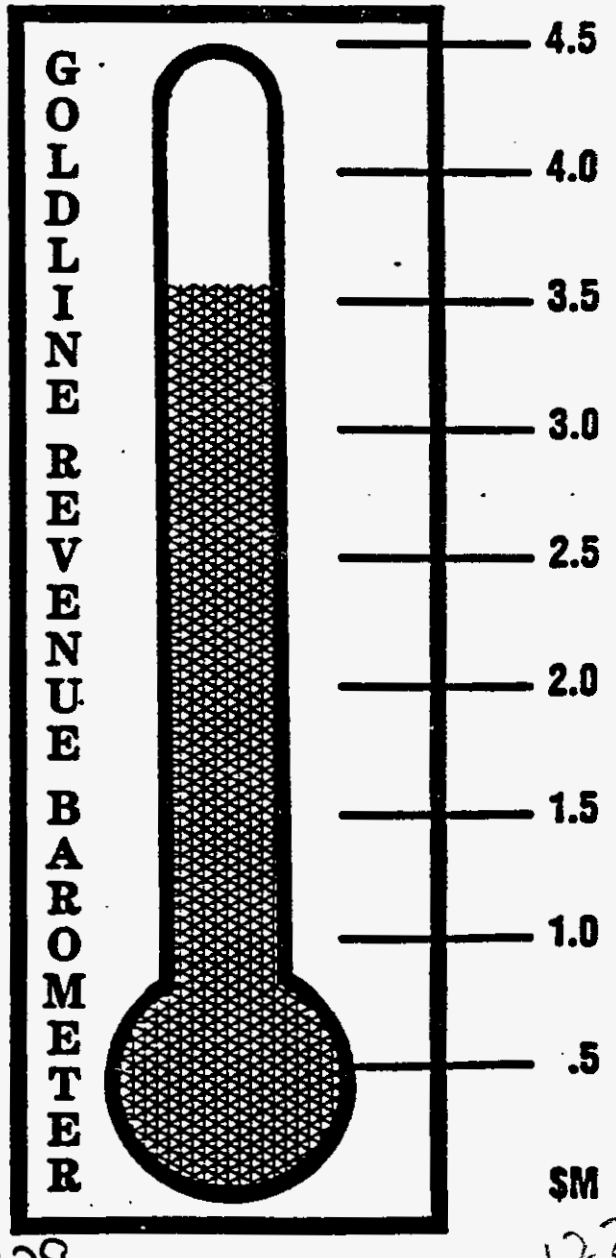
FLORIDA GOLDLINE...YOUR EMPLOYEE SALES REFERRAL PROGRAM FOR THE STATE OF FLORIDA

ISSUE 4 VOLUME 1 SEPTEMBER 1990

There's no Team Better than Team Florida!!!

There are football teams, baseball teams...even debating teams, but there's NO team like TEAM FLORIDA. Just take a look at this revenue barometer!! As of August 31st, we Florida Southern Bell employees had generated just over $3.5 million with Florida GoldLine.

Every employee who has participated in Florida GoldLine should really feel proud. If you haven't called in yet...do it today! Your referral just might be the one that pushes Florida GoldLine over the top. Remember the number...780-2288.



Florida GoldLine goes "Above and Beyond" for you!

"Above and Beyond" is the name of Florida GoldLine's newest and most exciting promotion. Just wait until you hear what's in store for you when you go "Above and Beyond" for Florida GoldLine.

Beginning October 1st, the five employees whose referrals have generated the most revenue AND the five employees who have generated the highest number of successful referrals (irrespective of revenue) during the month will have their choice of any one of these terrific prizes:

- Columbia 18 speed mountain bicycle
- Nikon one-touch camera outfit
- Sanyo compact stereo system
- Black and Decker Table Saw and Stand
- DP Quantum Stepper Exercise Machine
- Spalding Tee-Flite 11-Piece Golf Club Set
- Panasonic Portable Compact Disc Player
- 14K Gold 7" bracelet

Isn't that great! There will be 10 winners every single month. Win by calling in referrals that generate the most revenue. Win by calling in the largest number of successful referrals...no matter how much revenue is generated. You can do it!

October's winners will be announced in early November. So, be on the lookout and get those referrals coming in!

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Florida GoldLine's Good News is published by the Florida GoldLine program for all Florida Southern Bell employees. Please address your comments, questions and story suggestions to:

Charlotte Boc, Editor
Florida GoldLine's Good News
7780 N.W. 50 Street, Bldg. H-2
Miami, Florida 33166

"Worth My Weight In Gold" Presents August's Winners

This month's "Worth My Weight in Gold" winners have proven that they're "Worth Their Weight in Norstar® Gold"...and there are a few surprises on the list! Here are the 6 employees who were the top performers in their department in generating Norstar® revenue. Your personalized "Worth My Weight in Gold" desk clock and T-shirt will be awarded shortly. Congratulations on a great job...

H. C. Henry, Jr. — H. C. Henry, Jr.'s Executive Department

K. B. Swinea — George Fortner's Network Operations Department

Randolph G. Thompson — W. R. Perry's North Florida Network Department

Carlos A. Rufin — Linda Isenhour's South Florida Network Department

K. B. Turner — Ham Corey's Network Provisioning Department

James M. Blair — Paul Singer's Southeast Florida Network Department

As announced in the August newsletter, Custom Calling Features are our featured "Worth My Weight in Gold" services for September. This should be a month with lots and lots of winners, so get those custom calling feature referrals coming in!

Remember, the featured service for October is Saver * service. Here's some information about this service that will help you "be on the lookout" for Saver * service referrals.

According to Rick Marszalek, Staff Manager-Marketing in North Florida, "Saver * service is an exciting new intra-LATA service that offers the advantage of competitively-priced outward long distance service available on existing telephone lines. It is targeted toward both the business and residence market."

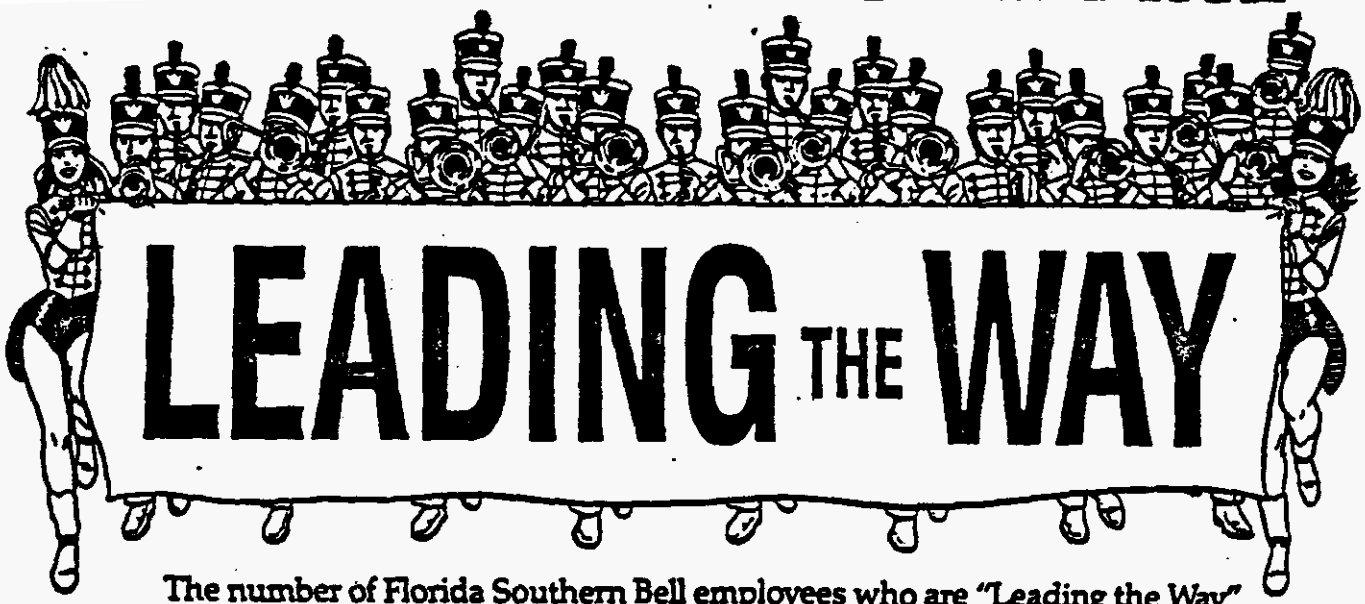
"Saver * service is packaged to offer 2, 10 or 25 hour blocks of intra-LATA calling at a flat rate to business customers. Residence customers can subscribe to 2 hr. blocks at a flat rate", Rick states. "It also offers a reduced rate for calls that exceed the chosen 2, 10 or 25 hour block", he continues.

One of the most exciting aspects of Saver * service is that it can work in combination with LATA 800 so that the business or residence can have both inward and outward intra-LATA calling capabilities at a very efficient price", says Rick.

So, what customers are good candidates for Saver * service? According to Rick, "Any customer who is presently spending $20.00 or more for intra-LATA calls could realize a savings with Saver * service".

Thanks, Rick! So, come on, call in your Saver * service referrals and show everyone that you're "Worth Your Weight In Gold".

P.S. November's featured service will be Ringmaster® . Be on the lookout!



LEADING THE WAY

The number of Florida Southern Bell employees who are "Leading the Way" for Florida GoldLine really grew during the month of August. Congratulations to each of you for doing such a great job!

Remember...to be a "Leading the Way" winner, all you have to do is generate 10 successful referrals. When you do, you'll receive a brilliantly colored Florida GoldLine t-shirt...plus your name will appear right here in the "Florida GoldLine's Good News" newsletter. So, let's hear it for...

W. A. Skiffington
Bailey V. Le
Joanne S. Bandy
Bonnie O. Harmon
Bruce Eberhardinger
Josephine Leugers
Deborah M. Donehue
ry J. Phillips
n L. Husfield
Ramiro J. Vacas
Cynthia B. Baker
Rich Lynch
Flor M. Hernandez
Maribel Enriquez
Lois B. Beckerman
Roxana Areces
Julia R. Ibarra
Eva A. Johnson
J. B. Cochran
Ginnerfra Peterson
Zeraldine O. Wilson
Bonny T. O'Hare
Veronica McGee
Cheryl L. Williams
Sharleen C. Hurt
Gary Lee Ryan
Kevin J. Ferguson
Martha E. Wade
Cathy S. Blalock
Deborah N. Choates
Donna J. Francis
Deloris Davis
Joyce A. Carpenter

Wilda B. Hodge
Donna L. Hobbs
Debra S. Davis
Jeanne L. Eaton
Shirleen D. Hill
Barbara C. Rose
Joanne Norris
S. A. Schlachter
T. J. Conlisk
Joyce S. Scott
Sharon Johnson
Joyce S. Vorpe
J. P. Williams
Frederick L. Henry
Charles L. Guess
L. D. Macewen
J. A. Montean
D. L. Wilson
James P. Wright
George M. Sloan
E. D. Cabarga
Ethel H. Richardson
Allison A. Beckham
Joyce M. Davis
Donald A. Paxton
Phillip R. Mathews
Steve R. Baker
C. T. Reeves
Patrick R. Crenshaw
Howard I. Busch
Thelton Cox, Sr.
Philip G. Chastain
Virginia C. Harris

William L. Waterman
R. F. Provenzano
Dorothy E. Hall
Luis Tornes, Jr.
J. R. Herbst
Michael P. Retzler
Alan C. Rather
Clarence Burts
Catalina C. Saporito
F. Gomez
J. A. Colson
Barbara F. Wilson
Wanda S. Reynolds
Joel Goldman
R. W. Hess
Diane Goldberg
Joe W. Walden
Cecil R. Wray
Waughn Maurer
Neil J. Hampton
Richard G. Bean, Jr.
Barry W. Motyka
D. K. Dore, Jr.
Joan M. Wynn
Patricia A. Phelan
Linda J. Gilbert
Rachel A. Scoggins
Annie K. Adams
Elaine A. Jones
Thomas H. Ollis
Beatriz E. Ledesma
Sharon Whites
Patricia S. Hinely

A. N. McKinney
Andrecia Gaulden
Sylvia C. Stamm
Wanda E. Heslop
Linda J. Cox
Cielo A. Dias
Beverly E. Samuel
Marianne Miller
Deborah V. McKinzy
Patricia A. Williams
Carol L. Norris
Bertha M. Stevens
Genevieve G. Dietzel
Margaret R. Acosta
Pat Borkowski
Barbara J. Ferguson
Patricia W. Biggs
Lucrecia J. Vann
J. R. Codrington
Barbara A. Corzo
Thelma G. Burns
Dorris R. Mitchell
Janice L. Touchton
Linda T. Robinson
Juanita J. Baker
Jeannie W. Martin
Juanita K. Pierce
Bernice T. Wallace
Pamela S. Dekle
Laura M. Robinson
Antoinette L. Ponds
Patricia E. Sewer

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JUST • ASK • NUGGET

It's been another great month for "Just Ask Nugget" questions. Once again, thanks to each of you who have taken the time to write in to Nugget. Keep those questions coming in!!!!

Here's a sample of August's questions.

Q I've heard two different answers to this question...so, can you tell me if new and additional business and residence lines are eligible for Florida GoldLine credit? *Elizabeth Reyes*

A Absolutely! New business and residence lines can be called in to Florida GoldLine and you'll receive your full Florida GoldLine credit. So, call us soon...and often...everyone! Thanks for your question, Elizabeth.

Q Is it true that the 780-2288 Florida GoldLine telephone number can be called from anywhere in the State and that you do not need to use a "1" or "800" in front of it? *Janis Love*

A The 780-2288 telephone number is a 7-digit number and you DO NOT need to use a "1" or "800". It's just that simple...780-2288...and nothing more! Thanks for asking, Janis!

Q What if we have a sale that needs to be worked right away...can we still get credit? *Gloria Bowen*

A Yes, you can. Florida GoldLine now offers an "on-line transfer capability". So, if you are at a customer's premise and he wants to order right away, just call us at 780-2288. We'll take your referral information, then ask you to put the customer on the line. We'll stay on the line with him until he's speaking directly with a service representative who can handle his order right on the spot. Thanks, Gloria.

Remember...if you have a question, all you have to do is fill out the form at the bottom and send it to "Just Ask Nugget".

QUESTIONS FOR "JUST ASK NUGGET" SHOULD BE WRITTEN ON THIS FORM AND SENT THROUGH COMPANY MAIL TO:

Florida GoldLine / 7780 N.W. 50 Street, Bldg. H-2 / Miami, Florida 33166

NAME _____ CONTACT NO. ( ) _____

MY QUESTION IS: _____

_____

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☐ PLEASE WITHHOLD MY NAME ☐ PLEASE DO NOT PUBLISH MY QUESTION

Only a limited number of questions will be selected for publication. In all cases, you will be called by Florida GoldLine with an answer to your question. If you wish your name to be withheld or do not wish your question to be published, please indicate this on the "Just Ask Nugget" form.

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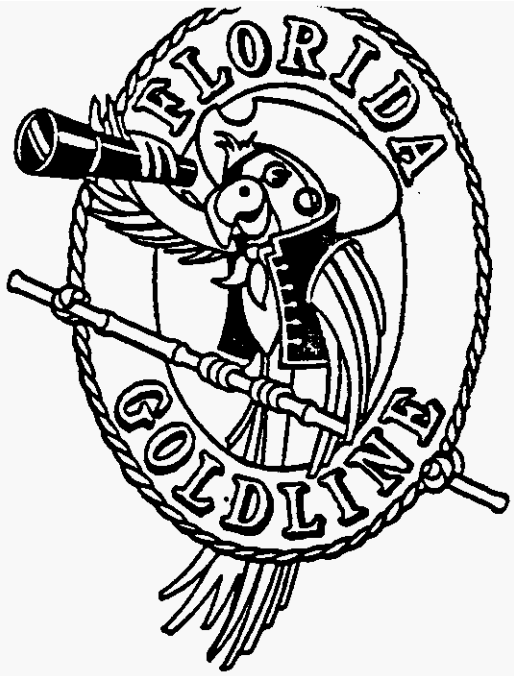
Good Luck and Good Leads!



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TYPESETTING AND GRAPHICS BY MIAMI GRAPHIC ARTS / SF Sept90-pg1 — Sept90-back D2S9 (9-14-90)

FLORIDA GOLDLINE GETS SUPPORT FROM ALL CORNERS

Mr. Bill Dresser, General Manager-Customer Services in North Florida, was kind enough to share with us a letter that he recently wrote to members of the Speakers Bureau. The letter demonstrates the great support that Florida GoldLine is receiving from all corners. We can all remember Florida GoldLine in the host of different roles that we play for Southern Bell in Florida.

Here's what Mr. Dresser had to say...

August 20, 1990

MEMORANDUM

To All Speakers Bureau Members

"As a member of Speakers Bureau, you spend many hours over and above your normal job explaining issues to the general public. I want you to know that I appreciate your time and dedication to r Company.

I also want you to keep in mind that after each talk you do, there may be an opportunity to make a sale.

Have you ever taken a few moments to inform the audience when a waiver is in effect? The upcoming service order waiver scheduled for September 15 through November 15 is a perfect opportunity.

There may be even more in it for you personally than you realize. You can now refer each prospective sale through GOLDLINE. Take the time to share information on our products and services. Call any interested customer's name into GOLDLINE and watch your GOLDLINE account balance grow each month.

Remember, the next time you see a potential opportunity for Southern Bell in Florida...call 780-2288!!!

Thanks, Mr. Dresser!

GOLDEN SUCCESS STORIES FROM FLORIDA GOLDLINE AND YOU

Many of you have asked us to tell you about Florida GoldLine successes that other employees have experienced. We thought that was a great idea, so here's one we thought you'd enjoy.

David McCampbell, Employee Assistance Program (EAP) Administrator, was at home recently when a neighbor stopped over. The neighbor observed him answering a second call with his "call waiting" service.

"She seemed really interested in having the call waiting capability in her home, but I didn't know the prices to quote", says David. "Then I remembered Florida GoldLine, so I told her I could have a sales expert give her a call the next day", he adds.

"I called Florida GoldLine the next morning and a Service Representative arranged for my neighbor to have call waiting and another service that she needed...Ringmaster®, David says. "It was so easy because I didn't have to know all the details about the service...I just called Florida GoldLine", he adds.

Success stories like David's are the reason that Florida GoldLine is flying so high. Congratulations on a great job, David.

WHO ARE THOSE FLORIDA GOLDLINE PEOPLE?!

When you call in to Florida GoldLine, you will always be greeted by a friendly, cheerful voice. The Florida GoldLine representatives open their conversations with "Good Morning or Afternoon"...and when they have finished taking your referral and say "Thank you for calling Florida GoldLine...we look forward to your next referral"...they really mean it!

We are proud of the friendly service that our Florida GoldLine representatives offer Florida Southern Bell employees. So, next time you call in, say hello to our team...

Michelle Tierney, Supervisor

Luann Calvet	**Rosie Piedra**
Debra Christie	**Cathy Rohal**
Edna Figueroa	**Ray Sacre**
Julie Lair	**Jeri Von Taube**
Betty Jean Nishiji	**Jeannie Williams**
Yvonne Young	

We look forward to your next referral!!!

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September 10, 1991

TO: Jerry Dick

FROM: Judy Eberhart

SUBJECT: Price Increase Opportunities

The purpose of this memo is to share with you the formal plan that supports our strategy to raise Vertical Services rates to willingness-to-pay levels over time. As you know, Irys Cottman, Mary Brooks, Ron Pardue and Bill Powers put this plan together and the need to implement it has been discussed at the Group President Level. I want to share this plan with you so that we are together on this strategy.

Please call me or Jim Whitehead with any questions.

Attachment

cc: Jim Whitehead
Irys Cottman
Mary Brooks
Bill Powers
Ron Pardue

M058-0776A

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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PRICE INCREASE OPPORTUNITIES

The state and headquarters staffs are spending tremendous resources trying to develop and test new promotional programs for revenue enhancement. While these programs do generate revenue within a two year or more timeframe, we have at our disposal the means to increase revenues immediately. This can be accomplished by initiating selective price increases on our vertical services concurrent with the deployment of the Multiple Feature Discount Plan Tariff, as discussed in the recent revenue enhancement presentation with Mr. Bailey and Mr. Skinner.

If prices of selected vertical services were gradually raised to today's willingness to pay levels, substantially more revenue would be gained in the short and long term. The services that have been historically under-priced are the best candidates for fast revenue generation. They are Inside Wire Service (ISW) and basic Custom Calling Service (CCS) features (Call Waiting, Call Forwarding, Three Way Calling and Speed Calling).

As indicated in the attached Exhibits, the following incremental revenue could be achieved through implementing the Multiple Feature Discount Plan tariff accompanied by a plan of gradual prices increases:

Incremental Revenue available from Price Increases
($ millions)

	1992	1993	1994
CCS			
ISW			
Total			

These incremental revenues are available in every state except Tennessee. The basic assumptions for these increases are shown in Exhibits I(for CCS) and II(for ISW). Some discussion of the effort required to achieve these increases on a state-by-state basis is provided, also. Issues impacting this plan are discussed in the attachments.

We would like to initiate this plan as soon as possible and I look forward to discussing it with you at your convenience. Please call me, if you have questions. If I am not available, Tom Hamby at (205) 977-5530 should be able to help you.

M058-0777

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT I

CUSTOM CALLING SERVICES

Basic Assumptions

- o
- o

STATE	1992	1993	1994
AL			-
KY			-
LA			-
MS			-
TN			-
FL			-
GA			-
NC			-
SC			-

- o
- o
- o

M058-0778

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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EXHIBIT I

CCS REVENUE ENHANCEMENT BY STATE

	1992	1993	1994
FLORIDA			
6 current forecast*			
7 price increase			
8 expedited forecast			
GEORGIA			
current forecast*			
price increase			
expedited forecast			
NORTH CAROLINA			
current forecast*			
price increase			
expedited forecast			
SOUTH CAROLINA			
current forecast*			
price increase			
expedited forecast			
BELLSOUTH TELECOMMUNICATIONS INC			
22 current forecast*			
23 price increase			
24 expedited forecast			

* 1991 COMMITMENT VIEW

M058-0779

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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EXHIBIT I

CCS REVENUE ENHANCEMENT BY STATE

	1992	1993	1994
ALABAMA			
current forecast*			
price increase			
expedited forecast			
KENTUCKY			
current forecast*			
price increase			
expedited forecast			
LOUISIANA			
current forecast*			
price increase			
expedited forecast			
MISSISSIPPI			
current forecast*			
price increase			
expedited forecast			
TENNESSEE			
current forecast*			
price increase			
expedited forecast			

* 1991 COMMITMENT VIEW

NOTE: is included in the company total at the current forecast level only. The current incremental effect of willingness to pay rates with MFDP would be the following in

M058-0780

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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EXHIBIT I

CUSTOM CALLING SERVICES

Issues

I. Banded Rates

The states of North Carolina, Alabama, Kentucky, Louisiana, Tennessee and Mississippi do not have banded rates. Filing packages were prepared and delivered to all South Central Bell states in 1990. None were actually filed with PSCs. Pricing flexibility without rate cases is the objective of banded rates. An underlying marketing assumption of the banded rates philosophy is that the published range provides both the consumer and Commission with a range of value for the features and services. An increase or decrease in price would be a reaction to market conditions or the competitive environment. State executives have been hesitant to support this philosophy in South Central Bell states. It is very difficult to understand the hesitancy since TouchStar® and RingMaster® services have banded rates.

The planned rollout of the Multiple Feature Discount Plan into South Central Bell is being delayed because of banded rates and, to some extent, low Touchstar® service deployment. The previously quoted increases assume this hesitancy can be overcome.

II. Some PSCs want to decrease vertical service prices.

Tennessee has filed a form of banded rates that defeats the basic philosophy of banded rates. Instead of making willingness to pay the top of the rate band, Tennessee has used the current rate as the top of the band. This action raises serious doubt on our ability to do anything with rates except lower them without a rate case. The rationale has been that lowered rates would result in increased penetration (more people can afford). The reality is lowered rates have yet to increase penetration but, do tend to lower value perception. Our recent price increase experience in Florida and Alabama has been increased volume. Regulatory should prepare a strong argument against decreased rates. This should be widely socialized with the state regulatory staffs.

M058-0781

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT I

CUSTOM CALLING SERVICES

Issues

III. Current Rate Stabilization Plans

Current state rate stabilization plans and regulatory strategies tend to either block independent vertical service price increases or to totally ignore the subject. In developing and revising rate stabilization plans, the need for increased prices on basic CCS features ought to be an integral part of the plan.

Alabama moved toward this direction in trading off TouchTone price decreases for CCS price increases; however, this plan took a high contribution product in trade for a lower penetration and lower contribution product. We should insure that when evaluating give-backs we are evaluating at the contribution, not, the overall revenue level.

IV. Multiple Feature Discount Tariff

The current strategy with the MFDP tariff has been a revenue neutral filing. Given that there are features being sold at less than willingness to pay, it appears feasible to revise this strategy. The new strategy would be to raise basic CCS feature rates, where practical, up to, or closer to, willingness to pay concurrent with the filing of MFDP tariffs.

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT I

CCS BANDED RATES AND REGULATORY ACTIVITY

ALABAMA	
KENTUCKY	
LOUISIANA	
MISSISSIPPI	
TENNESSEE	
FLORIDA	-ALREADY HAS BANDED RATES. -CCS RATE INCREASE POSSIBLE
GEORGIA	
NO. CAROLINA	
SO. CAROLINA	

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ACTION NO. 89-2839--NESBITT, U.S.D.C., S.D. FLA.

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EXHIBIT II

BASIC INSIDE WIRE
RECURRING RATES AS OF 7/3/91

Southern Bell	South Central Bell
Florida	Alabama
Georgia	Kentucky
North Carolina	Louisiana
South Carolina	Mississippi
	Tennessee

WILLINGNESS TO PAY

. However, the regulatory and political climate surrounding this deregulated service has made rate increases an extremely difficult process. Today, it is generally agreed that realistic objectives would be to move all SB states to per month and all SCB states to by year end, 1993. The contributing factor to the difference in the rate objectives is due to prevailing rates for these companies January 1, 1987, when the service became de-tariffed. For residence customers in SB the rates ranged from to $1.60, whereas in SCB the rates ranged from ..

As an example of the sensitivity of service rate increases, the Tennessee Public Service Commission has previously pointed out that monthly plans are certainly not competitive, which was the intent of deregulating the service. Also, in referring to our big increases (from a percentage standpoint) they said "Bell's ability to raise prices by these tremendous percentages is not the kind of pricing behavior one would expect if a truly competitive market existed".

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SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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EXHIBIT II

BASIC INSIDZ WIRE

Regulatory Climate

Southern Bell
Florida

Effective 6-15-89 increased rate to $2.50. Currently at suggested rate.

Georgia

North Carolina

South Carolina

South Central Bell
Alabama

Kentucky

Louisiana

Mississippi

Tennessee

M058-0785

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ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT II

ISW REVENUE ENHANCEMENT BY STATE

	1992	1993	1994
FLORIDA			
current forecast			
price increase			
expedited forecast			
GEORGIA			
current forecast			
price increase			
expedited forecast			
NORTH CAROLINA			
current forecast			
price increase			
expedited forecast			
SOUTH CAROLINA			
current forecast			
price increase			
expedited forecast			
BELLSOUTH TELECOMMUNICATIONS, INC			
current forecast			
price increase			
expedited forecast			

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT II

ISW REVENUE ENHANCEMENT BY STATE

ALABAMA
current forecast
price increase
expedited forecast

KENTUCKY
current forecast
price increase
expedited forecast

LOUISIANA
current forecast
price increase
expedited forecast

MISSISSIPPI
current forecast
price increase
expedited forecast

TENNESSEE
current forecast
price increase
expedited forecast

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

EXHIBIT II

BASIC INSIDE WIRE

Issues

- REGULATORY & POLITICAL CLIMATE IS UNSTABLE.

  (GA, FL law suits, FL attorney general investigation into possible monopolization by Telcos with regard to ISW, have heightened sensitivity to any activity regarding ISW).

- FCC DOCKET 79-105 MUST BE ADDRESSED AND A DECISION MADE TO/NOT TO RE-REGULATE ISW.

  (In MAY, 1990 the FCC reversed its original decision that deregulated ISW to now allow each state to re-regulate ISW, if they so choose. At this time, Alabama is the only PSC with an active investigation into this possibility. Should any/all states decide to re-regulate, revenues from the service would then be "pulled back" into the regulated rate base, which might result in "give backs" and/or a lowering of rates for other regulated services.)

- EACH INDIVIDUAL STATE AT THE EXECUTIVE LEVEL DECIDES WHEN TO/NOT TO INCREASE RATES.

  These decisions are highly motivated by the individual state regulatory climate. Keep in mind that a less than perfect relationship with regulators affects all regulatory interactions, not only those directly related to ISW activities. Therefore, executives at the state level must be pre-sold any proposed rate increases before support will be given.

M058-0788

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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Don:
I found this interesting. I have not forwarded to anyone else. Carlton

BellSouth Services
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375

DATE: June 14, 1988

TO: N. C. Baker, Senior Vice President

FROM: R. T. Burns, Assistant Vice President

Attached is a paper prepared by Jerry Prophitt, which supports a more aggressive strategy for CATV transport than that proposed by LOB. I think Jerry is on target. I would suggest this paper be forwarded to Duane and his staff for consideration.

Any thoughts?

Attachment

→ Tom Miller
HC to → Randy Hudson

RW Hudson
fu 1-8

Copy to: H. G. Prophitt I talked to Prophitt. He has not seen your business case on transport. - Send him one ASAP. Also lets get w/ his people, they have some expertise there.

* Please prepare a letter to DES & NCB from me addressing (w/cc to Burns)

RECEIVED
JUN 22 1988
D. L. STROHMEYER
VICE PRESIDENT - MARKETING

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CATV TRANSPORT

"Catalyst" for BISDN

BellSouth's stated position in the FCC's "Telco-CATV Cross-Ownership" inquiry is that telco participation in CATV markets will accelerate the deployment of fiber to the home and the delivery of new broadband integrated services digital network (BISDN) services to residental cable customers. Similar statements have been made in other forums by FCC Commissioners Patrick & Dennis, House Telecommunications Chairman Markey, NTIA head, Alfred Sikes, the National League of Cities and the Association of Independent Television Stations. Some of these, like the National League of Cities, have self-serving reasons for promoting telco involvement in CATV. Whether or not telcos could actually turn a profit would not affect their position. However, others' viewpoints cannot be so easily dismissed. BellSouth's own position must presumably include potential profitability as a prime ingredient. Therefore, it's likely CATV transport is envisioned by most as providing the "critical mass" necessary to profitably support the provision of the full spectrum of so-called Information Age or BISDN services to the public.

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"One-wire Concept"

Given fiber optics' and microelectronics' rapid ~~rates of~~ performance enhancement and cost reduction, it's likely several competing CATV operators' signals could be transported to the home over the same telco-provided fiber facility at some point in the 90s. Whether this will or won't take place is no longer a function of "exclusive franchises" and their artificial limitations on local markets. The U.S. Supreme Court's 1986 affirmation of CATV's First Amendment rights and responsibilities means exclusive franchises are no longer legal barriers to multiple CATV operators competing for the same customers. Legal barriers notwithstanding, economic barriers remain in most markets. Over 80% of subscribers have access to existing CATV delivery systems providing 30 or more channels. That is, most entrenched cable operators have already spent the capital necessary to construct modern coaxial cable delivery systems. The bulk of the industry's current $14-15 billion/yr. revenues are therefore, "discretionary" even considering the industry's above-average debt obligations. This presents a potent economic barrier to would-be competitors who would have to arrange eight-figure financing for even moderate-sized urban/suburban systems. All this for the priviledge of competing with an entrenched provider who would likely have plenty of discretionary income with which to potentially price the newcomer out of the market. If widespread CATV competition ("overbuilding") is not currently in the cards, when ~~it~~ ever,

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will it be? Even more to the point, when will telco involvement become viable and what form is apt to take?

"The Guy Who Gets Fiber To The House First Owns The House."

All of us have heard this phrase. Is it just hype? Given fiber's descending cost curve, it's likely fiber will begin widespread replacement of copper in the mid-90s for POTS alone. ....perhaps sooner with BISDN stimulus. In conjunction with NCTA's (National Cable Television Association) prediction that most existing CATV systems will have to be rebuilt by the mid-90s, the widespread availability of telco fiber in prime markets will likely make telco-provided CATV transport irresistible to entrenched Cable operator and "overbuilder" alike. The fact that entrenched CATV operators' cash flow is being diverted to (1) mergers and acquisitions and/or (2) programming means virtually none is being devoted to plant modernization. Notwithstanding cable's near paranoic aversion to telco involvement in CATV, the attraction of fiber optic transmission at attractive telco prices may, prove irresistible. Even the prospect of leasing the same telco fiber as their "overbuilder" competitors probably won't dampen their ardor. What choice will they have? If entrenched providers choose to rebuild their distribution systems themselves, they'll have to further burden their already debt-laden balance sheets only to see themselves priced out of the market. How? Their

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overbuilder competitors will doubtlessly take advantage of telco-provided transport at prices that reflect the relatively low incremental cost of making preexisting fiber available for CATV transport. Telco aversion or not, entrenched cable operators will have little choice but to meet their overbuilder competitors on the same level playing field: Telco's "One Wire".

"Video-on-Demand", "Impulse" PPV and "HBO Bypass"

Video entertainment is big business! Americans currently spend about $3 billion/yr. on basic, premium & PPV CATV, $4 billion on video tape purchases, $5 billion/yr. on video tape rentals, $5-6 billion/yr. on VCRs and $6-7 billion/yr. on TV sets. Not counting theatre viewing, video entertainment is a $25-30 billion/yr. market that's apt to grow rapidly as quality (HDTV), convenience ("Video-on-Demand", "Impulse" PPV) and cost-effectiveness (sharply descending fiber & microelectronic cost curves, economies of scale) combine to the public's advantage. As large screen TV sets with their ever-improving picture quality and cost performance proliferate (The U.S. Dept. of Commerence projects $50 billion in HDTV hardware sales by 2000.), the shortcomings of standard NTSC video transmission will become increasingly unacceptable. In the near-term, backward-compatible (with NTSC) ATV (Advanced TV) will serve as an interim measure as the World's 600 million (140 million U.S.)

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TV sets convert to true HDTV with its 35mm photo-like quality. Due to its appetite for bandwith, HDTV transmission over fiber is a "natural". Telco revenue opportunities in video entertainment are (or, should be) coming into focus.

Current modes of video delivery are crude and are not user-friendly. To see what consumers wants to see when they want to see it ("Video-on-Demand" [V-O-D]), consumers have to buy tapes at prices ranging from $20-$80 per tape even if they have no desire to see the tape more than once. Even video tape purchase isn't true "V-O-D" since current hit movies aren't available on tape until months after their release to the theatres. Of course, the consumer can get dressed, pack up the family, travel to the theatre, park, pay $5 per head plus concessions to see a current hit movie at a time selected by the theatre. But, by any measure, that mode of delivery is not user-friendly. The fact the public is willing to do it in relative large numbers bears witness to the huge market appeal of video entertainment. If the consumer isn't willing to go through the hassle of buying tapes or periodically emigrating to the theatre, he/she can opt for programming selected by broadcasters and/or cable operators and pay service providers (e.g., HBO) at times also selected by vendors.. If the consumer rebels at this degree of regimentation, he/she can get dressed, get in their car, travel to a "conveniently-located" video store and rent the movie of his/her choice if (a) it isn't already rented or (b) it isn't a current hit. Of course, consumer

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responsibilities don't end there. The rented tape must be returned on time or additional charges accrue. By any measure, video entertainment is a prize dearly-won. Many aren't willing to pass these rites ....and therein lies a formidable untapped market!

Consider the market appeal of true "V-O-D". Imagine really being able to see what you want to see, when you want to see it all in the comfort of your home. How would that expand the market? From $25-30 billion/yr. to say, $100-$150 million? Certainly not unthinkable given what the consumer has to give up in freedom of choice, convenience and comfort to generate $25-$30 billion/yr. A recent McKinsey & Co. survey of residental customers' attitudes toward potential BISDN services showed that 35-40% would pay $2/film for V-O-D. A Warner "Impulse" PPV study shows that an average $10/mo. per subscriber is sustainable with market development. To back this figure up, Warner points to several test cable systems in which multi-channel "Impulse" PPV is already generating an average $6.50/mo. per subscriber and that's not even true V-O-D. However encouraging these results may be, the other side of the coin is that the cost of providing "Impulse" PPV with available hang-on Jerrold hardware is high. Envision how this changes if dial-up "V-O-D" and its current hit varient, "Impulse" PPV, are integrated into a telco-provided video-switched, fiber optic network where under open Network Architecture (ONA) a variety of ESPs (Enhanced Service Providers) use telco transport to tap

the BISDN market. A "pipe-dream"? ...only for the extreme myopic.

There will be casualties, of course. (There always are with market upheavals.) For example, HBO, Showtime, etc. won't need the cable operators to reach their customers. With telco-transport (and maybe, billing and collecting), the HBOs of the world can market and deliver their services directly to end users thereby bypassing CATV vendors altogether. Given broadcasting's decline and cable's ascent, advertiser-supported "free" TV may defect to closed-cable transport at some point leaving the airwaves free for other over-the-air media. Being the guy first to the house with fiber means telco won't be one of those casualties. Indications are good that POTS alone will do the job of making copper replacement economic beginning in the mid-90s. However, if projected steep declines in fiber and associated microelectronics costs don't materialize as quickly as currently envisioned, CATV transport and POTS support of fiber's fixed costs may be required to insure that "BellSouth is the first guy to the home with fiber".

CATV Transport Is Only One Of A Number Of Lucrative New Services Made Possible By A Broadband Switched Network.

The same McKinsey & Co. study cited above showed that 10% of residential customers would pay $10/month for videophone, a

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surprising 60% would pay $5/month for hi-fi voice and 25% would pay $10/mo. for high quality FAX. Considering zero market stimulation and education (How many residential customers even know what FAX is?), these results persuasively argue for tapping the BISDN market in the shortest feasible time. What remains is to develop a strategy that will insure that "BellSouth is the first guy to the house with fiber."

BISDN Strategy Phase I: "Getting Up On The Learning Curve."

It's virtually a maxim you can't go from zero to the top-of-the-heap of a market that's beyond the niche phase without "getting up on the learning curve". Pacific Telesis and U.S. West have apparently recognized this necessity by bidding for Storer Cable and buying 10% in a French CATV company respectively. The best way (and perhaps the only way) to "get up on the learning curve", is to intelligently attack market "niches" as they emerge. In so far as the CATV transport market is concerned, the strategy adopted by Florida Power & Light's (FP&L) Telesat subsidiary appears designed to do just that. Recognizing they can't successfully attack markets being adequately served by entrenched cable operators, Telsat has targeted new housing developments without existing CATV facilities for overbuilding. When challenged by the entrenched cable operator and/or the municipality for infringement of the entrenched operator's "exclusive" franchise, Telsat has

successfully used the courts to effectively void any legal impediments to market entry. What's ominous about Telsat's success rate is (1) they're "getting up-on-the broadband transport learning curve", (2) FP&L has the "deep pockets" necessary to give it a genuine shot a being "the first guy to the home with fiber" and (3) they're well-positioned in BellSouth's largest state. Telsat doesn't have the 1984 Cable Act nor, to a certain extent, the MFJ standing in its way either. But, that doesn't mean BellSouth is powerless to wage its own campaign to get up on this market's "learning curve". Providing CATV transport and leaving programming to entrenched CATV operators is a very viable way to get up on the "learning curve".

Assuming the FCC's ruling in the GTE/Cerritos, California matter withstands NCTA's court challenge and the FCC becomes free to routinely waive its rules against constructing broadband facilities capable of transporting both CATV and regulated telephone services, BellSouth should actively pursue niche CATV transport markets. Maintaining a "low profile" won't win NCTA's friendship or even their tolerance. That relationship can only be repaired when cable sees BellSouth as means to their end of making money. Standing on the sidelines will only cause further, potentially fatal, delay in getting up on the the learning curve. Despite deep-seated opposition to general telco involvement in cable, NCTA President, James Mooney, has testified before Congress that the cable industry does not

oppose telco transport of CATV programming provided by others. Thus, a Phase I strategy wherein BellSouth involvement is restricted to transport in niche markets gets the ~~Corporation~~ up-on-the "learning curve" and sets the stage for Phase II.

BISDN Strategy Phase II: "Becoming The CATV Transporter Of Choice"

In the mid-90s, two events of fundamental importance occur: (1) copper loops begin to be rapidly retired and replaced by fiber solely based on POTS economics; and (2) CATV system rebuilding hits its stride. This offers the opportunity to cover the fixed costs of providing fiber to the home with POTS revenues and selling CATV transport to overbuilder, entrenched CATV operator and pay service vendor (HBO, etc.) alike at probable market prices well in excess of incremental costs. At that time, profit or rate-of-return regulation should have evolved to price regulation either by the current set of state & federal regulators or by the market itself. This means BellSouth will be able to keep its CATV transport profits despite the relative low level of incremental cost required to provide the service. Under Open Network Architecture, BellSouth BOCs can provide CATV transport to a host of likely customers including BellSouth's own potential CATV programming and operating subsidiary. In the context of the mid-90s as described above, it's not likely a BellSouth CATV operating subsidiary will excite much

"dig-in-your heels" opposition as long as its CATV transport charges are the same as other enhanced service providers (ESPs).

BISDN Strategy Phase III: "Completion"

Having become "The Guy Who Got Fiber To The Home First", BellSouth's ubiquitous CATV transport will provide the "critical mass" necessary to support transport of the entire spectrum of BISDN services provided by ESPs. Given the relative low incremental cost of "mining" more of fiber's huge bandwidth capacity to transport the wide variety of BISDN services and the pent-up demand signaled by the McKinsey study (cited above), BellSouth's BOCs' profit potential appears good. But, it's not apt to happen unless BellSouth takes the long term view and begins Phase I of its BISDN Strategy by attacking selected niche CATV transport markets. To take the long term view, CATV transport needs to be viewed as the "catalyst" that will materially assist BellSouth in becoming "The Guy Who Gets Fiber To The Home First." It should not be viewed in isolation as a stand-alone product with limited short-term profit potential. Such a viewpoint could jeopardize BellSouth's long term financial viability.

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BellSouth Services
A BELLSOUTH Company

SERVICE REPRESENTATIVE INITIAL TRAINING CS431 - SB

Learning Advisor Guide Lessons 1 - 41
Issue 1 - April 1990

BellSouth Services Training

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SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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You have known from the beginning of class that selling is a very big part of your job. In this lesson we will learn the fundamental skills to enable you to sell on any type of contact. Almost every contact you have has an opportunity for you to help the customer improve service. From now on, each contact you have in class and in the Service Center should have an appropriate sales effort. For example:

- Orders to establish new service
- Orders for change of address (move)
- Inquiries on pending orders
- Calls about payment arrangements on a bill.
- Adjustments on long distance calls.
- Requests to change, add or delete existing service.

The list could go on and on. You can easily see there are so many opportunities to apply your best sales skills.

Remember the WIN-WIN concept from Fundamentals of Excellence? This is where all parties involved in a situation are winners.

Customers win because they have the service they need.

Company wins by establishing goodwill and trust with the customer and increasing revenues.

You win because your contacts are pleasant and rewarding.

It takes effort and practice to become an accomplished salesperson who is able to maintain a friendly, pleasant contact while selling the services a customer needs. You must personally make this commitment, an affirmation for yourself.

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DISCOVERING

OVERVIEW

Discovering is interviewing the customer to mutually identify the customer's needs and values through questioning and listening techniques. A big part of this has to do with the tone of the contact itself, how we ask questions, and how we listen.

Good discovering is:

- conversational
- comfortable
- relaxed

The customer is encouraged to talk so you can listen.

Remember to prepare the customer for questioning. For example, *"To complete an order the way you want it, I'll need to ask you a few questions."*

You will quickly discover that sales techniques may not occur in a 1, 2, 3 sequence. Relating and discovering actually blend together from the opening of the contact when you greet the customer, and they continue until the contact is over.

Relating and discovering are the foundation of all contacts!

Your objective is clear--both relating and discovering help you focus on uncovering the needs and values of the customer so you will be able to make a personalized proposal.

Discovering is really questioning. Knowing how to question is critical. Good questions get the other person thinking and conversing with you.

Discovering helps you handle the customer's service request correctly. You need to know what the customer really wants, right?

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THE SILENT TREATMENT

Silence may often be an appropriate response especially to negative statements. It often has the added effect of getting the customer to develop a point without asking another question. Most people are uncomfortable with silence, particularly on the telephone, so they will rush to fill it.

Try the silent technique when you ask an open question. A very brief pause may get you some additional facts. It can save asking another question.

You want to ask the least number of questions which will get you the most information!

Once the customer is comfortable talking to us, we can move back and forth between closed and open questions. Through experience, we develop a sixth sense of what's appropriate. How we question can make a big difference in our customer's willingness to let us help them. Discovering skills and listening skills work hand in hand. It's important to know what questions to ask but it's even more important to listen skillfully. Try to uncover the customer's values.

FACTS YOU NEED TO DISCOVER

- Type of business
- Users
- Background of the officers/owners
- Special needs
- Cost expectations
- How the business will operate
- Layout
- Determine if the customer has purchased special equipment

A good way to discover these facts is to ask, "If I were just walking in your front door, what would I see?" Encourage the customer to describe the business in this manner. Include the employees and the work they perform.

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DISCOVERING TIPS

1. Ask for permission to question.

   Prepare the customer for the questions you'll need to ask. This should be done at the beginning of your contact.

   "Can we talk about some things that will give me a better idea of how I can help you?"

   "To ensure that the service plan I recommend will meet your needs, I'd like to ask you a few questions. Is that all right?"

   "I'll need to ask you a few questions so I can complete your order just the way you want it."

   "To recommend a service plan that is appropriate for you, I need to ask you a few questions."

   A direct question like "Can I ask you some questions?" may result in the customer's saying "No."

2. Question to clarify or clearly define.

   Clear definition is essential to help your picture match what the customer's situation and needs really are. If you aren't sure of something the customer said or you didn't hear it clearly, say *"I'm sorry, I didn't understand that."*

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3. Ask questions to provoke thoughts/feelings.

Ask open questions to help the customer visualize himself/herself in a particular situation. For example:

"You said you receive a lot of service calls. How do you handle all the calls you need to make and still keep the line open for these incoming service calls?"

Questions you ask to provoke thoughts and feelings begin like this:

- *What would happen if...*
- *Let's suppose...*
- *I would imagine...*
- *How do you feel when...*

Visualize the customer's business. Ask thought provoking questions that get the customer thinking. Here some examples of thought provoking questions:

- *Have you given thought to how your drivers would reach you in case of an emergency?*
- *Your work usually means committees, networking, right? Tell me, when you have to confer with other committee members, how do you handle that?*
- *Mrs....., help me to picture the layout of your business and what functions you and your employees perform. Please describe this for me.*
- *Mrs.....you said your husband travels to trade shows and you frequently need to work at home because of the children. What thought have you given to making sure your clients and your husband can reach you?*
- *How do you handle the problem of needing to be away from the office when you are expecting a call to complete an important job?*
- *How do you handle getting emergency calls through?*
- *Mrs..... tell me what would you like your telephone service to be able to do for you?*

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FACILITATOR GUIDE
RESIDENCE SEGMENTATION TRAINING

Before training begins:

* Arrange for overhead projector and easel

- Make overheads of charts, grafts, etc. under tab 2. Note: There is no need to make overheads of the "talk from" sheets which give supporting segmentation information.

- Make copies of handouts (under tab 3) for all participants
  - BOCRIS Screen(s)
  - PREMIS Screen
  - Discovery Questions
  - Optional Job aid
  - Segment Product List (front and back)
  - Benefits List (front and back)

* Review roleplay material

Training length - 1 day

It is recommended that "coaches" be trained separately in order to address coaching issues.

Refer questions to: Bruce Bursi, 205-977-0751, Market Development Channel Manager, Sharon Shaw, 205-977-8245, Residence Market Manager, or your state segmentation expert.

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Residence Segmentation

Tab 1

Introduction

RESIDENCE CCS&S/SEGMENTATION TRAINING INTRODUCTION

I. WHY ARE WE HERE?
- * To learn how to take advantage of a sales technique (SEGMENTATION), which when used with needs based selling skills can greatly improve the level of service you provide your customer as well as increase the amount of revenue you can generate for the company.
- * To learn how to focus on groups of customers who have similar characteristics or buying behavior. The grouping (or clustering) of these customers is supported by extensive market research.
- * To practice combining the customer focused needs based CCS&S/Segmentation sales techniques.

II. HOW WILL IT IMPACT/CHANGE THE SERVICE REP JOB?
- * The change in the sales process is minimal.
- * Benefits the Rep can realize include:
  - a) Increased sales due to advanced knowledge regarding probability of specific customer segments purchasing specific products.
  - b) More direction on obtaining <u>useable</u> information to support the offering of each product through "focused" discovery questions.
  - c) Increased customer satisfaction when consultative (personalized) approach used to meet individual residence customers' needs.
  - d) Increased success and confidence in utilizing "bridging" techniques.
  - e) Increased efficiency in utilizing limited customer contact time.

III. WHAT'S IN IT FOR THE CUSTOMER?
- * Improved customer service due to needs based consultative selling approach.
- * Less expense when all needs are uncovered and met on one call.

IV. WHAT'S IN IT FOR THE COMPANY?
- * Improved customer satisfaction through consultative needs based selling.
- * Improved revenues when more products are offered more often.
- * Competitive positioning by recognizing and meeting customer needs more often.

MNCG
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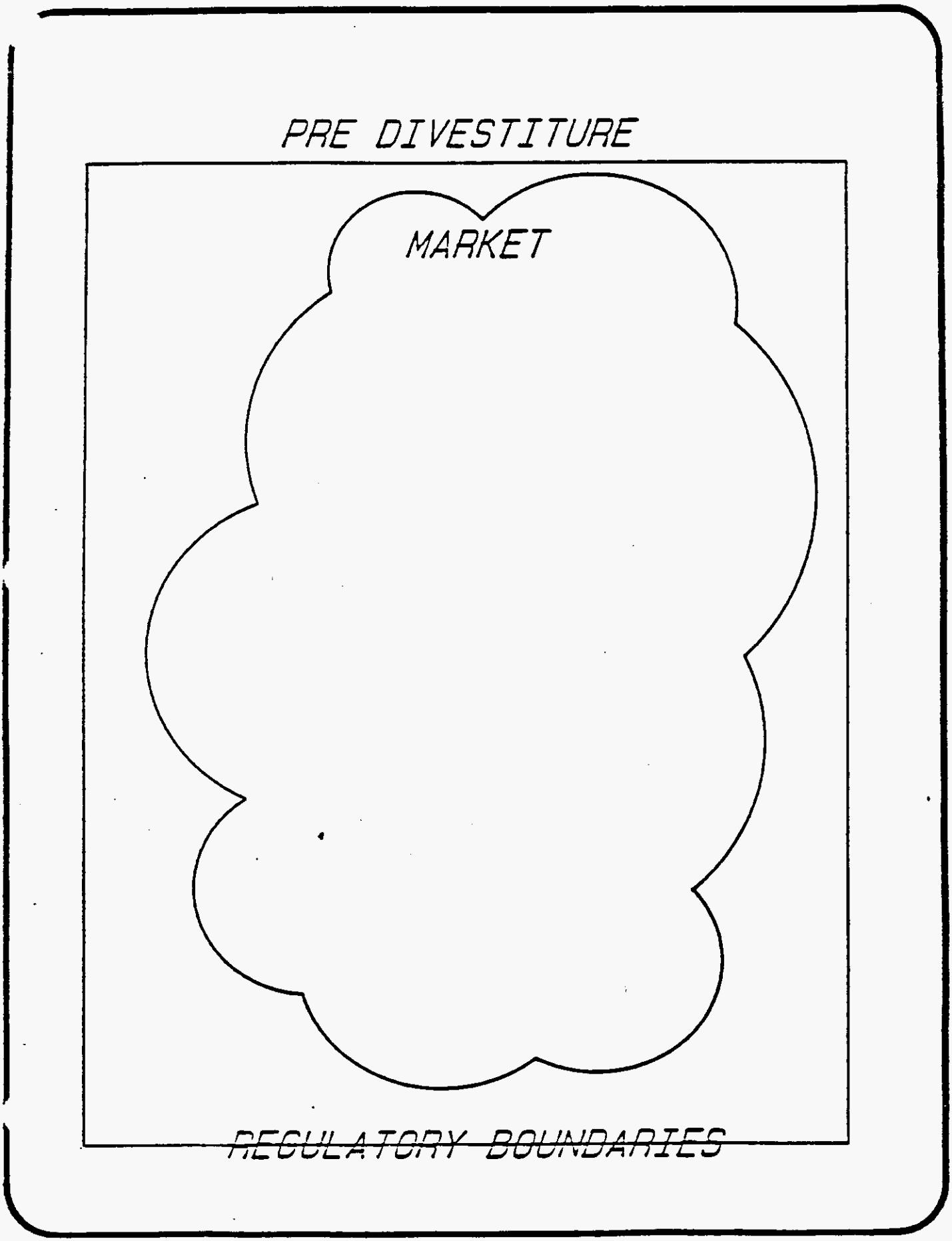
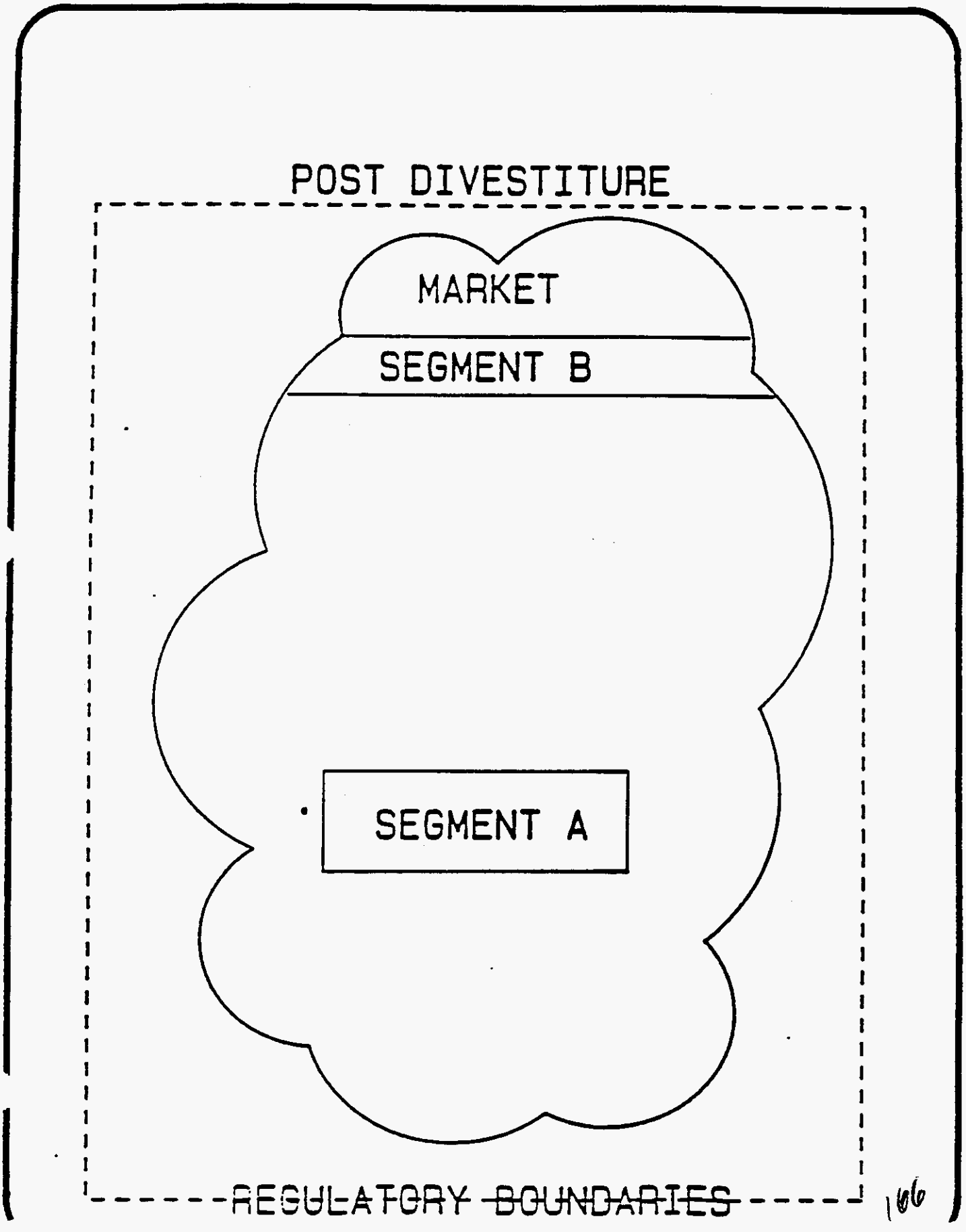
Residence Segmentation
Tab 2


PRE DIVESTITURE
MARKET
REGULATORY BOUNDARIES

Overhead # 1

Pre Divestiture

- The BellSouth Residence Market is comprised of 13 million customers. Prior to divestiture the market was "held together" by regulatory boundaries.
- Prior to divestiture customers had limited choices as to who they went to for help when meeting their telecommunications needs.
- The RSSC sold primarily "on demand" Customers called in and told us what they wanted and we issued the order.
- There was no need to sell proactively since we had virtually all of the market.


POST DIVESTITURE
MARKET
SEGMENT B
SEGMENT A
REGULATORY BOUNDARIES

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8933

Overhead # 2

Post Divestiture

- Divestiture has cause the regulatory boundaries to become somewhat "blurred". Competition has entered the market.

- Customers now have a large number of telecommunications vendors they can deal with in making their telecommunications decisions. We are now one of many.

- Customers have begun to segment themselves. We are discovering certain groups of customers purchase certain products from the same stores and appear to have the same needs and purchase patterns. This segmenting occurs when customers have a large number of options.

- Competition in the marketplace has made us realize there is a need to become more actively involved in selling within this market.

- Customers no longer have to come to us. We can no longer afford to wait for customers to ask us what we have that can meet their telecommunications needs. In order to continue "servicing" our customers we need to be sure our customers are aware of and buy our products. →

RESIDENCE SEGMENTATION

What Is It?

- Grouping customers based on common tendencies

- Used by many businesses
  - Ex:
    - Service Merchandise
    - Proctor and Gamble
    - BellSouth

- Built on theory people who live in same area have similar purchase patterns/needs

- Developing since 1987 ✓

MWC-9
10433

Overhead #3

Residence Segmentation - What Is It?

- Segmentation is the process of grouping customers based on common tendencies.

- Segmentation is not new. It is used by many businesses. As an example, when you purchase products from Service Merchandise you provide your name, address, telephone number and zip code. Say you purchase toys. Service Merchandise uses this information to target the inclusion of their toy catalogues in the newpaper which is delivered to your home. Many segments of customers have no need for toy catalogues. By using segmentation, Service Merchandise is able to target more efficiently and at less expense.

- Proctor and Gamble uses segmentation to sell their baby products by targeting new mothers.

- BellSouth uses a form of segmentation in dealing with large business. Businesses are separated by industries such as HealthCare, Insurance, etc. These are identified by the use of MMCs (Market Management Codes) or SICs (Standard Industrial Classification) Codes.

- The new Residence Segmentation tool is built on the proven theory that people who live in the same area have <u>similar</u> purchase patterns/needs.

- BellSouth has been developing this segmentation tool since 1987.

RESIDENCE SEGMENTATION

What Is It?

- Segments built upon 117 variables

- Variables include:
  - Purchase Behavior
  - Market Research
  - Demographics
  - Geography

- 11 Distinct segments composed of residence customers with similar telecommunications characteristics.

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Overhead #4

Residence Segmentation - What Is It? (continued)

- Residence Segmentation has been developed due to the proliferation of products - and the list of products we sell is continuously growing. We have limited "selling" time with each individual customer and we wanted a method of maximizing this time efficiently and effectively.

- The segmentation codes are built upon 117 variables (pices of information)

- Variables include:
    - Purchase Behavior
    - Market Research
    - Demographics
    - Geography

- As a result of these variables we have uncovered 11 distinct segments composed of residence customers with similar telecommunications characteristics.

RESIDENCE SEGMENTATION

Characteristics

- Purchase Behavior
  - BellSouth Data Base

- Market Research
  - Plans To Add
  - Customer Needs/Wants/Attitudes

- Demographics From Census Data
  - Age of Homeowner
  - Income
  - Stage of Life (Children, Retired, New Starts)
  - Etc.

- Geography
  - Where they live
  - Zip + 4

Overhead #5

Characteristics

- Purchase behavior information came primarily from our BellSouth Data Base - which products the customers are actually buying.

- Market Research included information from questionnaires regarding customers plans to add products and specific information about customers wants, needs and attitudes.

- Demographics took information from census data regarding such things as age of homeowner, income, stage of life (children, retired, new starts,etc.), number of people living in the home, etc.

- And finally, we included information about the customers geography - where they live. This information was at the zip code level (300-500 households) in phase one of residence segmentation and is now at the zip + 4 level (1-15 households).

- All of this information added together gives us the data we need to determine what products the customer is most likely to need and purchase and where they are located.

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Residence Job Aid
5/92

RESIDENCE SEGMENTATION - DISCOVERY QUESTIONS

Instructions: When building a sales proposal, the offering of a product should be supported by information you have uncovered about your customers' needs and values. The following discovery questions are designed to help you maximize the amount of useful information you obtain from your customer. It is recommended that you ask the following discovery questions (or re-word the discovery questions to obtain the same information) on all "N", "T", and "C" orders as well as on customer contacts where you attempt to "bridge" to determine customer needs for our products. You are encouraged to ask any additional questions you believe are appropriate.

NOTE: The information shown in () parenthesis is the information we are trying to uncover from the customer. This is the minimum information needed to build a solid sales proposal.

TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME.
(spouse, children, roommate, other adults)

[IF CHILDREN], WHAT ARE THEIR AGES?
(babies/toddlers, teenagers, college age)

WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?
(usage)

WHAT CITIES ARE MOST OF YOUR CALLS MADE TO AND RECEIVED FROM?
(local, intraLATA, interstate, etc.)

[IF EMPLOYED] WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT?
(business calls, on call, travel, work at home)

SALES TIP: Obtaining all of the information listed BEFORE making any product proposal will make the contact flow more freely and will help you strengthen the needs based proposal.

MNC-4
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Optional Residence Segmentation
Job Aid 5/92

Instructions: This job aid can be used by Service Reps to ensure they collect all of the basic information needed to build a solid sales proposal. It is recommended this job aid be used until the rep is comfortable with obtaining the basic information.
COACHING TIP: This information can also be used as a coaching tool to help reps learn how to build needs based sales proposals.

1) People who live in the home:

2) Children's ages (if applicable):

3) % Incoming/Outgoing Calls:

4) Cities calls made to and received from:
(local, intraLATA, etc)

5) Special home/employement needs
(business calls, on call, travel,
work at home)

6) Other information:

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DISCOVERY QUESTIONS - RESIDENCE

TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME.
(spouse, children, roommate, other adults)

[IF CHILDREN], **WHAT ARE THEIR AGES?**
(babies/toddlers, teenagers, college age)

WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?
(usage)

WHAT CITIES ARE MOST OF YOUR CALLS MADE TO?
(local, intraLATA, interstate, etc.)

[IF EMPLOYED], **WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT?**
(business calls, on call, travel, work at home)

SEGMENT 1

ADDITIONAL LINES
CALLING CARDS

- CALL TRACING
- REPEAT DIALING
- CALL WAITING

TOUCHTONE
WIRE MAINTENANCE

SEGMENT 2

UBP
CALLING CARD
SAVER SERVICE

- CALL SELECTOR
- CALL WAITING

TOUCHTONE
WIRE MAINTENANCE

SEGMENT 3

CALLING CARD

- CALL RETURN
- PREFERRED CALL FWDG
- CALL WAITING

TOUCHTONE
WIRE MAINTENANCE

SEGMENT 4

CALLING CARD

- CALL SELECTOR
- CALL WAITING

TOUCHTONE
WIRE MAINTENANCE

NOTE: USE "F" SEGMENT CODE ON "T&F" ORDERS
*ELIGIBLE FOR MULTI-FEATURE DISCOUNT PLAN (MFDP) WHERE TARIFFED

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DISCOVERY QUESTIONS • RESIDENCE

TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME.
(spouse, children, roommate, other adults)

[IF CHILDREN], **WHAT ARE THEIR AGES?**
(babies/toddlers, teenagers, college age)

WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?
(usage)

WHAT CITIES ARE MOST OF YOUR CALLS MADE TO?
(local, intraLATA, interstate, etc.)

[IF EMPLOYED], **WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT?**
(business calls, on call, travel, work at home)

SEGMENT 5

UBP
CALLING CARD
SAVER SERVICE

MEMORYCALL
• CALL SELECTOR
• CALLER ID
• CALL WAITING
TOUCHTONE
WIRE MAINTENANCE

SEGMENT 6

CALLING CARD

MEMORYCALL
• CALL RETURN
• REPEAT DIALING
• CALL SELECTOR
• CALL BLOCKING
• CALL TRACING
• RINGMASTER
• CALL WAITING
• CALL FORWARDING
• 3 WAY CALLING
• SPEED CALLING
TOUCHTONE
WIRE MAINTENANCE

NOTE: USE "F" SEGMENT CODE ON "T&F" ORDERS
*ELIGIBLE FOR MULTI-FEATURE DISCOUNT PLAN (MFDP) WHERE TARIFFED

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DISCOVERY QUESTIONS - RESIDENCE

TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME.
(spouse, children, roommate, other adults)

[IF CHILDREN], WHAT ARE THEIR AGES?
(babies/toddlers, teenagers, college age)

WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?
(usage)

WHAT CITIES ARE MOST OF YOUR CALLS MADE TO?
(local, intraLATA, interstate, etc.)

[IF EMPLOYED], WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT?
(business calls, on call, travel, work at home)

SEGMENT 7

CALLING CARD

- CALL WAITING
  TOUCHTONE
  WIRE MAINTENANCE

11

SEGMENT 8

CALLING CARD

  MEMORYCALL
- CALL RETURN
- REPEAT DIALING
- RINGMASTER
- CALL WAITING
  TOUCHTONE
  WIRE MAINTENANCE

4

SEGMENT 9

ADDITIONAL LINE
CALLING CARD

- RINGMASTER
- CALL WAITING
  TOUCHTONE
  WIRE MAINTENANCE

10

NOTE: USE "F" SEGMENT CODE ON "T&F" ORDERS
*ELIGIBLE FOR MULTI-FEATURE DISCOUNT PLAN (MFDP) WHERE TARIFFED

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DISCOVERY QUESTIONS - RESIDENCE

TELL ME ABOUT THE PEOPLE WHO LIVE IN YOUR HOME.
(spouse, children, roommate, other adults)

[IF CHILDREN], **WHAT ARE THEIR AGES?**
(babies/toddlers, teenagers, college age)

WHAT PERCENT OF THE CALLS MADE FROM YOUR HOME ARE OUTGOING VERSUS INCOMING?
(usage)

WHAT CITIES ARE MOST OF YOUR CALLS MADE TO?
(local, intraLATA, interstate, etc.)

[IF EMPLOYED], **WHAT SPECIAL TELEPHONE NEEDS DO THE PEOPLE IN YOUR HOME HAVE IN RELATION TO THEIR EMPLOYMENT?**
(business calls, on call, travel, work at home)

SEGMENT 10

ADDITIONAL LINE
CALLING CARD

MEMORYCALL
* CALL RETURN
* REPEAT DIALING
* CALL SELECTOR
* CALL BLOCKING
* CALL TRACING
* RINGMASTER
* CALL WAITING
* CALL FORWARDING
* 3 WAY CALLING
* SPEED CALLING
TOUCHTONE
WIRE MAINTENANCE

SEGMENT 11

CALLING CARD *

MEMORYCALL
* CALL RETURN
* REPEAT DIALING
* CALL SELECTOR
* CALL BLOCKING
* CALL TRACING
* RINGMASTER
* CALL WAITING
* CALL FORWARDING
* 3 WAY CALLING
* SPEED CALLING
TOUCHTONE
WIRE MAINTENANCE

NOTE: USE "F" SEGMENT CODE ON "T&F" ORDERS
*ELIGIBLE FOR MULTI-FEATURE DISCOUNT PLAN (MFDP) WHERE TARIFFED

RESIDENCE CCS&S/ SEGMENTATION - BENEFIT LIST

CALL WAITING CCS

- Eliminates Missed Calls
- Alternative to Additional Line
- In Some Areas Can "Turn Off" Feature For Uninterrupted Calls

CALL FORWARDING CCS

- All Calls Forwarded to Another Number
- No Need to Stay Home for Important Call
- Provides Extra Home Security
- Self Employed/Work at Home Not "Tied" to One Location

CALL FORWARDING - BUSY LINE

- Provides Ability to Have Incoming Calls AUTOMATICALLY Sent to a PRE-SELECTED Telephone Number When the Dialed Number is Busy
- Eliminates Missed Calls
- Can Be Forwarded to Voice Messaging System, Answering Service, or Any Pre-Selected Number
- Self Employed/Work at Home Can Use For Increased Professional Image

REMOTE ACCESS CALL FORWARDING

- Convenience of Activating and Deactivating Call Forwarding From Any Location
- Flexibility of Changing "Forward" to Number From Any Location
- Eliminates Missed Calls
- Self Employed/Work at Home Not "Tied" to One Location
- Provides Greater Freedom

CALL FORWARDING - DON'T ANSWER

- Provides Ability to Have Incoming Calls AUTOMATICALLY Sent to a PRE-SELECTED Telephone Number After a PRE-DETERMINED Number of Rings
- Eliminates Missed Calls
- Can Be Forwarded to Voice Messaging System, Answering Service or Any Pre-Selected Number
- Self Employed/Work at Home Can Use For Increased Professional Image

Residence Segmentation

TAB 5

RESIDENCE CCS&S/SEGMENTATION - KEY POINTS

GENERAL

- Segmentation is a "tool" which if used in conjunction with needs based selling skills, such as trained in CCS&S, can increase your sales success rate and help you focus more quickly on products the customer is most likely to purchase. Segmentation is based on extensive market research.

- Residence Segmentation is made up of 11 segments.

- Occasionally, you will see an account that does not have a segmentation code assigned. There are several reasons this might occur, but don't be concerned. If there is no segment code or the code 00 is shown, use Segment code 8. This segment offers a good mix of services which will help us maximize our opportunities in those cases where the segment code is absent.

  NOTE: Some of the reasons a segment code might not appear on the records are:

  a) recent order activity
  b) new zip code assignment
  c) etc.

  Segment codes will be updated in the various systems approximately every 3 - 4 months.

- On "T&F" orders, use the segment code from the "F" location instead of the segment code shown on the Premis screen. Since the customer has already been "analyzed" at their old address, the existing segment code is even more precise. In fact, research shows the customer is more likely to purchase like the segment at the "F" address. Be sure to look for services the customer does not currently subscribe to (which are shown under the "F" segment code) and use the five suggested discovery questions to gain new insight for offering the additional services.

  NOTE: The five discovery questions are recommended on all "N", "T", and "C" orders as well as all opportunities to "bridge" to uncover possible telecommunications needs because these questions provide the most useful basic information which can be used in building a needs based proposal.

- Segmentation codes are located on the records as follows:
  BOCRIS - GRP field
  PREMIS - PD field

- You will notice that many of the strategically important Public Switched Network services are not on the segment list. This is because we do not have enough information at this time to isolate specific segments which purchase these products. As you "discover" the need and sell these products we will be better able to define the strongest segments.

As RNS is deployed, the information gathered from the customer

DISCOVERY

• It is recommended you use the five segmentation discovery questions. The information uncovered will give you the most "useable" information to build a needs based sales proposal. This includes asking the questions on all "N", "T", and "C" orders as well as all opportunities to "bridge" to uncover possible telecommunications needs.

NOTE: The customer may volunteer information which answers some if not all of the questions. If the customer volunteers information, it is suggested you ask only the questions which have not been answered.

* The discovery question regarding the ages of the children should only be asked if the customer advises children live in the home.

* The discovery question regarding special telephone needs relating to their employment should only be asked if the customer or someone in the home is employed.

• If you want to re-word the discovery questions in order to be more comfortable with discovering your customer's needs, it is perfectly acceptable. The most important thing is that you obtain the most useable information possible in the least amount of time. The following information will give you the basic data needed to build a solid customer focused needs based proposal:

1) The people who live in the home
2) If there are children, their ages
3) % incoming versus outgoing calls
4) Cities calls made to and received from
5) Special telephone needs related to employement ie, on call, travel, work at home, etc.

The information will also give you the supporting facts which will aid you in helping the customer "see" the need for the product.

* Feel free to ask any additional discovery questions which you believe will be helpful in designing your sales approach.

SALES TIPS

• Be sure to check the product availability BEFORE making the product proposal.

* It is not necessary to offer the service in the order in which they appear on the segment list but it is important to offer all of the products on the list for which you have uncovered a customer need. This will help us meet the goal of generating and protecting revenues while "delighting" the customer with courteous, professional service. You might prefer to begin by offering those products for which you see a strong

need. The segment lists are divided into 2 parts. The left column includes Public Switched Network services which meet customers basic calling (dial tone/long distance) needs. Listed on the right are the convenience services. Using the information gained from the customer through the discovery process to support offering the product will help the customer "see" how the product meets their individual needs.

- Because each customer is still unique, you may uncover a need for a product which is not shown on the segment list. If so, be sure to offer the service. Again, support the offering with information you uncovered as you learned about the customer and his family. This will add credibility to your offering.

- It is important that you offer every product <u>for which you have uncovered a customer need</u>. In other words, all products on the segment list should be offered unless you uncover <u>specific</u> information which indicates the customer <u>would not</u> benefit from the service. (The five discovery questions will help you maximize the amount of useable information you obtain)

  NOTE: If the customer indicates he is unwilling to talk further about services, the rep should thank the customer for his time and conclude the contact.

BRIDGING OPPORTUNITIES

The following list should be used to clarify opportunities where bridging attempts are expected. These examples are provided from the Bridging Workshop material.

Service Representatives are expected to bridge on every opportunity.

Opportunities are present in most cases on these type of calls:

Tolls, Changing PIC, Calling Cards, Changing Telephone Number, Payment Arrangements, Directory Requests, Customized Code Restriction (CREX), Changes to S&E, Billing Inquiries, Pending Orders, Miscellaneous.

No opportunity exists on the following calls in most cases:

Irate Customers, Denied Accounts, and Disconnected Service

Individual judgement must be used to determine the advisability on these calls:

Misdirected Calls, Annoyance Calls, Satisfied Irate Customers and Inquiries concerning Suspend versus Disconnection of Service.

****

Sales Tip: One of the most effective ways to "bridge" is to

1. Ask the customer for permission to ask a few questions

and

2. Tell the customer why you want to ask the questions.

This gives the customer the choice as to whether or not he/she wants us to talk with them about our services. If the customer response is "no" we have not wasted our time on a customer who is not receptive nor have we wasted the customers' time. If the customer says "yes" we have appropriately identified someone who is interested in learning more about our products. While this is an extremely effective way to handle all bridging attempts, it is especially effective with customers who call us frequently. By allowing the customer to make this decision, the sales person is able to display courteous and professional service while meeting the need to continue to find ways to generate and protect revenues and meet new customer needs.

Often, the sales person receives a call from someone (friend,

neighbor, etc.) who is calling for the responsible party. If the call meets the bridging opportunity criteria, the sales person is expected to "bridge". One way to "bridge" in these instances is to discover if the calling party is authorized to make changes in the service. If not, we should tactfully conclude the contact. If the person has the authority to make changes we can then proceed with our needs based/segmentation selling skills.

Optional Coaching Tool
2/92

CUSTOMER CENTERED SALES AND SERVICE/SEGMENTATION COACHING

Instructions: This form can be used by Assistant Managers who supervise service reps recently trained on combining CCS&S/Segmentation. Use of the form is not mandatory; however, it will help managers focus on CCS&S/Segmentation and pinpoint specific areas in which the rep could benefit from additional development. It is not designed to replace any form currently in use.

	CHECK ONE: YES	NO	N/A
* Did the rep attempt to turn a non-order contact into a sales opportunity?			
• Did the rep recognize the call for an order as an opportunity to uncover "new" needs and sell additional services?			

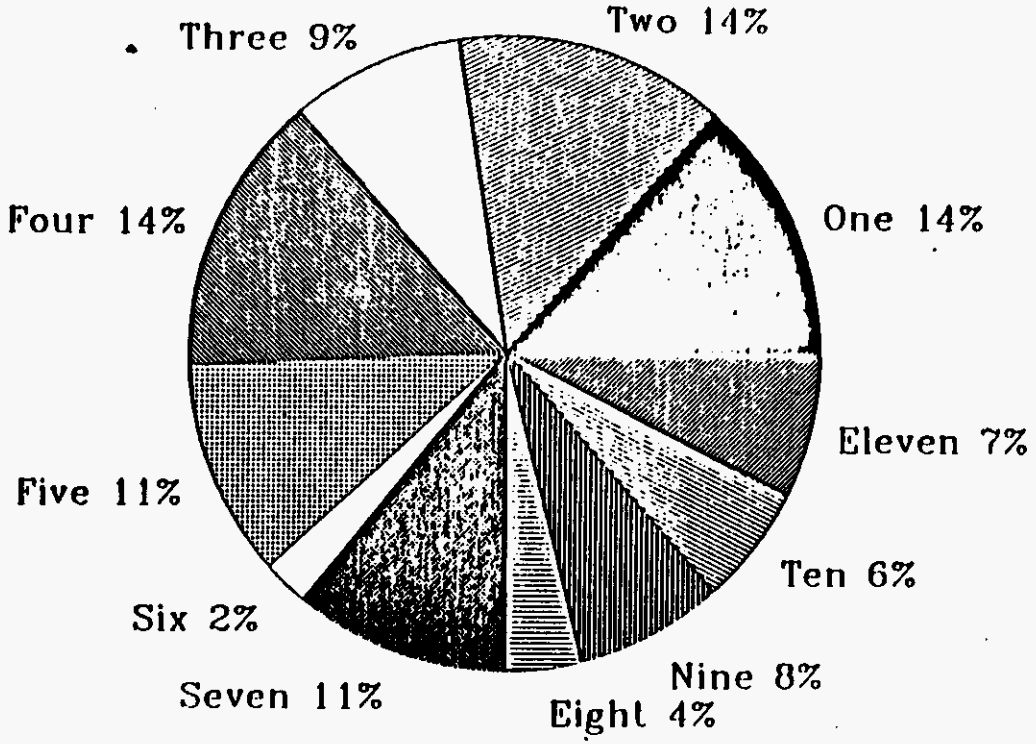
• DISCOVERING
  o Did the rep explain why they needed to ask questions and ask permission to proceed?
  o Did the rep uncover the required information via discovery questions?
    1. People who live in the home
    2. Children's ages (if applicable)
    3. % Incoming/Outgoing Calls
    4. Cities calls made to and received from (local, intraLATA, etc.)
    5. Special home/employment needs (on call, business calls, travel, work at home)
  o Did the rep use listening skills to prevent asking unnecessary questions or to use information to support proposal?
  o Did rep use clarifying questions to gain additional information or to clear up any confusion?
  o Did the rep summarize their understanding of the business needs we needed to help him/her resolve?

CHECK ONE

	YES	NO	N/A
• PROPOSING			
o Was the proposal based on actual uncovered needs/values?			
o Did the rep support the proposal with reasons based on the business need?			
o Did the rep personalize the proposal for this customer?			
o Did the rep recognize the buying signal and quickly ask for the sale?			
* ASSURING			
o If the customer said "no" was the rep able to recognize the difference between a <u>firm</u> "no" and a "I don't see a reason for <u>me</u> to buy" type of "no".			
o Did the rep respond to the customer's objection and attempt to clarify and address the <u>real</u> objection?			
o Did they offer additional benefits or new options to address the objections?			
o Did the rep recognize a new buying signal and ask for the sale or accept the firm "no."			
o Once the contact is ready to conclude did the rep reinforce the customer's decision and thank the customer for their time.			
• ADDITIONAL SEGMENTATION ANALYSIS			
o Were there products ON THE SEGMENT LIST the rep should have offered but did not?			
o Were there products NOT ON THE SEGMENT LIST which should have been offered <u>based on uncovered information?</u>			

BellSouth Residence Market Segments

PRELIMINARY



BST Geographic Research & Analysis
(RLL.04/15/92)

PRIVATE
The information contained herein should not be disclosed to unauthorized persons. It is meant solely for use by BellSouth employees.

Residence Market Segmentation Effective 6/1/92

Short Segment Descriptions

Segment One: 14% of Residence Market. 19% Rural and 37% metro-fringe areas. More common in Southern Bell. High penetration of multiple lines. High number of households with 4+ members. Higher than most college degrees. 34% managers and professional people. Own high tech telecommunications items such as answering machines, pagers/beepers, cordless phones, cellular phones, fax machines, and personal computers.

Segment Two: 14% of Residence Market. Highest concentration of rural-32%. More common in South Central Bell. Low penetration of our network services. Highest toll revenue. Older, 50+ households, married, high number of households with five members. Retired couples. Low household income. 10% live in mobile homes.

Segment Three: 9% of the Residence Market. Higher concentration in metro areas-43% and metro-fringe-37%. More common in Southern Bell. Well educated people, younger-38% 25-34 years of age. Average income. 26% live in apartment, 7% condos, 3% twinplexes. 31% own personal computers. 4% non-listed phone numbers.

Segment Four: 14% of the Residence Market. Higher concentration in metro-fringe -47% and rural-16%. 56% 50+ years old. High household income. More common in South Central Bell area.

Segment Five: 11% of the Residence Market. Highest concentration of suburban 39% and 18% rural. Above average MemoryCall subscribers. High toll revenue. Younger 18-14 years of age and many roommates. Low household and middle income levels. Below average ownership of high tech items.

Segment Six: 2% of the Residence Market. Concentration in metro-48% and suburban areas 28%. Slightly more common in South Central Bell. High Custom Calling and TouchStar Penetration. Highest MemoryCall and RingMaster penetration. Younger group of people, many households with over 4 members. Low income level, high number of unemployed-10%.

Segment Seven: 11% of the Residence Market. More common in metro fringe-42% and suburban-26%. Older retired couples and older singles. Many over 50 years of age. Below average income. Lowest Custom Calling, RingMaster and MemoryCall penetration.

Residence Market Segment Descriptions Effective 6/1/92

Segment Eight: 4% of the Residence Market. More common in Southern Bell. High Custom Calling, MemoryCall, RingMaster and TouchStar penetration. Younger ages, many one member households. Average income level, highly educated with 45% managerial/professional jobs. High ownership of high tech items such as answering machines, cellular phones, fax machines, and personal computers. 13% non-published and 6% non-listed numbers.

Segment Nine: 8% of the Residence Market. 49% in the metro fringe areas. More common in Southern Bell. Above average Custom Calling penetration-58%. High penetration of multiple lines. Above average RingMaster penetration (4%). Younger ages, 18-24 and 25-34 years of age. Young singles, young parents and couples, highly educated, high household income. High ownership of high tech items such as answering machines, pager/beepers, cellular phones, and personal computers.

Segment Ten: 6% of the Residence Market. Most common in metro areas-66%. More common in Southern Bell. Highest penetration of TouchStar-25%, and multiple lines. High penetration of MemoryCall, 6%, and RingMaster 6%. Younger people, many 5+ household members, low household income. Own cellular phones, fax, pager/beeper. 21% have non-published numbers, 4% non-list numbers.

Segment Eleven: 7% of the Residence Market. Slightly more common in Southern Bell. 64% in metro areas. High concentration of Custom Calling, 69%, RingMaster, 5%, MemoryCall, 5% and TouchStar, 25% penetration. High number of 5+ member households. Younger ages with low income. 18% non-published numbers and 4% non-listed numbers.

State By Segment

	SEGMENT										
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten	Eleven
Alabama											
Florida	9.4	10.5	9.3	13.0	9.0	3.1	13.1	3.1	11.9	9.5	8.1
Georgia	6	6	5	4	8	13	3	7	5	14	13
Kentucky											
Louisiana											
Mississippi											
North Carolina											
South Carolina											
Tennessee											
TOTAL REGION	13.6	13.9	8.8	14.4	11.0	2.4	10.9	3.9	7.6	6.1	7.3

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BellSouth Geographic Research & Analysis
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ASSURING

The sales and service skills you have learned so far are:

RELATING

DISCOVERING

PROPOSING

Now we are adding the fourth skill.....

ASSURING

What is assuring?

ASSURING IS INSTILLING POSITIVE FEELINGS IN OUR CUSTOMERS ABOUT THEMSELVES AND THEIR DECISION, US, AND OUR SERVICES.

Assuring is the final activity in selling. For us, it is the time for reinforcing buying motives. For our customers, it is the time for decision making.

M051-3599

The objectives of assuring are:

To maintain trust with the customer; they should be comfortable.

To get customers to buy the recommended service.

To help customers feel satisfied with the service and the way they have been treated.

We will know if these objectives have been met when the customer buys and expresses satisfaction with the purchase.

Assuring involves two situations:

ASSURING A (ABCDE'S OF OVERCOMING RESISTANCE TO A SALE OTHERWISE CALLED AN "OBJECTION".)

ASSURING B (CONGRATULATING THE CUSTOMER ON A WISE SELECTION OR THANKING HIM/HER FOR THE TIME EVEN IF THE CUSTOMER DOES NOT BUY.)

Assuring A and B involve closing the contact and leaving the customer satisfied with our service and the company

M051-3600

ASSURING A (ABCDE'S)

Assuring A is when the customer resists or objects to your proposal.

Think of an objection as resistance. The same kind of resistance you have when you are shopping and a salesperson asks "May I help you?" Your initial response is "No" even when you are really looking. What you are doing is resisting yourself. Knowing this and understanding how the customer may be feeling is an asset to you in your job of servicing and selling.

Another thing to consider is how many times you buy something you had not intended because you recognized a true value and/or the salesperson was really doing a good job. A good job of pointing out the benefits that work for you, a good job of asking clarifying questions and answering your concerns.

When the customer objects to the proposal, respond with these ABCDEs:

Asking open ended questions to identify the real reason for the objection

Being empathetic with customers by acknowledging objections

Clarifying the true objection with a closed question

Deciding if a new option should be used or restate the old one based on the customer's values

Expect and ask for the sale (It sounds like you have decided you need this service.)

and then

Forget it and

Go on!!!

4/98

ASSURING B

When the customer accepts the proposal, thank him/her for the sale and say how he/she will enjoy the service.

"I think that is a wise decision."

"Thank you for the order. I know you'll enjoy the services."

When the customer doesn't buy accept no graciously and thank the customer for his/her time. This is after you have used the ABCDE's of Assuring A to respond to the objection.

The most important thing is that the customer is left with a good feeling that his/her time was well spent and that you were attentive and that he/she was treated as a valued customer.

Assuring involves:

- Listening carefully; encouraging the customer to express his/her feelings.
- Letting the customer know you understand.
- Giving feedback to the customer by restating in the customer's words so that the real question is apparent--so it can be answered.
- Asking the customer for action; asking the customer to buy; with questions like:
  - What do you think?
  - Would that be helpful to you?
  - Does that sound like something that would be useful?
- Keeping the customer in the role of decision maker.
  - I think this really fits your needs. What do you think?
  - Sounds like it could really save you a lot of time.

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At this point, one of three things will happen:

1. Customer will agree with buying signals.

2. Customer will disagree. (objection/resistance)

3. Customer won't be sure.

Interesting fact about your customers:

30% will buy

30% will not buy (regardless of what you do)

40% are on the fence - (What you do will make the difference in whether or not they purchase a service.)

Concentrate on the 30% who will buy and the 40% who are on the fence. Your dilemma is to determine which percentage your customer resides. Therefore, it is critical to make an attempt on all contacts until you know for sure the customer does not want to buy.

What are buying signals?

BUYING SIGNALS

People generally feel most vulnerable when confronted with making a decision. As customers we feel uncomfortable, afraid it may be the wrong decision, afraid someone else may think it a foolish decision. We tend to waiver between what we want to do and what we think we ought to do.

We experience an internal battle between:

"I want"

and

"I ought not"

You have fought this battle yourself as a consumer.

When customers' "I want" feelings are clearly in control, they generally send out buying signals.

M051-3603

A buying signal is something the customer says (or does not say) that indicates understanding and acceptance of our recommendation. Some examples of buying signals are:

- absence of objections
- positive comments on the recommendation
- questions about how to use features
- asking for our opinion
- identifying with other customers whose situations we have described
- telling you directly that they want to buy

It is extremely important that you recognize buying signals. Silence and absence of objections are common buying signals. Customers rarely say "Yes, I will buy!" You are more likely to hear something like; "I guess so"; "What do you think?"

Buying signals indicate that a positive buying decision is being made. It's important to note that buying signals can come at any stage of the sales process. Sales people have been known to miss these signals and continue interviewing or proposing long after the buying decision has been made. They have also been known to lose sales because they didn't know when to close. Attempt to close the sale often and as quickly as possible.

Some customers object to your recommendation. This may be because decision making can be threatening. Customers may have to resolve the internal battle of "I want" - telling them to buy and "I ought not" - telling them not to.

A customer's rejection of the proposal may trigger negative feelings in you and put you on the defensive. Guard carefully against this.

It is important for you to realize these feelings are natural, and you must work especially hard to remain neutral. The customer has a right to express objections. It is possible the recommendation did not answer the customer's question of "What's in it for me?" They could not see the value of the service as it was presented.

Let's see how to handle objections.

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OBJECTIONS

Sometimes an objection is raised in the form of a direct question, in which case a direct answer stressing benefits is an appropriate and sometimes effective response.

Other times the objection may take some other form:

- don't really need
- too expensive
- husband/wife would not approve
- can get it cheaper somewhere else
- extra charges seem unreasonable
- won't use it enough to justify
- apartment too small
- it will be a toy for the children

We look at objections as unanswered questions. Our first task in overcoming these objections is to empathize with the customer and to attempt to clarify the real question behind the objection. Go back to relating and discovering to clarify your proposal.

Remember the ABCDEs you read earlier.

Listen carefully to the objection. Demonstrate empathy.

"I can appreciate how you feel."

Share your understanding of the objection by restating it.

"Now you said your husband doesn't want you to spend so much."

Clarify by asking questions to focus on the unanswered question behind the objection. Tone is critical, you are trying to maintain your credibility.

"What do you think your husband wouldn't want?"

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Recommend a new way of looking at the question. Come back with a new personalized benefit. Remember we asked you to save some benefits for possible use later. Now is the time to bring them into play while overcoming an objection.

Most customer's really want to buy but their "I ought not" feelings can easily take control. You must work on "I want" feelings. A good technique is to stress long term satisfaction. It's worth a little more to be satisfied.

Here are some examples of responding to frequently encountered objections:

Objection: *"I have to check with my husband".....*

REP: *Mrs.....I can certainly understand what you mean. I used to feel that way too. But you know, usually we end up agreeing with what's best for everyone in the family. Is there anything in particular you think he might object to?*

CUST: *Well.....probably the cost of Call Waiting.*

REP: *I see, but think of what you said earlier, he must get his calls and he doesn't want to deprive your daughters of their telephone use.*

CUST: *Yes, you're right. That's why I considered Call Waiting in the first place.*

REP: *Good, then we can go ahead and order that for you.*

M051-3606

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File Code: 180.000

July 22, 1992

MEMORANDUM

TO: Operations Managers and Managers, RSC/BSC

FROM: Jan Funderburg, Operations Manager

RE: FULL DISCLOSURE OF OPTIONAL SERVICES

As requested by some, we have developed a list of statements which may be used by the service reps when discussing optional services with the customer. The suggestions contain language which will ensure that the customer clearly understands upfront that certain services are optional and not mandatory. With the exception of the verbiage for calling cards, these suggestions can be applied to all optional services.

These suggestions are intended to be used as a tool and are designed to share different "full disclosure" approaches. We are not asking the service reps to use these exact words, but the basics MUST be covered on every eligible contact, i.e., N, T&F, C. Failure to comply with the full disclosure policy for optional services will be considered as a breakdown under the "RATES" heading on the reports generated by QUEST.

As a review and from an ethical perspective, it is important that the customer fully understands (1) that the service(s) is/are optional and is/are not required to obtain basic service, (2) what the recurring and the non-recurring rate(s) is/are, and (3) that the service(s) can be removed at no charge. The service reps **MUST** use the word **"OPTIONAL."** Unless we advise the customers of these three facts, full disclosure compliance has not been met.

We hope this information will be useful. We encourage the service reps to use whatever style they are comfortable with provided it satisfies the components of "full disclosure."

Questions and/or comments may be directed to David Lee on 404-529-7282.

Jan Funderburg

Attachments

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Attachment I

CALLING CARDS

After asking your discovery/segmentation questions to ascertain needs, you could start your recommendations by saying the following:

"Our Calling Card is quite useful when you find yourself at a pay phone without any change. It allows you to make local credit card calls. The card is optional and there is no charge for the card. Would you like one?"

or

"You will find our Calling Card to be most useful since you do a lot a traveling. You can bill the call to your home/business number. The card is optional and there is no charge for the card. May I send you one?"

or

"Our Calling Card is perfect for students away in college! It allows them the ability to make long-distance calls and allows you to keep track of the expense. The card is optional and there is no charge for the card. Do you feel this will work for you?"

or

"We have an optional Calling Card that I think you will find to be most beneficial. There is no charge for the card. May I send you one?"

or

"I noticed that you currently have 2 Calling Cards. Would you like to keep Calling Cards with the service at your new address? The Calling Card(s) is/are optional and there is/are no charge(s) for the card(s). How many will you need?"

NOTE: The customer needs to know that the calling card is optional and that he/she has a choice to either receive it or not. Customer acceptance **MUST** be gained before including the card on the order. Failure to gain the customer's agreement prior to placing a card(s) on the order will be shown as a breakdown in the "Orders Verified" category on the QUEST report.

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Attachment II

OPTIONAL SERVICES

After asking your discovery/segmentation questions to ascertain needs, you could start your recommendations by saying:

"We offer a number of optional services which are not necessary for basic telephone service. Since you have a roommate, I would like to recommend our RingMaster service. This service allows you to have another number with its own distinctive ringing pattern. The monthly rate is XXX and the one time charge to connect is XXX. This service may be canceled at any time without a cancellation charge. May I order it for you?"

or

"Let me tell you about some of our optional services which are not required for you to obtain basic telephone service. However, we feel that they can make your life easier. With the call return service, you can return calls to the last number that called you even if you did not answer the telephone. The monthly rate is XXX and the one time charge to connect is XXX. There is no cancellation charge to cancel this service if your should ever decide to do so. How does this sound to you? "

INSTEAD OF DISCLOSING ALL REQUIRED INFORMATION AFTER THE OFFERING OF EACH SERVICE, YOU MAY ELECT TO PRESENT A FULL RECOMMENDATION OF ALL APPROPRIATE SERVICES AND THEN STATE, "These services are optional and are not required to obtain basic telephone service. Their monthly rates are XXX for XXX, XXX for the XXX service, and XXX for the XXX service. You can cancel these services without a cancellation charge.

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Attachment III

<u>TOUCHTONE</u> - YOU MUST DISCOVER THE TYPE OF SET(S) THE CUSTOMER HAS, I.E., "SWITCHABLE," "NON-SWITCHABLE," OR A COMBINATION OF BOTH.

"SWITCHABLE"
Ask the customer "Will you be using push-button telephones? Do they all have a button/switch that lets you switch to either dial or tone? Do all of your phones have this button/switch?"

If the answer is "YES," then proceed as follows:

"To get the full benefits from your "switchable" sets, I would like to recommend Touchtone service. This is one of our optional services and is not required for you to obtain basic service. Touchtone lets you dial numbers faster and easier. Without the touchtone service, you can only originate calls in the dial pulse mode which is slower. The monthly rate is XXX and the one-time charge to connect it is XXX. It may be canceled at any time without a cancellation charge. May I add the service for you? "

"NON-SWITCHABLE"
Ask the customer "Will you be using push-button telephones? Do they all have a button/switch that lets you switch to either dial or tone?" If the answer is "NO," proceed as follows:

"To get the full benefits from the type of phones you have and for your sets to function properly, I would like to recommend Touchtone service. This is one of our optional services and is not required for you to obtain basic service. The touchtone service lets you dial phone numbers faster and easier. Without touchtone, you will not be able to break dial tone on your sets. The monthly rate is XXX and the one time charge to connect it is XXX. It may be canceled at any time without a cancellation charge. Would you like for me to order it for you?"

COMBINATION
Ask the customer "Will you be using push-button telephones? Do they all have a button/switch that lets you switch to either dial or tone?" If the answer is "I have both types," or some variation, proceed as follows:

We offer a number of optional services which are not necessary for basis telephone service, however, we feel that they can make your life easier. I would like to recommend the Touchtone service since you have a combination of "switchable" and "non-switchable" sets. Touchtone is required for your "non-switchable" set to function properly, but it is not required for your "switchable" set to function properly. Touchtone service will allow you to dial phone numbers faster and easier. The monthly rate is XXX and the charge to connect it is XXX. It may be disconnected at any time without a charge. May I add the service for you?"

NOTE: The word "OPTIONAL" must be used to let the customer know that he/she has a choice. On all residence accounts, the customer **MUST** be advised of the recurring and non-recurring rates. Business reps **MUST OFFER** to quote both the recurring and non-recurring rates. If the customer declines the offer, then no quotation would be appropriate. All customers **MUST** be advised that there is no charge to disconnect optional services and that optional services are not required to obtain basic service.

Southern Bell

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January 13, 1989

MEMORANDUM TO: Sales Coordinator - Florida

SUBJECT: Customer Service Sales Report (2011A)

The new Customer Service sales Report has been redesigned to better service and represent our reporting needs.

Attached is a narrative of the report with a line by line explanation of all items listed and/or measured on the new report. Some portions were unchanged from the old CSSPR and some are new to the report.

The new CSSPR will provide you with the most efficient method yet of tracking sales results. Should you have any questions, please call Liz Sutton (904) 350-7921.

Elizabeth M. Sutton
Sales Coordinator - Florida

Attachments

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CUSTOMER SERVICES SALES PERSON REPORT

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CUSTOMER SERVICES SALES PERSON REPORT

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INTRODUCTION

The Customer Services Sales Person Report (CSSPR) or 2011A measures sales effectiveness in terms of Revenue Per Access Line (RPAL) for sales persons carrying Residence Sales and Service Center (RSSC) and Business Sales and Service Centers (BSSC) sales codes. This report acts as a sales tracking tool to all levels of supervision, hence, providing local management with the progress of individual contact employees and specific areas requiring recognition or attention.

Sales effectiveness is measured for the following: Custom Calling Services, RingMaster, Customized Dialing Package Additional Features, TouchStar, Prestige Single Line Service, Prestige Communication Package, TouchTone, Hunting, Optional Calling Plans, Listings, Wire Maintenance. Trouble Isolation Plan, Residence Lines, Business Lines, WATS Lines, 800 Service, Remote Call Forwarding, Private Lines, Foreign Exchange, and various new services.

The report is generated by channel for the area, General Manager, Operations Manager, Manager, Assistant Manager and Service Representative.

There will be three reports generated.

1. The first report is for the Residence Service Representative. It will contain data on C. O. Vertical Services sold. It will also have an order statistics section.

2. The second report is a Residence report generated at the Area Level only. It will contain data on C. O. Vertical Services, other services and Access Line Services. It too will have an order statistics section.

3. The third report is generated for Business (there will be one report for this channel at all levels). It contains data on C. O. Vertical Services, Other Services and Access Line Services. An Order Statistics section will appear at the end of this report.

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II. IDENTIFYING YOUR REPORT

Sales Codes

The Sales Code is printed at the top in the center of each report.

Sales report data will be identified and accumulated by the use of a seven character sales code. It is obtained from the RSSC/BSSC service orders which were completed during the report period and which have updated (caused changes) in the accounts of the Customer Record Information System (CRIS) file.

The results are hierarchically based on sales code assignment. Each level represents the sum of all levels below it.

The seven character sales code is established as follows:

(a) 1st character: Alpha B through G, representing the area.

1. B - North Florida
   C - South/Southeast Florida
   D - Georgia (Atlanta and Macon)
   F - North Carolina
   G - South Carolina

(b) 2nd character: Alpha/Numeric (formerly representing the Division). Reports will be generated for Installation or Repair channels only.

(c) 3rd character: Alpha/Numeric (usually numeric), representing the Operations Manager.

(d) 4th character: Alpha, representing the following channel codes:

1. A - Residence Sales and Service Center (RSSC)
2. B - Residence Sales and Service Center Summary
3. D - Direct Marketing/Direct Response - BOC
4. I - Distribution/Installation
5. T - Business Sales and Service Center (BSSC) - BOC

Note: If a sales code contains a fourth character different from those listed above, the title "Invalid" will appear in the Channel name at the top of the report.

(e) 5th character: Alpha/Numeric (usually numeric), representing the Manager.

(f) 6th character: Alpha/Numeric, representing the Assistant Manager.

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(g) 7th character: Alpha/Numeric, representing the Sales Person or Service Representative.

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In any case where the sales codes are invalid at any level, reports will be generated at the proper level and the activity will be included in the totals for the next higher level of the reports. If a Service Representative or Installer/Repairman uses a sales code other than his/her own, one of the following will occur:

(a) If the District, Channel, 2nd level, and 1st level codes are valid but the SR or IR code is incorrect, one SR or IR will lose credit for the sale while another gains credit. The valid 1st level will receive credit for the sale.

(b) If both the 1st level and SR codes are incorrect, the valid 2nd level will receive credit for the sale while the 1st level and SR or IR will lose credit.

(c) If the District, Channel, and 2nd level codes are valid but incorrect, all levels will lose credit for the sale. The sales credit will be included in the Area summary.

If a sales code does not match one on the COP file, then no Area, Division, District, or Manager names will be printed on the report for that sales code. The names will all be blank with individual codes for each printed on the report.

Opportunities will be charged to the sales code placed in the identification section of the order. When a sale is made on an order by a Service Representative or IR other than the one who issued the order, the code /SLS followed by the sales code is placed in the Service and Equipment (S&E) section of the service order and indicates the employee who receives credit for the sale of that item. If every item in the S&E section carries the same floated sales code, then the access line opportunity will be charged to the floated sales code; otherwise, the opportunity will be charged to the sales code in the identification section. If all S&E items have a sales code floated next to them, but the sales codes are different from each other and different from that of the identification section, then order credit will be given to the sales code in the identification section.

Floated sales codes on C orders affiliated with C and O action codes that cannot be matched to the 60-day file will be ignored on the report. Therefore, all S&E activity will be charged to the current sales code being used. If there is not a subsequent N or T order within the sixty day period then the activity will be ignored.

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Other Codes

In addition to CRIS, information necessary to process the sales report is taken from (1) Central Office Prefix (COP) File, which is used to obtain Central Office indicators for TouchTone, Custom Calling, RingMaster, TouchStar and Prestige availability or restricted NNXs and also to match employee sales codes on service orders; (2) the Report Assignment File (RAF), which is used to obtain those USOCs with a Business Office Sales (BOS) code. A BOS code is a two-character indicator used for directing services to their respective lines on the 2011. Any USOC on the RAF without a BOS indicator will be ignored by the report.

The CSSPR captures the following Service Order types and action codes:

Service Order Type

N - New Connect
T - Change of Address - In
C - Change of Existing Service
R - Record Order
F - Change of Address - Out
D - Completed Disconnect

Action Codes

I - In (used on N, T, C or R Service Order [SO] type)
O - Out (used on C, R, F or D SO type)
C - Change (used on C and R SO type)
T - To
X - Change To and Move
R - Recap

Any other Service Order types or action codes will be ignored.

CSSPR Packages

The CSSPR will be produced weekly on a calendar basis. It will run one day after the 7th, 14th, and 21st calendar days, and one day after the last calendar day of the month.

There are a total of seven packages, four of which are produced weekly and all seven are generated at the end of the month. They are described below:

a) The first package includes Service Representative through Supervisor levels. It is produced weekly.

(b) The second package includes Supervisor through Manager levels. It is produced weekly.

(c) The third package includes Manager through District levels. It is produced weekly.

(d) The fourth package includes Manager through District and Division levels and is only generated for I and R channels. It is produced monthly.

(e) The fifth package includes Supervisor through Manager, District, Channel, and Area levels. It is produced weekly.

(f) The sixth package consists of a Summary Report which is a summary of Channels A, B, D, and I. The Customer Service Channel summary is a summary of the A and T Channels.

(g) The final package includes an end-of-month Channel summary page for each Channel.

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III. C. O. Vertical Services

This column identifies the services credited on the sales report.

M = Monthly results and it appears to the right of each service category. This figure will represent the current months results.

C = Cummulative results. It also appears to the right of each service category. This figure represents the calendar year to date totals.

Page Total = The sum of everything on the page.

Grand Total = Sum of all pages.

Statistics = Orders credited to this report.

AA = N & T orders, BB = C orders, CC = D & F orders,
DD = R orders, and EE = Total orders.

USOC's which drive sales credit to each service category are:

****	C.O. Vertical Services
CCS Features	ESX, ESM, ESC, ESF, ESL, ER3, ER5, ER6, ER9, ESA, ESR, ES3, ES6, ES7, ETC, ET8
CDP-ADL FT	ESECD, ESXCD, EVBCD, CVDCD, E3Q3D, E3DCD, ABACD, DH2CD, DH3CD, ELQCD, OPZCI
PCS SYST FT	MVP

Note: For every system sold there are five features.

Ex: If a rep sells three systems he/she has a total of fifteen features.
(Multiply five by the number of systems sold)

PCS ADL LN FT	MBWAL, MVPAL, MBW, MVP
ADL PCS FT	MVPCF, MVPCP, MVPCW, MVPDA
PSLS SYS FT	ESY3N, ES44X, ESY44, ESY4Z, ESY53, ES454, ES455, ES466, ESFP1

Note: For every system sold there are three features.

Ex: If a rep sells three systems he/she has a total of nine features.
(Multiply three by the number of features sold.)

RingMaster	DRS, DRS1X, DRS2X

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TouchStar	NSK, NSY
Wire Mtc	SEQ1X, WMR, WMQ
DL LSTG	RLT, CLT
RES ADL LNS	1FR
RES MN LNS	1FR
BUS LNS	1FB

Note: For the Residence report at the Service Rep level *this* is the end of the services.

Then the statistics section will appear.

For the Residence report at the are level and the Business report the program continues as follows:

****	Other Services
Optional Call Plan 1	OS+++
Optional Call Plan 2	OS+++
Optional Call Plan 3	OS+++
Hunting	HTG++
****	Access Line Services
WATS-Outgoing	WFMS+, WMC++
800 Service	WAC++
Remote Call Forwarding	RCA, RCF++
Private Lines	PVL++
Additional Private Lines	
Foreign Exchange Lines	FXS++
Additional Foreign Exchange Lines	
GeoServe	TUXY1, TUXY2, TUXY3, TUX44, TUXY5, TUX46, TUXRR

IV. ITEMS

This section contains the quantity of all items sold on N, T, C & R orders. A USOC will track to the Sales Report as long as the USOC is listed on the Report Assignment File (RAF).

In Items

Column A: N & T

The quantity of all I - Action coded USOC's sold on a new connect (N) order or transfer of address (T) order will appear in this column if monthly rated.

Column B: C & R

This column represents the quantity of items sold on change (C) orders and record (R) orders if monthly rated. Action codes that will generate a sales credit are I, T* and X.

- When C & T action codes are used with like USOC's no sales credit applies. (They net each other out). If used with different USOC's, the credit will apply for the additional item only. O & I action codes work the same way.

Column C: Total

Column C is the total of Columns A + B. This represents all USOC'd items sold on N, T, C and R orders.

Column C = Column A + Column B

Out Items

Column D: O/N, T

This column contains the quantity of O-action coded USOC's that came out within 60 days. These items went in on N and T orders. (This will be effective in the second quarter)

Column E: O/C, R

This column contains the quantity of O-action coded USOC's that came out on C and R orders within 60 days. (This will be effective in the second quarter)

Column F: Net Total

This column contains the total items sold in column C minus column D plus column E.

Net Total = Column C - (Column D + Column E)

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V. REVENUE

Revenue

Column G: N & T

This column contains revenues associated with the USOC quantities in column A. This revenue is based on a six (6) month value. (Monthly rate times 6).

Column H: C & R

This column contains revenues associated with USOC quantities in column B. This revenue is based on a six (6) month value. (Monthly rate times 6).

Column I: Total

Column I is the sum of columns G and H. This represents revenues associated with USOC'd items N, T, C and R orders.

Column I = Column G + Column H

Out Revenue

Column J: O/N, T

This column contains revenue associated with O-action coded USOC's items that came out within 60 days. These items went in on N & T orders (This will be effective in the second quarter).

Column K: O/C, R

This column contains revenue associated with O-action coded USOC items that came out on C and R orders within sixty (60) days. These items went in on C & R orders (This will be effective in the second quarter).

Column L: Net Total

This column contains the total revenue in column I minus column J plus Column K.

Net Total = Column I - (Column J + Column K)

Column M: RPAL (Residence)

This column represents the Revenue Per Access Line. To obtain this figure take column L and divide it by the Residence Main Lines and Residence additional lines in Column F.

Column M = Column L + Res MN lines in Column F + Residece ADL Lines in Column F.

Column M: RPAL (Business)

To obtain this figure take Column L and divide it by the Business Lines in Column F.

Column M = Column L + Business Lines in Column F

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VI. INCLUSIONS AND EXCLUSIONS:

Circumstances will prevail which will exclude certain service order activity from the CSSPR. They are as follows:

1. Service Orders which do not contain any S&E activity will not be reflected on the report.

2. R orders will only be included on the CSSPR if they have USOCs in the S&E with a Business Office Sales (BOS code that match the Report Assignment File (RAF).

3. An order for a regrade of service will be excluded from the Report if that is the only S&E activity on the order.

4. USOCs in the S&E with no BOS code will not be tracked to the report. However, this does not necessarily mean the order will be excluded as well.

5. N, T, and C orders involving essential line of service (ESL), will be included on the report.

6. C and R orders where the USOCs ES3 and TTR have been recapped will be excluded from the TouchTone and Custom Calling available order base. The assumption here is that orders on accounts where customers already have Touchtone and Custom Calling features will not be counted as an opportunity for further sales.

7. Orders with one of the following entries in the BILL section are not included: BI ER, BI AT, BI RC. USOCs followed by an S&E entry of BI ER will not be included.

8. C orders issued as a result of presubscription with a sales code having the 2nd through 5th character of "99A9" will be excluded.

9. Restore and suspend orders will only be included on the CSSPR if they have "I" action Coded USOCs. All other suspend and restore orders will be excluded.

10. Orders issued in NNXs carrying a restricted indicator on the Central Office Prefix file will be excluded.

11. Prewire orders are not included in the new connect order opportunities.

12. Correction orders are not included in the order opportunities category. Items on these orders are included in the sales revenue columns unless followed by one of the entries listed in #7, preceding.

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3. A list of Basic Class of Service USOCs which are excluded from the report is on the following page.

14. Floated sales codes on C orders affiliated with C and O action codes will be ignored on the report <u>if there is no match to the 60-day file</u>. This will eliminate the initial floated sales code from being charged with losses in cases where the customer decides to upgrade or downgrade their current service <u>after</u> 60 days of installation.

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EXCLUDABLE CLASS OF SERVICE USOCs

1DF
1DM
NH5
NWPOR
FMLTQ
FNYVE
FNYVH
FNYVR
FNYVU
FNYVW
FRUTQ
FXSTE
FXSTH
FXSTQ
FXSTR
FXSTW
MFZTQ
ZZO1R
E6E+S
E6E+M
E6E+L
E6K+S
E6K+M
E6K+L
E65+S
E65+M
E65+L
E68+S
E68+M
E68+L
E6W+S
E6W+M
E6W+L
E6Z+S
E6Z+M
E6Z+L
E6M+S
E6M+M
E6M+L
E6Q+S
E6Q+M
E6Q+L
E57+S
E57+M
E57+L
E6S+S
E6S+M
E6S+L
E6V+S
E6V+M
E6V+L
E76+S
E76+M
E76+L
E5A+S
E5A+M
E5A+L
E5K+S
E5K+M
E5K+L
E5W+S
E5W+M
E5W+L
E5Z+S
E5Z+M
E5Z+L
E5V+S
E5V+M
E5V+L
E55+S
E55+M
E5S+L
E5M+S
E5M+M
E5M+L
E5P+S
E5P+M
E5P+L
E5Q+S
E5Q+M
E5Q+L
E5T+S
E5T+M
E5T+L
DTSFR

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BOS	DESCRIPTION	BOS	DESCRIPTION
AO*	CCS I	AA	RES MN LNS
BO	RNGMSTER	BB	RES ADDL LNS
CO	HMINT	CC	BUS LINES
DO	CDP ADL FT	DD	WATS LINES
EO	TCHSTR	EE	800 SERVICE
FO	PSLS SYSTEMS	FF	REM CL FWD
GO**	ADL PSLS FT	GG	PVT LINES
IO	PCP SYSTEMS	HH	ADDL PL SVCS
JO	ADL PCP LN	JJ	FX LINES
KO	ADL PCP FT	KK	ADDL PL SVCS
OO	TOUCHTONE	MM	GEOSERV
PO	HTG LINES		
QO	OPT CLG PL 1		
RO	OPT CLG PL 2		
SO	OPT CLG PL 3		
UO	ADDL LSTS		
VO	OTH PD LSTS		
WO	MTN WR CNT		
XO	TIP		

**ANY CODE OF ZZ
WILL BE FOR USOC'S
TO BE IGNORED

*BOS codes for CCS features will have a first character of "A", and the second character will be a number associated with the number of features. Example:

ESX = A1
ES3 = A4
ESB = A3

**BOS codes for ADL PSLS FT are structured the same as CCS features; i.e. first character of "E," and the second character associated with the number of features.

*** Anything that tracks to the RAF has to have one of these codes.

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VIII. REPORT ASSIGNMENT FILE (RAF)

MNCIL
19825

IX.

CUSTOMER SERVICES SALES PERSON REPORT
CSSPR, 2011

ACRONYMNS

CSSPR	- Customer Services Sales Person Report
RSSC	- Residence Sales and Service Center
BSSC	- Business Sales and Service Center
RPAL	- Revenue Per Access Line
BOS	- Business Office Sales Code
RAF	- Report Assignment File
S&E	- Service and Equipment
COP	- Central Office Prefix
CRIS	- Customer Records Information System
USOC	- Universal Service Order Code
SR	- Service Representative
IR	- Installer/Repairman
CCS	- Custom Calling Services
PCP	- Prestige Communications Package
OCP	- Optional Calling Plan
TT	- TouchTone
NNX	- Telephone Number Exchange Group
WATS	- Wide Area Telecommunications Service

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The Report

The new Customer Services Sales Person Report is displayed on Exhibits A, B, C.

6e-90

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1A

RESIDENCE CUSTOMER SERVICES SALES REPORT

REPORT DATE: 19

PROGRAM: 0127042
DATE: 01-05-89 PAGE: 00050

AREA DIV RES | OM BROW. | CHIL | MGR CSSC1 | All | REP
SALES CODE: C 3 | 6 | A | 7 | 4 | G

VERTICAL CES		ITEMS A N,T	B C,R	C TOTAL	D O/N,T	E O/C,R	F NET	REVENUE G N,T	H C,R	I TOTAL	J O/N,T	K O/C,R	L NET	***M*** RPAL
	M)	3	0	3	0	0	3	38	0	38	0	0	38	12.80
	C)	3	0	3	0	0	3	38	0	38	0	0	38	12.80
\DL FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SYS FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
\DL LN	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
PCS FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
PCS FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SYS FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
PSLS	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
PREST	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
MASTER	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
HSTAR	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
HTONE	M)	2	0	2	0	0	2	12	0	12	0	0	12	4.00
	C)	2	0	2	0	0	2	12	0	12	0	0	12	4.00
MTC	M)	4	0	4	0	0	4	24	0	24	0	0	24	6.00
	C)	4	0	4	0	0	4	24	0	24	0	0	24	6.00
LSTG	M)	2	1	3	0	0	3	21	11	32	0	0	32	10.50
	C)	2	1	3	0	0	3	21	11	32	0	0	32	10.50
ADL LNS	M)	1	0	1	0	0	1	114	0	114	0	0	114	.00
	C)	1	0	1	0	0	1	114	0	114	0	0	114	.00
SVC 1	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SVC 2	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
* TOTAL	M)	12	1	13	0	0	13	209	11	220	0	0	220	73.20
	C)	12	1	13	0	0	13	209	11	220	0	0	220	73.20
E TOTAL	M)	12	1	13	0	0	13	209	11	220	0	0	220	73.20
	C)	12	1	13	0	0	13	209	11	220	0	0	220	73.20
MN LNS	M)	2	0	2	0	0	2	205	0	205	0	0	205	.00
	C)	2	0	2	0	0	2	205	0	205	0	0	205	.00
LNS	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00

ORDER STATISTICS

	AA N,T	BB C	CC D,F	DD R	FF TOTAL
M)	3	2	4	2	11
C)	3	2	4	2	11

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"EXHIBIT A"

MNC-12
2, 8, 2

'A

RESIDENCE SUMMARY REPORT CUSTOMER SERVICES SALES REPORT
REPORT DATE: 19
AREA DIV OM CHNL MGR AM REP

PROGRAM: 0127042
DATE: 01-05-89 PAGE: 00402

SALES CODE: C

VERTICAL :ES		ITEMS A N,T	B C,R	C TOTAL	D O/N,T	E O/C,R	F NET	REVENUE G N,T	H C,R	I TOTAL	J O/N,T	K O/C,R	L NET	***M*** RPAL
	M)	224	43	267	0	-10	257	3034	549	3583	0	140	3443	19.01
	C)	224	43	267	0	-10	257	3034	549	3583	0	140	3443	19.01
)L FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
'S FT	M)	5	0	5	0	0	5	58	0	58	0	0	58	.32
	C)	5	0	5	0	0	5	58	0	58	0	0	58	.32
)L LN	M)	0	5	5	0	0	5	0	36	36	0	0	36	.19
	C)	0	5	5	0	0	5	0	36	36	0	0	36	.19
:S FT	M)	4	4	8	0	0	8	46	46	92	0	0	92	.50
	C)	4	4	8	0	0	8	46	46	92	0	0	92	.50
:S FT	M)	9	9	18	0	0	18	104	82	186	0	0	186	1.02
	C)	9	9	18	0	0	18	104	82	186	0	0	186	1.02
SYS FT	M)	0	3	3	0	-4	-1	0	0	0	0	0	0	.00
	C)	0	3	3	0	-4	-1	0	0	0	0	0	0	.00
SLS	M)	0	19	19	0	-26	-7	0	175	175	0	286	-111	.60
	C)	0	19	19	0	-26	-7	0	175	175	0	286	-111	.60
REST	M)	9	28	37	0	-26	11	104	257	361	0	286	75	.41
	C)	9	28	37	0	-26	11	104	257	361	0	286	75	.41
ASTER	M)	18	11	29	0	-9	20	415	214	629	0	204	425	2.34
	C)	18	11	29	0	-9	20	415	214	629	0	204	425	2.34
STAR	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
TONE	M)	170	12	182	0	-2	180	1020	72	1092	0	12	1080	5.96
	C)	170	12	182	0	-2	180	1020	72	1092	0	12	1080	5.96
MTC	M)	260	20	280	0	0	280	1560	120	1680	0	0	1680	9.26
	C)	260	20	280	0	0	280	1560	120	1680	0	0	1680	9.26
STO	M)	59	14	73	0	0	73	575	131	706	0	0	706	3.90
	C)	59	14	73	0	0	73	575	131	706	0	0	706	3.90
DL LNS	M)	21	2	23	0	0	23	2321	197	2518	0	0	2518	.00
	C)	21	2	23	0	0	23	2321	197	2518	0	0	2518	.00
VC 1	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
VC 2	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
TOTAL	M)	761	130	891	0	-47	844	9029	1540	10569	0	642	9927	54.84
	C)	761	130	891	0	-47	844	9029	1540	10569	0	642	9927	54.84
TOTAL	M)	761	130	891	0	-47	844	9029	1540	10569	0	642	9927	54.84
	C)	761	130	891	0	-47	844	9029	1540	10569	0	642	9927	54.84
N LNS	M)	157	1	158	0	0	158	14752	114	14866	0	0	14866	.00
	C)	157	1	158	0	0	158	14752	114	14866	0	0	14866	.00
NS	M)	0	0	0	0	-3	-3	0	0	0	0	524	-524	.00
	C)	0	0	0	0	-3	-3	0	0	0	0	524	-524	.00

"EXHIBIT B"

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MNC-12

RESIDENCE SUMMARY REPORT CUSTOMER SERVICES SALES REPORT
REPORT DATE: 19
AREA DIV OM CHNL MGR AM REP

PROGRAM: 0127042
DATE: 01-05-89 PAGE: 00403

SALES CODE: C

ES		ITEMS A N,T	B C,R	C TOTAL	D O/N,T	E O/C,R	F NET	REVENUE G N,T	H C,R	I TOTAL	J O/N,T	K O/C,R	L NET	***M*** RPAL
	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	3	3	0	-4	-1	0	18	18	0	353	-335	-1.85
	M)	0	3	3	0	-4	-1	0	18	18	0	353	-335	-1.85

11A

BUSINESS CUSTOMER SERVICES SALES REPORT

PROGRAM: 0127042
DATE: 01-05-89 PAGE: 00388

REPORT DATE: 19

AREA | DIV | OM | CHNL | MGR | AM | REP
BUS | LDLE

SALES CODE: C 9 0

VERTICAL ICES		ITEMS A N,T	B C,R	C TOTAL	D G/N,T	E G/C,R	F NET	REVENUE G N,T	H C,R	I TOTAL	J G/N,T	K G/C,R	L NET	***M*** RPAL
	M)	24	29	53	0	0	53	503	601	1104	0	0	1104	26.30
	C)	24	29	53	0	0	53	503	601	1104	0	0	1104	26.30
ADL FT	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SYS FT	M)	5	5	10	0	0	10	111	43	154	0	0	154	3.66
	C)	5	5	10	0	0	10	111	43	154	0	0	154	3.66
ADL LN	M)	10	5	15	0	0	15	86	36	122	0	0	122	2.90
	C)	10	5	15	0	0	15	86	36	122	0	0	122	2.90
PCS FT	M)	1	3	4	0	0	4	4	40	44	0	0	44	1.04
	C)	1	3	4	0	0	4	4	40	44	0	0	44	1.04
PCS FT	M)	16	13	29	0	0	29	201	119	320	0	0	320	7.61
	C)	16	13	29	0	0	29	201	119	320	0	0	320	7.61
SYS FT	M)	4	3	7	0	0	7	0	0	0	0	0	0	.00
	C)	4	3	7	0	0	7	0	0	0	0	0	0	.00
PSLS	M)	23	13	36	0	0	36	300	102	402	0	0	402	9.57
	C)	23	13	36	0	0	36	300	102	402	0	0	402	9.57
PREST	M)	39	26	65	0	0	65	501	221	722	0	0	722	17.18
	C)	39	26	65	0	0	65	501	221	722	0	0	722	17.18
MASTER	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
CHSTAR	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
CHTONE	M)	29	12	41	0	0	41	174	72	246	0	0	246	5.85
	C)	29	12	41	0	0	41	174	72	246	0	0	246	5.85
E MTC	M)	26	14	40	0	0	40	156	84	240	0	0	240	5.71
	C)	26	14	40	0	0	40	156	84	240	0	0	240	5.71
LSTO	M)	7	5	12	0	0	12	46	29	75	0	0	75	1.77
	C)	7	5	12	0	0	12	46	29	75	0	0	75	1.77
ADL LNS	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SVC 1	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
SVC 2	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
TOTAL	M)	125	86	211	0	0	211	1380	1007	2387	0	0	2387	56.83
	C)	125	86	211	0	0	211	1380	1007	2387	0	0	2387	56.83
E TOTAL	M)	125	86	211	0	0	211	1380	1007	2387	0	0	2387	56.83
	C)	125	86	211	0	0	211	1380	1007	2387	0	0	2387	56.83
MN LNS	M)	0	0	0	0	0	0	0	0	0	0	0	0	.00
	C)	0	0	0	0	0	0	0	0	0	0	0	0	.00
LNS	M)	30	12	42	0	0	42	6494	2626	9120	0	0	9120	.00
	C)	30	12	42	0	0	42	6494	2626	9120	0	0	9120	.00

"EXHIBIT C"

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Mun c/c
24 & 25

"EXHIBIT C"

01/2

MNC-12

01IA

BUSINESS CUSTOMER SERVICES SALES REPORT

REPORT DATE: 19 CHAL MAR AM REF

AREA DIV CH BUS LDLE

SALES CODE: C B D

PROGRAM: 012704Z

DATE: 01-06-89 PAGE: 00389

NVICES	ITEMS A N,T	B C,R	C TOTAL	D O/N,T	E O/C,R	F NET	G N,T	H C,R	I TOTAL	J O/N,T	K O/C,R	L NET	***M*** RPAL
'1	00												00
'2	.000												.000
'3	.000												.000
ſ OCP	.000												.000
ITING	16.84		707	0	0	0	707	267	707	0	0	0	16.84
/ SVC 1	.000												.000
/ SVC 2	.000												.000
TAL	16.84		707	0	0	0	707	267	707	0	0	0	16.84

* ACCESS LINE SERVICES ***

TS	.000												.000
O SVC	.000												.000
M CL FWD	4.84		203	0	0	0	203	203	203	0	0	0	4.84
T LNS	4.32		182	0	0	0	182	182	182	0	0	0	4.32
L PVT LNS	.000												.000
T PVT LN	4.32		182	0	0	0	182	182	182	0	0	0	4.32
LNS	.000												.000
L FX LNS	.000												.000
T FX LNS	.000												.000
OSERVE	.000												.000
W SVC 1	.000												.000
W SVC 2	11.76		75	0	0	0	75	278	75	0	0	0	11.76
TAL	10.95		460	0	0	0	460	102	460	0	0	0	10.95
DE TOTAL	27.79		1166	0	0	0	1166	449	1166	0	0	0	27.79
AND TOTAL	301.77		12674	0	0	0	12674	4082	12674	0	0	0	301.77

ORDER STATISTICS

	AA N,T	BB C	CC D,F	DD R	FF TOTAL
	27	64	26	8	122

MNC-13
1815

South Florida Service Representative Forum

SOUTH FLORIDA
SERVICE REP FORUM

January 25, 1990

Minutes

In Attendance:

Joy Edery	Cathy Snyder
Cam Kelso	Fred Goos
Diane Morris*	Cheryl Kopia*
Hope Sims*	Laura Davis*

Joy Edery and Cathy Snyder welcomed everyone and introduced the * new members of the Forum.

Cathy gave an overview of the purpose and history of the Service Rep Forum, which was established in August 1987.

Joy explained that Cathy Snyder would be rotated off the Forum and that the 1990 Forum would also include Pearl Jackson.

It was agreed that Joy Edery and Cheryl Kopia would be the Co-Chairpersons and Cam Kelso would continue as the Note Taker. Fred Goos and Cheryl Kopia will assume responsibility for Communication, via a Newsletter, to all employees.

Joy explained that it was recommended that members of the Forum receive the Formal QWL Training. It was agreed that all Forum members, that have not been trained recently, would be scheduled for the training.

It was agreed that our 1990 Forum meeting would be monthly, and Joy explained that there would also be quarterly meetings for the chairpersons of all Forums in the South Florida Area. It was suggested that we would tentatively plan our meetings for the third Wednesday of every month.

Joy suggested we look at some issues that were referred to her by the QWL Team on the fifth floor.

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MNC-13
2 of 5

1. Service Reps with 9:00 shift want half hour closed key whenever 8:30 to 9:00 employees have been closed.

Discussed the importance of Accessibility and that closed key time will be allocated whenever possible and we will advise In-Charge to be aware of the needs of 9:00 employees.

2. Recommendation: That documentation of discussions regarding Customer Commendation Letters be placed in the Employees Personnel Records.

Discussed the reasons that employees may want this and if it would mean documentation of All Customer Letters including Complaint Letters.

It was suggested that we need to research the Personnel Policies and verify with the Personnel Department what restrictions, if any, are applicable to Personnel Records.

Hope Sims volunteered to conduct research and advise at our next meeting.

3. Service Representatives would like to have input to Standards for the Office.

Discussed the importance of Standards that are Uniform throughout the Area, and where ever possible, throughout the State and Company because of Large Team Concept.

A copy of the new Professional Contact Performance Procedures and Standards were distributed to all Forum Members. It is planned that Professional Contact Performance will replace Incoming Call Quality effective February 1, 1990. It was explained that the New Standards combined most of the items that were part of the Previous Standards for ICQ, as well as Standards for the use of Customer Centered Sales Skills. It was suggested that all Forum Members review the Standards and bring any recommendations to the next meeting. It was pointed out that the basic Standards that would be applicable Company Wide could not be changed by our Local Forum but we could make recommendations.

4. Flex Hours - To be discussed at future meeting.

5. Sales - To be discussed at future meeting

Fred Goos suggested that we review the results of the Service Representative Survey conducted by the Forum during 1989, for the benefit of the new members. After review, it was agreed that the original survey forms could be destroyed, but we would keep the results for future reference.

Joy mentioned that she thought there was a lot of Service Representatives that were confused on the benefits and guidelines of the new Designated Excused Work Day. It was agreed that our Forum Newsletter would suggest that Service Representatives, needing additional information regarding this option, see their Assistant Manager.

The date for the next meeting will be Wednesday, February 21, 1990

The Forum enjoyed a very nice Lunch in the Executive Dining Room following the meeting. Everyone agreed that the new Forum had a successful first meeting and that they were committed to work together to identify opportunities to improve the Service Representative Job.

Joy Edery

Joy Edery
Co-Chairman S.F. Svc. Rep Forum

Cheryl Kopia

Cheryl Kopia
Co-Chairman S.F. Svc. Rep. Forum

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It is essential that any observation for quality be a joint responsibility for excellent customer service and perceived by our reps as a part of their development toward that goal; we cannot achieve this when the attitude that quality observations are managements means to "get them". To avoid any misunderstandings, the PCP form, it's intent, and the trending criteria determined from the manager and marketing manager's meeting should be discussed with the service representatives prior to the beginning of implementation.

This form was not designed to document the entire conversation that took place between the SR and the customer. Recording of the contact may be done by using regular tablet paper, or the Professional Performance Analysis form. (Exhibit 3). The "Notes" section of the form may be used to record memory jogger information about each contact. An example of this could be;

NOTES: CONTACT 1 - RELATIVE PART - DID A GOOD JOB IN OBTAINING QUOTE by USING INTERPERSONAL SKILLS - TRUE SOLICITED. CONTACT 2 - NEEDS WORK ON THOROUGHNESS - GOOD - NOT WILLING PROMISED TO PUSH

The actual trending on the PCP form may be done jointly by the SR and MM during the feedback session. The Summary/Feedback section on the reverse side of the form may be used for summarizing the contact and documenting the feedback session. Development plans should be recorded on the Joint Development Plan form. (Exhibit 4).

COMPUTING THE %PCP

An example of the Professional Contact Performance form with the completed computation (using the formula below) is shown on the next page.

First, figure the total number of Opportunities:

- multiply the total number of contacts by 9 (the number of key aspects). WRONG #!
- enter this figure in the "Opportunities" space.

Next, compute the total Y's and YD's and put this figure in the "Total Y's/YD's" space.

Compute the %PCP by dividing the "Total Y's/YD's" by the "Opportunities", multiply by 100% and round to the nearest whole number. This figure should be documented in the space "%PCP".

Space is provided on the form to track quarterly totals.

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USE OF THE PROFESSIONAL CONTACT PERFORMANCE FORM

There are nine categories on the PCP form, they are; Relating Professionally, Recognized Opportunity, Discovering, Complete/Accurate Information, Effective Approach, Proposing, Assuring, Recap, and Correct Clerical.

Each aspect has four options: "Y" for yes, "YD" for yes needs development, "N" or "blank space" for no, and a "-" or "NA" for not applicable.

Prior to implementation, the Manager and Marketing Managers should meet to review the form and the standards. Agreement should be reached on what is expected, definitions of terms and techniques on the form and in the standards, and the use of the Y, YD, N,and Not Applicable.

Everything is not black and white. For development purposes the use of "YD" may encourage the SR to try new techniques without fear of failure. In determining when to use "YD", it is important to consider if the customer will be greatly affected, i.e., is this an area where a certain technique was not used, such as asking open ended questions, or is it an area where the customer will not get the service requested and will result in a dissatisfied customer.

A development plan should be jointly agreed upon by the MM and SR and documented anytime a "YD" or an "N" is received during an observation. This plan should include a course of action and date. If improvement is not observed following the development activity, an "N" would be appropriate.

Examples of this might be:

1. A weak area has been developed, the SR demonstrates the correct way and then reverts back to the incorrect method.

2. The SR and MM have agreed that all possible development has been completed and the SR understands, but still does not perform correctly.

Some quality observation deviations are obviously of such nature that they cannot be tolerated, i.e., mistreatment of a customer, etc., and should be trended "NO", others may be "YD" initially and extensive action items negotiated to prevent further occurrences and or being trended "NO".

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PROFESSIONAL CONTACT PERFORMANCE

In the past it has said that sales and service is equally important, yet each category was looked at separately. With the understanding that sales is service, the Professional Contact Performance (PCP) form was developed. (Exhibit 1)

This form should be used to identify, develop and evaluate quality performance strengths and weaknesses. The form combines the sales and service aspects as identified in the company standards. (Exhibit 2)

The number of evaluative observations should be determined jointly by the local team. (Team consisting of both management and craft). In determining the number of observations, two points should be considered; the number determined should be a good sampling of the employees performance, and the number of evaluatives for each individual is consistent within the office. Emphasis should be placed on what we do with the data gathered, rather than the number obtained. In order for the contact to be used as evaluative data it must be discussed with the employee no later than 24 hours after the observation has taken place, unless prevented by employee initiated absence. All calls, with the exception of intracompany calls, should be evaluated.

When reviewing each individual contact it is important that:

- Each contact be evaluated individually, considering established company standards
- Each SR be evaluated against established standards rather than a perception of SR's abilities, i.e., allowances should not be made because a SR is "having a bad day".

JOINT DEVELOPME' 'LAN

Exhibit 4

EMPLOYEE NAME

SUPERVISOR

ITEMS	ACTION	TARGET DATE	INDIVIDUAL/SUPERVISOR RESPONSIBILITIES	COMPLETION DATE	FOLLOW-UP DATE

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PROFESSIONAL PERFORMANCE ANALYSIS

EXHIBIT 3

DATE:	EMPLOYEE:	AM:
		RELATING PROFESSIONALLY
		RECOGNIZED OPPORTUNITY
		DISCOVERING
		COMPLETE/ACCURATE INFORMATION
		EFFECTIVE APPROACH
		PROPOSING
		ASSURING
		RECAP
		CORRECT CLERICAL ACTION

M049-2698

JOINT DEVELOPM T PLAN

EMPLOYEE NAME

SUPERVISOR

ITEMS	ACTION	TARGET DATE	INDIVIDUAL/SUPERVISOR RESPONSIBILITIES	COMPLETION DATE	FOLLOW-UP DATE

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EXHIBIT 2

PROFESSIONAL PERFORMANCE STANDARDS

* RELATING PROFESSIONALLY:

o OPENING CONTACT:

- answers immediately
- speaks distinctly
- announces SCB/SB and appropriate center name
- clearly states name
- identifies name and responsibility of caller
- establishes reason for customer's call
- asks questions relating to customer's needs as appropriate
- gets customer's account number

o RESPONDS:

- appropriately to opening statement or question
- assures customer she/he can help, mirroring as appropriate
- avoids using pat or rigid statements
- expresses regret as appropriate

o LISTENS:

- actively, letting the customer know he/she "hears"
- without overtalking the customer
- patiently
- without interrupting

o LEAVING LINE:

- explains reasons
- requests permission
- obtains customer's agreement
- if taking lengthy time off line returns frequently to explain
- gives customer option of call back when appropriate

o RETURNING TO LINE:

- gets customers attention through use of their name, Sir, Ma'am
- makes sure she/he has customer's attention before proceeding
- thanks customer for waiting

o THROUGHOUT CONTACT:

- establishes creditability and builds trust
- shows interest and willingness
- uses friendly tone of voice

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o THROUGHOUT CONTACT: (continued)

- maintains consistent pace and clear enunciation
- shows integrity
- evaluates customer's statements/questions before responding
- establishes rapport and maintains it
- demonstrates empathy
- acknowledges customer's questions when asked
- waits for customer to disconnect, then immediately releases the line

* RECOGNIZED OPPORTUNITY

o Opportunities can include all contacts except denied service that cannot be restored or where the customer is clearly upset with our collection attempts or for any reason is obviously dissatisfied, or emphatically states, upfront, that she/he does not want to discuss any additional services, or misdirected calls. Did the SR recognize the sales/save opportunity and make an appropriate sales/save attempt.

* DISCOVERING

o Obtains pertinent information

- clarifies understanding with open-ended questions

o Asks only for information that is unavailable through company records

o Obtains information for completion of the order, for example:

- determines how name and address are to be listed in directory
- key spells the listing section and the billing name and address to verify, if different
- obtains clear, concise directions at indefinite address (IA)
- obtains former customer information when appropriate
- verifies correct directory delivery address
- if IIB discussed determine number of months customer desires (as allowed by State tariff)
- obtains can be reached number
- determine the correct yellow page heading
- determine number of directories needed

o Mutually identifies customer needs and values

- conversational
- asks permission to question and give reasons (IA)
- asks proper questions to clarify
- asks questions to provoke thoughts/feelings (getting the customer to visualize himself or herself in a particular situation)
- asks questions for additional information to give the SR sufficient information to visualize the customer's needs and values

- summarizes customer's need and gains agreement

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• DISCOVERING (continued)

o Payment arrangements

- amount (discussions and notations should be in terms of dollars and cents, ie, $241.26, not full amount or balance)
- payment location (where, by mail or in person)
- day/date

o Updates credit as appropriate

★ COMPLETE/ACCURATE INFORMATION

o Explain difference in non-pub & non-list when appropriate.

o Advise entitled to one free yellow page listing when appropriate.

**o Non-recurring charges must be quoted on all orders.

**o Monthly rates must be quoted on all N&T's and all other orders on which a rate change occurs, including a "plus tax statement".

**o Wiring maintenance plan must be explained fully, presented as an option, rate quoted and consent obtained.

**o Touchtone, and all other services, must be negotiated and explained to the customer and all appropriate charges quoted.

o Equal Access/Full Disclosure statement must be made on all "N&T's" and appropriate "C" orders

o Advises call the carrier to establish an account

o Refers customer to the Telemarketing Center or Customer Support Center as appropriate

o Answers all customer questions completely and gives complete information

**o The amount of the Access Line Charge must be quoted separately

o Inside wiring negotiated as appropriate

o Negotiates the appropriate due date and gain customer's acceptance

o Make appropriate access arrangements to include:

- contact person
- contact's number
- time interval
- offer specific appointment interval upon customer request (i.e., AM or PM)

M049-2702

BUSINESS ONLY: MAY GIVE THE CUSTOMER AN OPTION TO HAVE THE RATES QUOTED.

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13 & 15

PROPOSING

o Recommends services and options

- presents options tailoring values to customer needs as mutually discovered
- helps the customer visualize the end results by using commonalty of other customer stories
- allows customer to see him/herself as the decision maker
- recognizes buying signals and closes when appropriate
- tests the customer's acceptance of the proposal by using questions and statements such as:
  - What do you think?
  - Do you think that would be helpful to you?
  - I really think that fits your needs.
  - $ & K determined through negotiation and customer concurrence
  - remains helpful and confident

* ASSURING

o Closing the contact and leaving the customer satisfied with our service and our Company we:

- responded to the objection by using the ASCUE of Sales:

  Ask open ended questions to identify the real objection
  Be empathetic with the customers by acknowledging objections
  Clarify the true objection with a closed question
  Decide if a new option should be used or restate the old one based on the customer's values
  Expect and ask for the sale

- Thanked the customer for the sale
- Accepted a "No" graciously and thanked the customer for his/her time
- Left the customer feeling that his/her time was well spent and that we were attentive and that she/he was treated as a valued customer

* RECAP

o verifies entire contact with customer insures that data agrees with customer request makes any necessary changes and/or corrections.

* CORRECT CLERICAL

o Clerical work is completed correctly; includes orders - mechanized/manual, payment arrangements, forms. Clerical work should be followed up after each sit-in or remote.

M04S-2700

* EACH CONTACT IS UNIQUE — NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E. HANDBOOK AND TRAINING CRITERIA MAY APPLY.

2&3

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- APLETE/ACCURATE INFORMATION (continued)

  o When speaking of payment arrangements, advise:

  - deposit, if appropriate
  - suspension, if appropriate
  - restoral charge, if appropriate
  - return check charge, if appropriate

  o Commitments to include date/day and time, i.e., by 4:30 tomorrow, or by 2:00 Friday, March 2nd.

  o Provide correct information; corrects customer's misunderstanding

* EFFECTIVE APPROACH

  o Uses clear and easy-to-understand words, avoiding company terms and jargon

  o Varies approach and rephrases when necessary

  o Explains why necessary to transfer or refer customer, if appropriate

  o Has control of contact

  o Avoids rambling discussions

  o Offers alternative solutions if customer's request could not be granted

  o Takes full responsibility for actions of company, including other departments, i.e., uses "we" instead of "they"

  o Uses delegated authority

  o Puts customer on hold only when necessary

  o SR does everything possible to ensure customer satisfaction

  o Supports company's position, especially when request cannot be granted

  o Transfers misdirected calls appropriately, explaining reason

  o Educates customer if they have reached wrong number to avoid recurrence

EXHIBIT : MNC-13
15915

PROFESSIONAL CONTACT PERFORMANCE

SERVICE REPRESENTATIVE	ASSISTANT MANAGER	MONTH

GENERAL INFORMATION										
CONTACT NUMBER	1	2	3	4	5	6	7	8	9	10
TYPE										
DATE/TIME										
RELATING PROFESSIONALLY										
RECOGNIZED OPPORTUNITY										
DISCOVERING										
COMPLETE/ACCURATE INFORMATION										
EFFECTIVE APPROACH										
PROPOSING										
ASSURING										
RECAP										
CORRECT CLERICAL ACTION										

	J	F	M	1Q	A	M	J	2Q	J	A	S	3Q	O	N	D	4Q	TOTAL
TOTAL Y'S/YD'S																	
OPPORTUNITIES																	
% PCP																	

NOTES:

M049-2705

245

HNC-14

185

SOUTHEAST RESIDENCE SERVICE REP FORUM

MEETING MINUTES

The Forum met on Thursday, June 14, 1990.

The following members were present:

Ruthann Woodbury
Linda DeBartolo
Mike Tartaglio
Peggy Ward
Judi Ward
Helen Eble
Donna Wise
Jean Rocchio
Mary Ann Lemoncelli

OLD BUSINESS

1.) The four day work week task force reported that 182 Service Reps or 38% would opt for a four day work week. Broward District had 90 Service Reps respond yes and Treasure Palm District had 92 (25 Ft. Pierce and 67 West Palm). The RMC recommends that 80 tours could be offered in the gate without jeopardizing service level. Mike Tartaglio agreed to discuss the following scheduling options with Jimmy Smith, Ed Ryan, Don La Ratonda and Gene Russo during the week of June 18th:

- rotate four day work week tours between Districts for periods of time up to 13 weeks.
- offer by seniority only.
- offer by seniority but rotate through the Units so all Service Reps would get the opportunity to work the four day work week.

Mike suggested the offer be made to all Service Reps who responded yes; IE: 90 in Broward and 92 in Treasure Palm. Ruthann stressed the importance of adhering to the 80 recommended by RMC in order to maintain satisfactory service levels. She expressed concern that all Service Reps may not have responded or may now have changed their minds. The group agreed that the effects on accessibility, morale, sales/service, attendance and productivity must be considered.

Mike is to report to the task force prior to their next scheduled meeting on June 22, 1990, at 9:30 a.m. at the West Palm Union Hall.

2.) Mike agreed to research the functions of the Atlanta Coordinating Committee of the Service Rep Forum. Peggy Adams is the local representative on the committee.

3.) Linda De Bartolo distributed the summarization of the Service Representative questionnaires. Eighty Service Reps in the area responded. (See attachment)

The group addressed each item, comments were as follows:

Sales - 3884-4855 satisfactory range addresses concerns of objectives being too high. The ANPT of 37% addresses time off desk.

Four Day Work Week - proposal pending

Proper Training and Material - New training methods often are passed out for Service Reps to read, absent Service Reps are not always covered, information appears in media before Service Reps know, bill inserts should be provided to Service Reps before they go out to customers.

Meeting Time - Ruthann reported that additional meeting time is now being provided based on accessibility.

Consistency Between Offices - the following areas are of concern:

- excused time
- lunch hours
- 15 minute closed key time with break
- part time
- deposits
- MemoryCall sales credit
- IBOSS notations
- Saturday scheduling

Ruthann agreed that customer effecting matters should be addressed but that each Manager has latitude in the management of their Unit. More frequent Large Team committee meetings were suggested to address customer matters.

5040 Tax Errors - Linda agreed to research this continuing problem.

Service Rep Newsletter - Linda and Ruthann agreed to work on this.

Minc-14
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NEW BUSINESS

1.) Ruthann distributed the Team Effectiveness Workshop feedback. (see attachment) Members agreed to review and discuss at our next meeting.

2.) Ruthann asked the members for input for the agenda at the South/Southeast Combined Co-chairperson meeting on July 19, 1990.

The group agreed to provide the results of our recent Service Representative questionnaires and the four day work week proposal if it is completed by then. In addition, the group wants interdepartmental support on Saturdays on the agenda.

3.) Peggy Ward reported on a problem of Service Reps making commitments for other Service Reps rather than handling the customers problem. The group suggests that call backs be referred management to management so the circumstances can be reviewed.

4.) The group discussed that Service Rep errors should be corrected and then the situation referred to the Service Reps Assistant Manager. The Service Rep who caused the error could then be covered.

5.) Several DACD problems were discussed. No customer on the line and the Service Rep idle the longest not getting the next call will be researched with the RMC by Jean Rocchio.

The next meeting will be held on Thursday, July 12, 1990 at 9:30 a.m. at the West Palm CWA Union Hall.

Submitted by:
Linda De Bartolo and
Ruthann Woodbury

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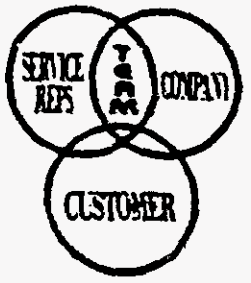
Southeast Residence Service Rep. Forum 48



BETTER CHAIRS	3
CUSTOMER COMPLAINTS REGARDING MUSIC AND RECORDED MESSAGE	3
OVER SUPERVISION	2
NETO SCREEN/SERVICES SCREEN	2
REPS SHOULD CORRECT OWN ERRORS ON ORDERS	2
EXCUSED TIME	2
EASIER AND CORRECTED HANDBOOKS	2
DACD DISTRIBUTION NOT EQUAL	2
MISC.	17

EDUCATE CUSTOMERS ON PRODUCTS
TRADING HOURS
BEING ON SALES COMMITTEE
APPOINTMENT TIME FIVE DAYS A WEEK
CHANGE OF LUNCH FOR SALES & ATTENDANCE BY MANAGERS
NOISE IN OFFICE
BETTER SPACE ON DESK
MIAMI CALLS STILL COMING IN
SEE HOW OTHER DEPTS WORK
DISPARITY OF TREATMENT
STRESS MANAGEMENT
MICRO FISCH MACHINE
COMMUNICATION
LACK OF TRANSFER OPPORTUNITIES
QUIET ROOM
EMPLOYEE APATHY
SECRETNESS ABOUT JOB

BROWARD	35
WEST PALM	21
FT. PIERCE	24
	80

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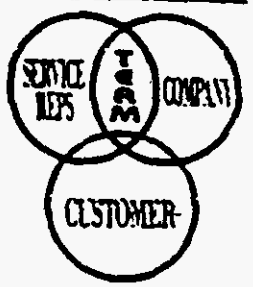
Southeast Residence Service Rep Forum 5085



SALES	50
OFFICE OBJECTIVE TOO HIGH-21 IN GENERAL-15 ADJUSTMENT OF SALES FOR TIME OFF DESK-12 TIMELY 2011's-2	
FOUR DAY WORK WEEK	18
PROPER TRAINING AND MATERIAL	12
QUICK SERVE	11
(INCLUDED DD AND PF PROBLEMS)	
COMPUTER DOWN TIME OR SLOW	11
MEETING TIME	10
CONSISTENCY BETWEEN OFFICES	9
CLOSED TIME (INCLUDED COMMITTMENT TIME & FLEXABLE TIME AFTER CALLS)	6
PROBLEMS WITH AM'S	6
ATTITUDE NOT KNOWLEDGEABLE OR INFORMED OWN AM ANSWERING QUESTIONS	
FLEXABLE LUNCH TOURS	6
STARTING PAY TOO LOW	5
OBSERVING	4
INTER-DEPARTMENTAL COOPERATION	4
5040'S TAX EX. 25	4
TOURS	4
ADDITIONAL DESKS FOR RELIEF REPS	3
IBOSS MEMO SCREEN NOTATIONS	3

M049-2676

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South Florida Service Representative Forum

SOUTH FLORIDA
SERVICE REP FORUM

May 16, 1990
Minutes

In Attendance:

Joy Edery	Fred Goos
Cheryl Kopia	Diane Morris
Laura Davis	Pearl Jackson
Angie Diaz	Cam Kelso

The minutes from the previous meeting were reviewed. Pearl Jackson is pursuing the approval of the Professional Performance Standards revised by the Service Rep Forum.

The upcoming Co-Chair meeting of the South Florida and Southeast Forums was discussed. Co-Chairpersons advised that a definite date had not been set. A discussion was held on what items our Forum may want to recommend for the Agenda. Everyone agreed that the main item that should be discussed is "EXCEPTIONS". This will be referred to Joline Zeltman, Manager.

It was identified that our minutes were not being received by Liz Lester, of the Headquarters Staff, who is responsible for distributing all Forum minutes to all Forum Chairpersons. This has been corrected, and copies of January through April minutes were forwarded.

The rest of the meeting was spent discussing the concerns regarding the Current Sales Measurement. It was suggested that we gather some facts to demonstrate the unfairness of evaluating Service Representative Performance without exceptions as compared to Performance with exceptions

RUNC-15
2 of

It was agreed that we would use a sample of one section per Unit, and rank the employees by 1st quarter total revenue with "NO" exceptions, and then compare the employees results considering exceptions that equaled a half a day or more. (See attachment for list of exceptions and formula to be used. Cam Kelso volunteered to compile the information and have it ready for the next meeting.

The next meeting is scheduled for July 18, 1990 at 9:00 in room 574.

Laura L Davis for Joy Edery Cheryl Kopia

Joy Edery
Co-Chairman S.F. Svc. Rep Forum

Cheryl Kopia
Co-Chairman S.F. Svc Rep Forum

M049-2669

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Attachment A

EXCEPTIONS

Absence for any reason	=	Half a day or more*
Relieving	=	Half a day or more*
Roadblock	=	Half a day or more*
Coach	=	Half a day or more*
Training	=	Half a day or more*
Pioneer Activities	=	Half a day or more*
Union Activities	=	Half a day or more*
Misc. (QWL; etc.)	=	Half a day or more*

*If have partial sessions, less than a half a day; add total number of hours and round to the closest half day.

Example:

2	2
3	1
2 1/2	1
3	1
1 1/2	
12 hours = 1 1/2 days	5 Hours = 1/2 day

Attachment B

Formula to Review 1st Quarter Service Representatives Results without Exceptions and compare the same results with Exceptions.

1. Use total revenue for quarter and divide by 64 work days (Jan = 22; Feb = 22; and March = 20) to determine average revenue per day, without exceptions.

2. Identify number of exceptions, using attached formula.

3. Subtract number of exception days from base of 64.

4. Divide total revenue for quarter by actual days as determined in item 3 to determine average revenue per day with exceptions.

5. Compare ranking between the two measurements.

ATTACHMENT II

NNC-16
1 of 2

Southern Bell

Hal M. Davis
Director-Customer Services

4612 Southern Bell Center
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
404 529-3840

November 27, 1990

Mr. William G. Dresser
General Manager - Customer Services
20th Floor
301 W. Bay St.
Jacksonville, Florida 32202

Dear Bill:

We recently completed the first ProCCSS review in the company and I am pleased to report that the Daytona Beach RSSC has passed the requirements for accreditation. The results of the review are attached.

I look forward to offering my congratulations in person to Shirley and her team on December 13.

Yours truly,

Hal

Hal Davis

Attachment

CC: Ron Tyo
Tom Alexander
Shirley Elliott

Bill,
13-21
I think it's fitting that your N.F.I.A. team have the 1st ProCESSed office. Your almost 10% of S.R.s ProCESSed Each Day 255 Company. Thanks for the support. Hal

PROCESS ACCREDITATION REVIEW

DAYTONA BEACH RSSC

NOVEMBER 12 - 14, 1990

INTRODUCTION

Customer Centered Sales and Service techniques are to be used by all service representatives to increase sales and ensure satisfactory service levels.

SCOPE

An official accreditation review was conducted in the Daytona Beach RSSC November 12-14, 1990. Customer calls to the service center were observed, administrative data reviewed and interviews conducted with management and non-management personnel. The purpose of the review was to ensure compliance with company sales training and a basic understanding of reports and reporting requirements.

SUMMARY OF REVIEW

Statistics from the observations are as follows:

82	calls observed
50	eligible for CCSS
45	of eligible calls met CCSS criteria
5	of eligible calls failed to meet CCSS criteria
90%	of eligible calls met CCSS criteria

Nine of 50 eligible calls were order calls or 18%. Further defined, we found 5 of 9 to be "N" orders, 3 of 9 "T" orders and 1 of 9 a "C" order. Forty-one of 50 eligible calls were bridging opportunities for 82%. The representatives bridged on 38 of 41 opportunities for 92.7%. Bridging efforts generated 6 additional orders. (An order was realized every 6.8 tries at bridging.) The 6 orders contained 7 items or an average of 1.16 items per order. Thirty-nine items were sold on the 9 orders initially requested for an average of 4.33 items per order. No items were sold on non-CCSS bridging attempts.

Findings:

1. Assuring techniques were demonstrated on most observations; however, true objections were not identified in some instances; therefore efforts to overcome objections were somewhat weak.

2. Transition statements on bridge attempts need refinement.

3. Several recommendations were made for services which the customer had on the records.

Record-keeping documentation is listed below:

Binders are set up as specified in guidelines for non-management employees. The Forms 0770 are dated and signed well in advance of quarterly campaigns. Deposit entry forms, RF 2915 and RF 6219 were verified as having like dollar amounts. Running totals are being kept on actual amounts awarded with a comparison to the budget. Verification of July awards were found to be in compliance. The budget was $294.00, seven awards for first place winners at $25 each and seven second place awards at $17 each. The award tracking form for these items was reviewed; all were properly prepared.

Findings:

1. A random sample of Form 0770 was checked. In April, the forms indicated the quantity and amount of awards; however, award type was not indicated.

2. The Form 0771 dated April 17 indicated two winners for awards of $10 each. We were unable to determine the type of award and the criteria for the award.

3. Guidelines call for management and non-management records to be in the same administrative binders. A separate binder is being used for management records.

Interviews were conducted with one management employee and six service representatives. All interviewed were very knowledgeable of the sales report and associated documents. The respondents were familiar with customer centered sales and service techniques and the obvious benefits to revenue generation and customer satisfaction. Recognition is used frequently and considered a positive way to motivate the employees. Several employees stated that they were receiving specific feedback on their call handling performance. All were familiar with current TELSAM results and were proud of the office's success in this area.

Findings:

Several employees were unsure of the current contest being conducted in the office. They were aware that one was going on, but were unfamiliar with the specifics.

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1584

Re see latest Tw mail - pg

010.0000

MAY 27, 1992

TO: W. G. Dresser, General Manager - Customer Services Marketing (FL)
F. C. Feagin, General Manager - Customer Services Marketing (AL, MS)
T. C. Fletcher, General Manager - Customer Services Marketing (LA)
C. D. Irby, General Manager - Customer Services Marketing (KY, TN)
J. A. Saffell, General Manager - Customer Services Marketing (GA)
L. E. Spradlin, General Manager - Customer Services Marketing (NC, SC)

FROM: T. L. Hamby, Assistant Vice President - Residence and Consumer Services

SUBJECT: Hunting Sales Overview Package

Our first Public Switched Network Services promotional campaign is scheduled to begin on Monday, June 2 (August 3 for Florida). One of the key services being highlighted during this campaign period is Hunting. During the promotion period, the Service Ordering Charge for Hunting will be waived when an existing customer adds the service. Therefore, an update of the customer benefits associated with Hunting appears to be appropriate.

The following material has been developed for your use in preparing contact personnel in the Business Service Centers (BSSC), Direct Marketing Center (DMC), and Telemarketing Center (TMC) to discuss the customer benefits to be derived from subscribing to Hunting service:

- Attachment 1
  Hunting Overview Package - which includes a chart outlines the potential for increased call handling capability with Hunting.

- Attachment 2
  Provides state specific rate charts for 2 - 6 line customers with Hunting.

- Attachment 3
  Hunting Sales Applications - which have been provided through normal distribution channels to Training and Support Subject Matter Experts, for incorporation into future updates pertaining to this subject.

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We would like to particularly call your attention to Attachment 1, dealing with the potential for increased call handling capability with Hunting. While this is a core application of Hunting service, we have previously not been able to use it effectively with customers. This is due to the fact that several calling characteristic variables, which vary from customer to customer, determine the actual improvement in increased call handling capability as a result of Hunting. We have chosen to deal with this by using averages and qualifying the numbers quoted to the customer as such. This should now enable Service Representatives to better explain to customers that Hunting is much more than just a capability which allows calls to rotary over to another line.

To speed the dissemination of this information, we are also faxing it directly to your sales coordinators.

If you have any questions or need additional information, please give me a call at (205) 977-5530, or contact Bruce Bursi-BSSC, at (205) 977-0751, or Pat Redmond-TMC/DMC, at (205) 977-1800.

for

Attachments

cc: R. D. Odom
J. B. North
C. W. Buffington
P. A. Donald

HUNTING SALES APPLICATION
INCREASED LINE CAPACITY

Introduction

Hunting (Grouping) Service) is a feature that provides the business customer with more than one line the ability to automatically transfer incoming calls to the next available line when one or more lines is "busy".

The purpose of this document is to provide Contact Personnel in the BSSC/DMC an enhanced application focused on increased line capacity as well as assistance in utilizing Customer Centered Sales and Service techniques when marketing this capacity application.

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Hunting (Grouping) provides a valuable service for businesses with two or more lines and the need to automatically transfer incoming calls to the next available line when one or more lines are "busy". Target customers include:

- All business customers with two or more lines who are concerned with efficiency/productivity of handling incoming calls.
- All business customers with two or more lines who want to increase their line capacity without increasing the number of lines.
- All businesses with a large number of incoming calls.

In order to effectively sell Hunting, the sales personnel should uncover customer needs by focusing their "discovery" questions on the incoming call management function of the business. This can be accomplished by asking Customer Centered Sales and Service/Segmentation questions such as:

- What percent of your business calls are incoming versus outgoing?
- What type of calls are received in your company? Such as, are they from clients, suppliers, etc?
- Where are most of your calls received from? Such as, are they local, long distance, etc.

Using information gained from customer responses to the above questions is critical in building and supporting the offering for Hunting. If, for example, the customer advises the largest percentage of the calls are incoming and from clients, this would be a good clue that incoming call management is important to the business. The Hunting feature would be a "must" for any business that receives a lot of incoming calls.

The use of increased line capacity as an application gives the customer improved incoming call management capability. To explain increased line capacity, the sales person should advise the customer that based on the number of lines in the business and the average number of calls received per hour in the business, we can increase the number of calls which can be handled, thereby improving customer service, productivity, and reducing the potential for lost business due to incoming callers receiving a "busy" signal.

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JUN 19 1990

Go For The Gold — Together we profi

May 1990 Report Card

Financial results
The April financial results reflected a drop in our trend to meet the end of year Team Florida goal. Expenses were up slightly, so we must continue to control the dollars we spend in operating the business. It is especially important now as we head into the traditional rainy season and the normal increase in expenses resulting from added troubles experienced in wet weather. Revenues were also off somewhat, so continued emphasis on sales is important. Keep referring your sales leads via GoldLine (780-2288).

Profitability improvements
March, we told you that as we continue to stress quality customer service we must also look for profitability improvements. The exchange of ideas by the Network and Marketing organizations has led to initiatives in the areas of revenue generation, cost containment and customer satisfaction. Many of the initiatives have been implemented and initial results are favorable. The exchange of information on issues that are impacting our profitability continues. We will continue to relate their progress in future reports.

Customer service excellence
Florida's CSP (Customer Satisfaction Plan) responses for our large business customers indicate that 94 percent are satisfied, exceeding our 90 percent KSRI objective. Keep up the good work.

MemoryCall℠ Service
MemoryCall Service has arrived in Miami, Fort Lauderdale and Hollywood. Employees are encouraged to take advantage of the free trial offer. If you place your order before July 31, you will get the first month for free and all connection charges will be waived. This offer is also available to all your friends and relatives (business and residence). Please refer all potential leads through GoldLine at 780-2288.

MemoryCall is already available now in the following wire centers in Miami: Alhambra, Airport, Miami Beach, Key Biscayne, Northside, Poinciana, Red Road and West Miami.

In Fort Lauderdale: Sunrise, Plantation, Jacaranda, Coral Ridge, Main Relief 46, Hollywood Main and West Hollywood.

Another 11 offices will go on line with MemoryCall on June 1. We will update you on that in next month's bulletin.

Ham Corey
Chairman

Fred Shay
Co-Chairman

780-2288

6-147

COMMISSIONERS
BOB DURDEN, CHAIRMAN
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ROBERT C. (BOBBY) PAFFORD
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BOBBY ROWAN

1873

FRANK S. ELDRIDGE, JR.
EXECUTIVE DIRECTOR
WILLIAM J. BUCKNER
EXECUTIVE SECRETARY

Georgia Public Service Commission

244 WASHINGTON STREET, S.W.
ATLANTA, GEORGIA 30334-5701

RECEIVED
JUN 04 1991
Executive Secretary
Ga. Public Service Commission

DOCKET NO. 4000-U

ORDER OF THE COMMISSION REGARDING ITS INVESTIGATION INTO SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY'S TRIAL PROVISION OF MEMORYCALL℠ SERVICE

IN RE: In the Matter of the Commission's Investigation Into Southern Bell Telephone and Telegraph Company's Provision of MemoryCall℠ Service

Record submitted: April 24, 1991 Decided: May 21, 1991

APPEARANCES

FOR SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY:
Lawrence E. Gill, Attorney
J. Lloyd Nault, II, Attorney

FOR THE COMMISSION STAFF:
Michael S. Bradley, Special Assistant Attorney General
David I. Adelman, Staff Attorney, State Law Department

FOR THE CONSUMERS' UTILITY COUNSEL:
Nancy N. Gibson, Counsel
Chanthina Bryant, Attorney

FOR COX ENTERPRISES, INC.:
Peter C. Canfield, Attorney
Gerald Weber, Attorney

FOR ATC:
Patrick K. Wiggins, Attorney

FOR THE GEORGIA ASSOCIATION OF TELEMESSAGING SERVICES:
Marion W. Dunn, President
Michael J. Saner, Vice President

I.

INTRODUCTION: THE CENTRAL POLICY ISSUE

This case concerns whether and how Southern Bell Telephone and Telegraph Company ("SBT") shall be permitted to compete in the intrastate telecommunications market for voice messaging services ("VMS"). Insomuch as VMS is but one segment of a broader set of services called enhanced services ("ES"), the case also presents the more general issue whether and how SBT shall be permitted to compete in the intrastate ES market.[1]

The central policy issue to be decided and the general circumstances that frame it are succinctly stated as follows. SBT is the monopoly controller of the local telephone system. As such, it has both the opportunity and interest to behave anti-competitively if allowed uncontrolled presence in competitive markets. However, SBT's presence in those markets, under conditions where it does not abuse its monopoly position, may actually promote development of an efficient, competitive ES market. The central question before the Commission therefore is: What regulatory approach to SBT's entry into the ES market will best guard against monopoly abuse of that market, but foster its development to its efficient, competitive extremes to the benefit of consumers and the State?

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[1]Throughout this Order unless otherwise noted, the terms "VMS," "VMS market," "ES," or "ES market" refer to the intrastate telecommunications portion of the voice messaging service market or enhanced services market, which is the only portion of those respective markets regulated by this Commission. In addition, unless otherwise noted, reference to ES and/or ES market includes reference to VMS and/or VMS market.

The principal fact matters determined by the Commission in this case are whether, under current circumstances, SBT has the opportunity and incentive to abuse its monopoly control of the local telephone system to the detriment of fair competition in the VMS market and whether SBT has done so. The Commission finds that SBT does have that opportunity and incentive. The Commission also finds that the evidence in this case indicates that SBT has actually used its monopoly position to deter competition in the VMS market. See, Part III.

Based on these findings, the Commission articulates the overall regulatory policy that will govern SBT's presence in the ES market, plus fashions the specific regulatory framework pursuant to which SBT shall be permitted to compete in the VMS market. See, Part IV. The Commission determines that the best policy is to promote competition in the ES market so that it will develop to its efficient, competitive extreme. Achievement of this policy means that SBT's presence in the ES market must be regulated until that market develops to a stage of complete competition. Once that stage is reached, the competitive balance of the market should eliminate the need for regulation to prevent the type of abuse of monopoly control of the local telephone network by SBT that deters or defeats competition.

SBT's current presence in the VMS market is basically uncontrolled. The Commission has determined that SBT has the opportunity and incentive to behave anticompetitively in that market in order to favor its MemoryCall℠ service over other

competitive VMS options. The Commission has further determined that SBT has in fact behaved anticompetitively with respect to its trial offer of MemoryCall℠ service, with inevitable and likely irreparable damage to the VMS marketplace. The full scope and extent of this damage and of SBT's anticompetitive behavior cannot presently be determined by the Commission, given SBT's failure to comply with the Commission's earlier directive that SBT file with the Commission sufficient cost data to allow a determination as to whether MemoryCall℠ service is being predatorily priced. The Commission therefore determines that SBT's current provision of MemoryCall℠ service must be frozen in order to halt SBT's anticompetitive behavior pending filing by Southern Bell of a complete cost of service study for MemoryCall℠ service, including all workpapers thereto, and pending Commission design and implementation of appropriate regulatory controls to prevent and/or deter monopoly abuse. The Commission therefore undertakes certain analyses and actions to develop the appropriate set of regulatory controls. See, Part V.

II.

JURISDICTION AND AUTHORITY TO REGULATE SBT'S PROVISION OF MEMORYCALL℠ SERVICE

Several statutes confer jurisdiction and authority upon the Commission to regulate SBT's provision of MemoryCall℠ service under the conditions presented by this case. The Commission's general jurisdiction and authority is contained in O.C.G.A. § 46-2-20, which provides, in pertinent part, as follows:

> (a) Except as otherwise provided by law, the commission shall have the general supervision of all . . . telephone and telegraph companies . . . within this state;
>
> (b) The commission may hear complaints; in addition, it is also authorized to perform the duties imposed upon it of its own initiative.
>
> (c) The commission may . . . by special orders in particular cases, require all companies under its supervision to establish and maintain such public services and facilities as may be reasonable and just.
>
> (e) The commission shall have authority to examine the affairs of all companies under its supervision and to keep informed as to . . . the manner in which the lines owned, leased, or controlled by them are managed, conducted, and operated . . . with reference to their compliance with all laws [and] orders of the commission . . . .

The Commission has also received specific statutory jurisdiction and authority with regard to telephone companies and their services. O.C.G.A. § 46-2-21(b)(4) provides, in pertinent part, as follows:

> (b) The powers and duties conferred . . . upon the commission and its authority and control shall also extend to:
>
> (4) Telegraph or telephone companies, or persons owning, leasing, or operating a public telephone service or telephone lines in this state.

The Commission has exercised jurisdiction and authority over SBT for many years. No serious suggestion is made that SBT is outside the reach of the Commission's jurisdiction and authority. However, it appears that SBT obliquely contends that the Commission

nevertheless does not have jurisdiction and authority to regulate SBT's provision of MemoryCall℠ service.[2] It appears that SBT may contend that while SBT is a telephone company subject to the Commission's regulatory jurisdiction and authority under § 46-2-21(b)(4), MemoryCall℠ is not a telephone service subject to the Commission's jurisdiction within the meaning of § 46-2-21(b)(4) and therefore the Commission may not regulate SBT's provision of MemoryCall℠. If SBT's Motion raises this contention, it is wholly without merit.

At bottom, the contention fails because MemoryCall℠ is a telephone service. Indeed, any service provided by SBT that is integrally connected to its ownership, control and operation of its monopoly local service telephone system is a telephone service within the meaning of O.C.G.A. § 46-2-21(b)(4). It is indisputable that SBT's provision of MemoryCall℠ service is integrally connected to SBT's ownership, control and operation of its monopoly local service telephone system. For this reason alone, the Commission has jurisdiction to regulate SBT's provision of MemoryCall℠ service.

III.

SBT'S OPPORTUNITY AND INCENTIVE TO ABUSE AND ITS ACTUAL ABUSE OF ITS MONOPOLY POSITION

This case does not arise in a vacuum apart from the significant events of the last decade that have reshaped the

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[2] See, SBT's "Motion to Expand the Scope of the Docket and Reschedule the Hearings," filed April 15, 1991, p. 2.

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telecommunications industry. Rather, it fits in the stream of events stemming from federal court divestiture of the Bell System in 1982 and the FCC's subsequent efforts to regulate interstate enhanced services provided by the BOCs. Those bodies have found that the BOCs' monopoly control of the local network bottleneck gives the BOCs the opportunity and incentive to discriminate against competitors regarding access to the local network and to cross-subsidize competitive businesses by shifting costs to the regulated side and/or by using profits from the regulated side to underwrite competitive ventures.

In addition to the findings and conclusion of the federal courts and the FCC, the evidence presented in this docket also shows the opportunity and incentive of SBT to behave anticompetitively with respect to the VMS market. Indeed, beyond the mere opportunity and incentive to behave anticompetitively, the evidence demonstrates actual anticompetitive behavior by SBT with respect to network access and marketing through control of the local network, plus the possible but as yet undetermined cross-subsidy of MemoryCall℠ through predatory pricing.

A. Federal Antitrust Litigation Findings

In 1982, American Telephone & Telegraph Company ("AT&T") was divested of 22 of its operating companies (the Bell Operating Companies, or "BOCs") by a federal court pursuant to a consent decree entered in a federal government antitrust case. In that case the federal court determined that monopoly control of the local telephone system by AT&T through its ownership of the BOCs

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was used to defeat competition in several broad telecommunications markets. In order to avoid subsequent similar anticompetitive behavior by the BOCs, who after divestiture would continue their monopoly control of the local telephone system, the antitrust court imposed severe line of business restrictions upon the divested BOCs. One restriction concerned information services, a category that includes ES and VMS. Various orders of the federal court imposing the information services line of business restriction establish that BOC monopoly control of the local telephone system provides the opportunity and incentive to behave anticompetitively in the information services market. The relevant portion of these decisions are briefly discussed herein as a partial basis for the Commission's finding that SBT has the opportunity and incentive to behave anticompetitively in the ES market if its presence in that market is uncontrolled.[3]

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[3]The Commission takes notice of the following decisions rendered by the federal court in the antitrust case.

1. United States v. American Telephone and Telegraph Company, 552 F.Supp. 131 (D.D.C. 1982). Hereafter, this opinion is referred to as the "Modification of Final Judgment" or "MFJ." The final decree implementing the antitrust settlement, entered in 1983, is referred to as the "MFJ Decree." The District Court for the District of Columbia that issued the MFJ and MFJ Decree is referred to as the "antitrust court."

2. United States v. Western Electric Company, Inc., 592 F.Supp. 846 (D.D.C. 1984). Hereafter, this antitrust court opinion is referred to as "Western Electric (1984)."

3. United States v. Western Electric Company, Inc., 673 F.Supp. 525 (D.D.C. 1987). Hereafter, this antitrust court opinion is referred to as "Western Electric (1987)."

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1. The Modification of Final Judgment

The MFJ determined that AT&T behaved anticompetitively by using its monopoly control of the local telephone system to defeat competition. It further determined that divestiture is the necessary remedy to curb that abuse. The antitrust court also noted, however, that after divestiture the BOCs would retain monopoly control of the local telephone system and therefore the risk of anticompetitive behavior would continue, this time through the BOCs.

> The key to the Bell System's power to impede competition has been its control of local telephone service. The local telephone network functions as the gateway to individual telephone subscribers. . . . The enormous cost of the wires, cables, switches, and other transmission facilities which comprise that network has completely insulated it from competition. Thus, access to [the] local network is crucial if [there] are to be viable competitors.
>
> AT&T has allegedly used its control of this local monopoly to disadvantage these competitors in two principal ways. First, it has attempted to prevent [competitors] from gaining access to the local network, or to delay that access, thus placing them in an inferior position vis-a-vis AT&T's own services. Second, it has supposedly used profits earned from the monopoly local telephone operations to subsidize its [competitive] businesses . . . .
>
> . . .
>
> After the divestiture, the Operating Companies will possess a monopoly over local telephone

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4. United States v. Western Electric Company, Inc., 714 F.Supp. 1, (D.D.C. 1988) affirmed in part and overturned in part in United States v. Western Electric Company, Inc., 900 F.2d 283 (D.C. Cir. 1990). Hereafter, this antitrust court opinion is referred to as the "VMS Waiver Order."

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> service. . . . Restrictions [will be imposed on the BOCs] based on an assessment of the realistic circumstances of the relevant markets, including the Operating Companies' ability to engage in anticompetitive behavior, their potential contribution to the market as an added competitor for AT&T, as well as upon the effects of the restrictions on the rates for local telephone service.
>
> This standard requires that the Operating Companies be prohibited from providing long distance services and information services, and from manufacturing equipment used in the telecommunications industry. Participation in these fields carries with it a substantial risk that the Operating Companies will use the same anticompetitive techniques used by AT&T in order to thwart the growth of their own competitors. Moreover, contrary to the assumptions made by some, Operating Company involvement in these areas could not legitimately generate subsidies for local rates. Such involvement could produce substantial profits only if the local companies used their monopoly position to dislodge competitors or to provide subsidy for their competitive services or products--the very behavior the decree seeks to prevent.

MFJ, pp. 223-224 (bracketed material supplied, some material omitted).

The antitrust court recognized the possibility that over time the BOCs may "lose the ability to leverage their monopoly power into the competitive markets from which they now must be barred." MFJ, p. 194. Consequently, the antitrust court created a means whereby the BOCs could petition to have the restrictions modified or removed where conditions warrant. Under Section VIII(C) of the MFJ Decree, the antitrust court provided that a restriction would "be removed upon a showing that there is no substantial possibility that an Operating Company could use its monopoly power to impede

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competition in the relevant market." MFJ, p. 195, footnote 117 omitted.

2. Subsequent Decisions in Waiver Request Cases

a. Western Electric (1984)

The BOCs immediately began petitioning the antitrust court for waivers of the line of business restrictions. In Western Electric (1984), the antitrust court soundly rejected the requests, reaffirming its recognition of the underlying reason for the line of business restrictions, namely, continued BOC opportunity and incentive to abuse its monopoly control of the local telephone service to defeat competition. The specific analyses of the antitrust court are relevant to this proceeding. Reviewing the underlying basis for the line of business restrictions and the concrete problems of BOC anticompetitive behavior, the antitrust court imposed a separate subsidiary requirement as a condition for waivers.

(1) The Underlying Basis for Line of Business Restrictions

The antitrust court reaffirmed the underlying basis for the line of business restrictions.[4] It concluded that requests for waiver must be evaluated in that context.

> Contrary to the claims of some of the Regional Holding Companies, the inclusion of Section VIII(C) in the decree [allowing waivers] is not evidence of a general policy in favor of their diversification. That provision was included so that these companies could, at some later time, engage in nonregulated activities on a carefully controlled basis.

[4] See, Western Electric (1984), pp. 851-52.

Western Electric (1984), p. 858 (bracketed material and underlining added).

(2) The Concrete Problems of Anticompetitive Behavior

The antitrust court carefully noted three prime areas of actual or potential abuse by the BOCs: (1) Discrimination in access to bottleneck facilities; (2) cross-subsidization; and (3) exploitation of marketing advantages stemming from their local exchange monopoly.

(a) Access Discrimination

With respect to access discrimination, the antitrust court noted that the risk of use of monopoly power for anticompetitive purposes lessens as the connection between the competitive market sought to be entered and local exchange service becomes more attenuated. In the antitrust court's view, this

> is so because products or services in unrelated fields are not dependent upon interconnection to the [BOCs'] monopoly bottleneck facilities, and discriminatory access therefore cannot injure [those who] compete with them.

Western Electric (1984), p. 853, (bracketed material supplied).[5]

(b) Cross-Subsidization

The antitrust court also recognized that competition is readily impeded by cross-subsidization, defined as "a subsidy to a new, competitive line of business with profits earned from or

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[5]It is obvious, however, that the inverse of this observation holds where, as in this case, the ability of Georgia VMS competitors to compete with MemoryCall™ service depends upon their non-discriminatory access to the local bottleneck.

assets held by the existing, regulated monopoly line of business." Id. It was reasoned that

> as long as a Regional Holding Company is engaged in both monopoly and competitive activities, it will have the incentive as well as the ability to "milk" the rate-of-return regulated monopoly affiliate to subsidize its competitive ventures and thereby to undersell its rivals in the markets where there is competition.

Id.

The antitrust court analyzed the specific forms that cross-subsidy might take, explaining that

> [o]ne such practice would be the misallocation of common costs. To the extent that a Regional Holding Company used the same facilities, equipment, and personnel to serve both its regulated and its unregulated activities, it would have the ability to overallocate the costs assigned to the former in order to maximize the amount that would be passed onto the ratepayers (who have no choice but to pay). Not only would this improper assignment of costs burden the ratepayers; it would also enable the company profitably to charge less for its competitive products and services than do its rivals who enjoy no such subsidy.

Id., footnote omitted. One BOC proposal to be allowed to engage in the office equipment business was found to be particularly instructive of the cross subsidy problem.

> Nynex's proposal for an office equipment venture illustrates this problem. Under that company's proposal, over 75 percent of the employees of its Business Information Systems Company (BISC) subsidiary will be located in a sales division that will also serve as the sales agent for its telephone exchange services. Under this arrangement, Nynex could easily manipulate the common costs of the BISC and Operating Companies so that the ratepayers would subsidize the office equipment business.

Id., f.n. 12. Other potential cross-subsidy abuses were noted.

> A Regional Holding Company could also subsidize its competitive ventures by transferring assets from its regulated affiliates to its unregulated affiliates at less than their cost or below their market value. Such a practice would not only adversely affect the ratepayers who ultimately fund the research and development costs of the transferred assets, but it would, once again, impede fair and effective competition in the competitive market: this cross subsidization would give the company's unregulated enterprise an obvious and improper advantage over its competitors. Conversely, a regulated affiliate could "purchase" assets from the unregulated affiliate at a price above their market value and pass on the extra costs to the ratepayers.

Id., p. 854, footnotes omitted.

The antitrust court recognized the special potential for cross-subsidy abuse where a BOC is developing regulated assets in anticipation of their use in competitive markets.

> An affiliate which develops an asset in its regulated market in anticipation of its potential use in the competitive market would have the incentive to add features or capabilities beyond those required for the provision of local telephone service in order to enhance the asset's market value. As a result, the ratepayers would subsidize the unregulated businesses by paying for "extras" which benefit only those businesses. Indeed, the ratepayers might bear the entire risk of researching and developing these assets because a Regional Holding Company would transfer from its regulated to its unregulated affiliate only those projects which turn out to be successful. Conversely, if the unregulated affiliate developed an asset and sold it to the Operating Company at the full cost of development, a cross subsidy would occur if the asset possessed features or capabilities beyond those required for the provision of the local service.

Id., f.n. 15.

(c) Exploitation of Marketing Advantages Stemming from the Local Exchange Monopoly

The BOCs have a unique position because they are the contact point for the telephone public. This position provides special opportunities for anticompetitive behavior, in the view of the antitrust court.

> In addition to cross subsidization, a Regional Holding Company could impede competition in markets unrelated to telecommunications by exploiting the marketing advantages stemming from its local exchange monopoly. The company would have a unique advantage over its competitors if, for example, it "bundled" its regulated monopoly services with its competitive products or services, or if it advertised, and in fact provided to its customers in the competitive market, more timely telecommunications service, preferential access, or both.

Id., p. 854 The antitrust court believed that "[s]uch practices are especially likely to occur if the regulated and unregulated services are marketed by a single sales staff." Id., f.n. 17.

(3) Separate Subsidiary Requirement

Based on these and other analyses, the antitrust court imposed a separate subsidiary requirement, holding that

> . . . [i]t is generally agreed that if the Regional Holding Companies conducted competitive activities through separate subsidiaries, intracompany transactions would become more apparent and thus cross subsidization and other anticompetitive conduct could more easily be prevented or rectified. . . . Accordingly, while, as a general matter, the Court is not eager to require the establishment of separate subsidiaries, that measure is warranted in this situation, and it will be required.

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Id., pp. 870-71, footnote omitted.

In summary, the antitrust court concluded that the MFJ Decree was entered

> to eliminate anticompetitive conditions in the telecommunications industry. . . . Under the decree, the Regional Holding Companies play an essential role--they are to provide efficient, economical, and, if possible, technologically advanced local telephone service. Their role is not to provide a source of ratepayer funds, credit, and other assets to finance competitive ventures, nor were they meant to be vast conglomerates in which telephone service is relegated to a subordinate place. . . .
>
> The decree contemplates that AT&T, as a company now engaged in competitive business, could enter various new fields as it sees fit; it did not contemplate such entry for the Regional Holding Companies except on a limited and slowly-evolving basis. The reason is simple: these companies, unlike AT&T, retain what is in law and in reality a monopoly over a critical aspect of the nation's telephone service.
>
> . . .
>
> . . . [T]here is the overriding principle that the Court is obligated under the decree to make certain that the Regional Holding Companies do not impede competition in the non-telecommunications markets they seek to enter. . . .
>
> The decree assumes, as does the Court, that the Regional Holding Companies may diversify on a significant scale only as they demonstrate . . . the improbability of their involvement in anticompetitive conduct based upon their monopoly status.

Id., pp. 874-875.

b. Western Electric (1987)

In 1987 the BOCs once again asked for waivers of all three line of business restrictions. In Western Electric (1987), the

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antitrust court reexamined the opportunity and incentive of the BOCs to use their monopoly control over the local telephone network to defeat competition. The BOCs advanced their new request on the grounds that they no longer had monopoly control of the local telephone network, that there is no longer a Bell System because there are seven Regional Companies, and that, unlike at the time the MFJ Decree was entered, federal regulation is now sufficient to prevent anticompetitive abuses.

The antitrust court examined each of these contentions and found each wanting. The antitrust court concluded that the BOCs continued the same incentive and ability to use their monopoly control of the local service network to defeat competition as they had at the time of divestiture.[6]

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[6] See, Western Electric (1987), pp. 565-566, wherein with respect to the BOCs continued opportunity and incentive for monopoly abuse in the information services market, the antitrust court concluded

> there has been no change whatever in this respect since 1984, and no demonstration that now, unlike then, there is no substantial possibility that the Regional Companies could not, and indeed would not, use their monopoly power to impede competition in the information services market.
>
> . . .
>
> That the ability for abuse exists as does the incentive, of that there can be no doubt. As stated above, information services are fragile, and because of their fragility, time-sensitivity, and their negative reaction to even small degradations in transmission quality and speed, they are most easily subject to destruction by those who control their transmission. Among the more obvious means of anticompetitive action in this regard are increases in the rates for those switched and private line services upon which Regional

The antitrust court did carve out one area for waiver: Information services transmission. It did so based on a cost/benefit analysis, as follows.

> After considering the subject in some detail and with great care, the Court has become convinced, first, that, if the authority of the Regional Companies is carefully limited, the risk of anticompetitive action by these companies, while not insignificant, is, on balance, outweighed by other considerations; second, that the broad scale and the reasonable cost criteria necessary for a successful [information services transmission] system can be met only by permitting the Regional Companies to provide the necessary infrastructure components for efficient videotech services on an integrated basis; and third, that it is probable that a well-run, adequately publicized system could perform a useful service, and that it might attract a sufficient number of subscribers, so that it could operate on an economically sound basis.
>
> . . .
>
> For the reasons stated, the Court will exempt from the information services restriction the transmission of information generated by others . . . .

Western Electric (1987), pp. 591 and 597 (bracketed material supplied). The antitrust court invited those BOCs interested to

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> Company competitors depend while lower rates are maintained for Regional Company network services; manipulation of the quality of access lines; impairment of the speed, quality, and efficiency of dedicated private lines used by competitors; development of new information services to take advantage of planned, but not yet publicly known, changes in the underlying network; and use for Regional Company benefit of the knowledge of the design, nature, geographic coverage, and traffic patterns of competitive information service providers.

submit specific proposals for entry into the information services transmission business.

c. VMS Waiver Order

In March, 1988, the antitrust court granted a waiver to the BOCs under Section VIII(C) of the MFJ Decree, thereby permitting them "to engage in voice storage and retrieval services, including voice messaging . . . services." VMS Waiver Order, p. 23.[7]

Over opposition from VMS competitors, the antitrust court granted the waiver based on a public policy cost/benefit analysis.[8] The antitrust court concluded that a large VMS market exists that will not be effectively developed absent proper BOC participation.

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[7]The VMS Waiver Order distinguishes between information services content and information services transmission. The VMS Waiver Order denied the BOCs' request for waiver of the line of business restriction on information services content. Authority to offer services like MemoryCall™ is covered by the waiver granted by the antitrust court to engage in information services transmission.

As earlier noted in f.n. 3 herein, a portion of the VMS Waiver Order was overturned on appeal. See, United States v. Western Electric Company, Inc., 900 F.2d 283, 305 (D.C. Cir. 1990) (" . . . the district court erred in applying section VIII(C) to the uncontested motion to remove the line-of-business restriction on information services. And because we are unable to say that the district court would have reached the same result had it applied the proper legal standard, we are constrained to remand the case for further consideration of the BOCs' motion to remove the information services ban in its entirety.") The portion overturned is the District Court's denial of the waiver request for information services content. It appears to the Commission that the waiver for information services transmission has remained (or will remain) intact.

[8]Those in opposition to the waiver argued principally two propositions: (1) Due to BOC monopoly of local switching services, "a competitive market for the delivery of [VMS] services to consumers is likely to develop only if the [BOCs] remain prohibited from providing them" and (2) the BOCs failed to show under Section VIII(C) of the MFJ Decree that there is a lack of competitive harm. VMS Waiver Order, pp. 18, 20, bracketed material supplied.

Recognizing the potential for BOC anti-competitive activity in the VMS market, the antitrust court nonetheless concluded that BOC entry into the VMS market was warranted.[9]

The antitrust court did not simply turn the BOCs loose in the information services arena to behave as they desire. In the context of granting waivers to enter the information services transmission arena, the antitrust court noted that

> ". . . Regional Company behavior in the information services field will be closely monitored. Should it become apparent that the flexibility granted herein is being abused,

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[9]Although finding the cost/benefit calculation a close call, the antitrust court concluded its cost/benefit analysis as follows:

> In the Court's opinion, several factors tip the balance in favor of Regional Company entry.
>
> First. In view of the fact that the core violations that were the subject of proof at the AT&T trial did not involve this market at all, there is less reason to believe that Regional Company involvement in this industry will lead to anti-competitive behavior than would, for example, its involvement in long distance, provision of information content, or manufacture of telecommunications products.
>
> Second. Due to the subtle competitive pressure exerted on this market by the presence of service bureaus, answering services, and particularly home answering machines, the ability to control prices and otherwise to operate monopolistically will be substantially diluted.
>
> . . .
>
> Third. In view of the largely inconclusive and speculative nature of the competitive considerations, other public policy factors should also be considered. In this context, the public interest heavily tips the balance in favor of the requests of the Regional Companies.
>
> The likelihood is that truly ubiquitous access to these services will not be had by the residential and small business consumer in the absence of Regional Company involvement. . . .

VMS Waiver Order, pp. 21-22, some material omitted.

that local bottlenecks are being used to discriminate against competitors in the information services market, or that the information services are being subsidized by funds contributed by the ratepayers, the Court will take appropriate enforcement action. In fact, if the behavior of a particular Regional Company proves particularly egregious, the Court will not hesitate to rescind that violator's authority to engage in information transmission services altogether."

VMS Waiver Order, p. 18, footnote omitted.

B. Federal Communications Commission Findings

The Federal Communications Commission (FCC) has rendered several post-divestiture decisions regarding the conditions under which it shall allow the BOCs to offer interstate enhanced services. By necessity, each of those decisions addresses the opportunity and incentive of the BOCs to behave anticompetitively, principally from the point of view of preventing discriminatory access to the local system and impermissible cross-subsidy. The relevant portion of these decisions are briefly discussed herein as a partial basis for the Commission's finding in this case that SBT has both the opportunity and incentive to behave anticompetitively in the ES market if its presence therein is uncontrolled.[10]

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[10]The Commission takes notice of the following decisions rendered by the FCC, plus one Federal Appeals Court decision relating thereto.

1. Policy and Rules Concerning the Furnishing of Customer Premises Equipment, Enhanced Services and Cellular Communications Equipment by the Bell Operating Companies, CC Docket 83-115, Report and Order, 95 FCC 2d 1117 (1984), referred to hereafter as "BOC Separation Order," and FCC 84-252, 49 Fed.Reg. 26056 (1984), referred to hereafter as the "BOC Separation Reconsideration Order."

1. BOC Separation Order

Prior to divestiture, but after the entry of the MFJ and MFJ Decree, the FCC undertook to determine "whether the separate subsidiary requirements [previously adopted by the FCC for application to AT&T] are applicable to the [divested] Bell Operating Companies (BOCs) after they are divested by [AT&T] pursuant to the . . . (MFJ)."[11] The FCC ordered a separate subsidiary requirement for the BOC provision of enhanced services, stating

> We have determined in this proceeding that structural separation should be imposed on the divested BOCs in their offering of . . . enhanced services . . . . We have found that the benefits, and the ability to detect and prevent improper cost-shifting and other anticompetitive practices, outweigh the costs imposed on the BOCs in forming and operating through separate organizations.

BOC Separation Order, p. 23 (some material omitted).[12]

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2. FCC 86-252, CC Docket No. 85-229, Report and Order, June 19, 1986, which is the FCC Order in Computer Inquiry III, referred to hereafter as "CI-III."

3. People of the State of California v. Federal Communications Commission, 905 F.2d 1217 (9th Cir. 1990), referred to hereafter as "California v. FCC."

[11]BOC Separation Order, pp. 1-2, (bracketed material supplied).

[12]In its BOC Separation Reconsideration Order, at p. 7, the FCC made a fuller description of the rationale it had adopted in its BOC Separation Order.

> The order was based upon our findings that in light of current circumstances, a modified structural separation is necessary to ensure that BOC provision of . . . enhanced services does not lead to unreasonable rates for regulated services or diminished competition

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The modified structural separation requirement for BOC provision of enhanced services adopted by the FCC prohibited, among other things, joint billing and joint marketing. The FCC found that these type of joint activities posed far too great an opportunity for anticompetitive behavior by the BOCs that might hinder competition in the ES market.[13] Part of the rationale for

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> in the provision of . . . enhanced services. Absent modified structural separation it would be more difficult to control the regionals' ability to cross-subsidize competitive offerings or to discriminate in the interconnection of competitors' offerings. The benefit to consumers of controlling such potential conduct outweigh the cost of separation. We do recognize the possible inefficiencies inherent in structural separation. Structural separation may reduce possible economies of scale and scope. Public services might be provided more cheaply on an unseparated basis. However, until we have had the opportunity to measure the effect of structural separation on the regionals' provision of . . . enhanced services, structural separation is valuable to maximize the benefits and minimize the harms of the regionals' participation in these activities while we acquire experience which will enable us to adjust the structure under which this participation may be most beneficial.

[13]The FCC specifically found that

> Joint operations may allow the BOCs to prosper for reasons other than (1) that they provide a price and quality combination for unregulated products and services that is more attractive than what other suppliers provide, or (2) that they have lower costs. The BOCs could employ their monopoly position in network services to promote their own . . . enhanced services. Those activities involve a danger of anticompetitive practices (e.g., delayed service connection for subscribers purchasing a rival's CPE) and cost shifting (e.g., over-allocation toward monopoly services of a sales

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a prohibition of joint billing is potential abuse of CPNI.[14] The FCC also concluded that the potential abuses from joint marketing could only be adequately controlled by the imposition of some structural separation requirement.[15]

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representative marketing both monopoly services and CPE).

BOC Separation Order, p. 15.

[14]Specifically, the FCC noted that

> the customer data which is needed properly to compute and send bills include sensitive customer proprietary information which should not be accessed by personnel providing unregulated products and services.

BOC Separation Order, p. 17.

[15]See, BOC Separation Order, p. 18, wherein the FCC states

> The BOCs . . argue that there should be no prohibition of joint marketing, subject to appropriate accounting controls. The BOCs argue that, due to their diminished market power after divestiture, they should not be constrained with the joint marketing prohibition. They argue that customers should be able to obtain at one time both network services and CPE. We must reject these arguments . . . . The BOCs have failed to identify convincing reasons why accounting controls effectively can be employed to segregate competitive and regulated costs. As stated previously, reliance on accounting systems alone to allocate common costs is often unsatisfactory. By requiring the total separation of marketing forces, including advertising costs in the case of unregulated products and services, we can more effectively ensure that ratepayers do not bear costs which should be born by the competitive sector.

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2. Computer Inquiry III and the Ninth Circuit Reversal Thereof

In the BOC Separation Order, the FCC rejected the argument that divestiture had reduced the need for structural separation. In CI-III, the FCC completely reversed its course and relieved the BOCs of structural separation requirements. Whereas in the BOC Separation Order the FCC had concluded that structural separation was a necessity,[16] in CI-III the FCC reasoned that divestiture and increased competition in the enhanced services market had changed the cost/benefit of structural separation. In the FCC's new view, structural separation no longer could be viewed as the principal safeguard against monopoly abuse. The FCC therefore adopted new regulations permitting the BOCs to integrate their basic and enhanced services upon implementation of a plan of non-structural safeguards to be approved by the FCC.

In place of its former structural separation policy, the FCC substituted two non-structural safeguards. One safeguard is the development of cost allocation methods to minimize the ability of

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[16]The BOC Separation Order, 95 FCC 2d at 1135-1136, states as follows:

> Anticompetitive conduct directed against enhanced service providers can be controlled by structural separation in a manner that may not be effective with accounting separation alone. If a BOCs separate entity is required to obtain access to the network in the same fashion as would a competing supplier, the provision of inferior access to a BOC rival would be much easier to detect. In addition, the design of the network to favor the BOC's own enhanced services would be easier to detect since separate structure could help to reveal any illegal information transfers.

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the BOCs to shift costs from their unregulated to regulated activities. The second safeguard is the adoption of regulations designed to prevent the BOCs from using their monopoly control of the local telephone network to discriminate against competing providers of enhanced services. This latter control embraces an open network architecture ("ONA") policy, a requirement that each BOC notify its competitors in the enhanced services industry of changes in the network that would effect the provision of enhanced services on a timely basis, and a requirement that each BOC provide its competitors with information about customer use of the telephone network.

In California v. FCC, the Ninth Circuit overturned the FCC's Order in CI-III, finding that the record before the FCC supplied an inadequate factual basis upon which the FCC could rationally find that the individual costs and benefits of structural separation had been materially affected by changed circumstances since the BOC Separation Order. In essence, the California v. FCC Court invalidated the FCC's new cost/benefit analysis because the record revealed no basis for concluding that risks to ratepayers and competitors from improper cross-subsidy activity was in any way lessened by events in the telecommunications world since the FCC issued its BOC Separation Order.[17]

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[17] See, California v. FCC, pp. 1237-1238, wherein the Court concludes:

> . . . [T]he . . . purported "changes" in the telecommunications market identified by the FCC lend no support to its conclusion that the risk of cross-subsidization by the BOCs has

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C. The Evidence Presented in this Case

The Commission has conducted its own hearing regarding SBT's provision of MemoryCall℠ service.[18] The evidence presented to the Commission in this docket demonstrates SBT's clear opportunity and incentive to behave anticompetitively in the VMS market with respect to network access, marketing practices and pricing (including cross-subsidy matters). The record shows actual

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> decreased. . . . [A]s we have already pointed out, the Commissions's consistent position before *Computer III* has always been that monitoring and enforcement problems make cost-accounting regulations an ineffective tool in detecting cost-shifting. Should the BOCs be free to integrate their basic and enhanced operations, nothing in the record suggests that the FCC (or state regulators) will have any less difficulty than before in determining whether costs have been misallocated. Indeed, the only justification the Commission has offered for its heavy reliance on cost-accounting regulations in *Computer III* is that the risk of cost-shifting has been reduced by the four so-called "market changes." Because, as we have discussed, the record fails to show that these purported market changes have demonstrably reduced either cost-shifting opportunities or incentives, the Commission's justification for its new policy change lacks record support. In sum, the Commission has failed to explain satisfactorily how changed circumstances justify its substitution of nonstructural for structural safeguards to protect telephone ratepayers and enhanced services competitors from cross-subsidization.

[18]Prior to the hearing conducted in this Docket, SBT's request to provide MemoryCall℠ service on a trial basis was the subject of Docket No. 3896-U. As part of its record in this case, the Commission incorporates its record from Docket No. 3896-U. That record consists principally of prefiled testimony and exhibits of several parties, the transcript of the hearings conducted in that case, the transcript of relevant administrative sessions and the Commission's Orders entered in that case.

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anticompetitive behavior with respect to discriminatory access to the local network and marketing practices. Serious issues of actual cross-subsidy and predatory pricing are at least raised by the record. They must be pursued to their conclusion before the Commission can definitely conclude whether there is actual anticompetitive behavior in the area of predatory pricing and cross-subsidy.

1. Discriminatory Access to the Local Network Through Monopoly Control of the Local Network Bottleneck

The record in this case demonstrates at least three significant issues of discriminatory, anti-competitive behavior by SBT in the VMS market regarding access to the local network. In the Commission's view, the evidence on each issue shows at a minimum that SBT has both the opportunity and incentive to use its monopoly control of the local network to defeat competition in the VMS market through its influence on whether, how and when competitors can access the local network. Further, the evidence shows that SBT has not hesitated to take advantage of this opportunity, has used its monopoly control over the local network to gain an anticompetitive advantage in its offering of MemoryCall™ service and will continue to do so if left unchecked by the Commission.

First, SBT's trial offer of MemoryCall™ was undertaken in a manner that, due to technical barriers, meant that competitors to MemoryCall™ could not use the local network, except to provide a service significantly inferior to MemoryCall™. See, Testimony of

Burgess, Transcript, p. 180, l. 2 to p. 182, l. 3 and Section III.C.1.a below. Second, SBT refuses to allow MemoryCall™ competitors to co-locate their VMS equipment in SBT's central offices, thereby perpetuating a distinction in product quality and price that disadvantages competitors to MemoryCall™. See, Testimony of Burgess, Transcript, p. 71 and Section III.C.1.b below. Third, the evidence suggests the possibility that SBT has manipulated development of the local network, especially the timing of unbundling certain network features necessary for MemoryCall™ to be offered at all, in order to maximize its competitive advantage with respect to its initial offering of MemoryCall™. See, Section III.C.1.c below.

a. Technical Barrier Due to 1AESS Switches

The voice messaging services offered in competition to MemoryCall™ work on Direct Inward Dial (DID) architecture. See, Testimony of Burgess, Transcript, p. 180, l. 8-10. MemoryCall™ is designed on a more advanced architecture that avoids the technical barrier. See, Testimony of Saner, Transcript, p. 287, l. 2 to l. 8, wherein it is noted that SBT's MemoryCall™ service, because of its special access to SBT engineering, recognized the 1AESS switch technical barrier and designed both the network and its service to avoid the 1AESS switch technical barrier. The functional difference is critical, because in an area served by a 1AESS switch that has not been upgraded, the voice message services that can be offered in competition to MemoryCall™ are grossly inferior in quality and availability. See, Testimony of Burgess, Transcript at

p. 68, l. 6 to p. 71, l. 2; Testimony of Dunn, Transcript, p. 340; Testimony of Saner, Transcript, p. 283, l. 10 to p. 286, l. 25. See also, Testimony of public witness H. Colby, a MemoryCall™ competitor, Transcript, p. 40, l. 3 to p. 42, l. 3.

SBT asked that its trial of MemoryCall™ take place in the Atlanta area. As it turns out, at the time of the trial, 48 central offices in Georgia had 1AESS switches, not upgraded. Thirty-three (33) of them were located in the Atlanta area. However, the vast majority, perhaps as much as 98%, of the TAS Bureaus offering services in competition to MemoryCall™ are located in the Atlanta area. See, Testimony of Burgess, Transcript, pp. 69-70. Stated another way, as of March, 1991, almost a year after the trial of MemoryCall™ started, 29 out of 39 of the central offices where MemoryCall™ is being offered were 1AESS switch central offices. See, Testimony of Saner, Transcript, p. 285, l. 1 to l. 14. The result was that, given the location chosen to trial offer MemoryCall™, during the trial period MemoryCall™ was competing against voice message services that, because of technical network barriers, were grossly inferior.

Only when the 1AESS switch problem was brought to the Commission's attention by the TAS Bureaus did SBT begin a program to upgrade the Atlanta area switches. However, at best, SBT expects that program to be completed (for all but one central office) in mid-June, 1991. See, Testimony of Burgess, Transcript, p. 184, l. 4 to l. 17, wherein SBT suggests through its cross-examination question, but Burgess cannot and does not confirm, that

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the conversions will be complete by this date; but see also, Testimony of Saner, Transcript, p. 288, l. 15 to p. 289, l. 4, noting that SBT has informed him that the central office update will not be completed until June, 1992, and further noting that the current schedule for updating is not being met. The remaining central office location will not be upgraded until October, 1991 at the earliest. Thus, for at least the first 15 months of SBT's initial entry into the VMS market with MemoryCall™, the technical barriers of the network created an insurmountable advantage in SBT's favor regarding the quality of the voice messaging services available as competition to MemoryCall™. Absent the technical barrier due to the 1AESS switch, the voice messaging services competing with MemoryCall™ compare much more favorably with respect to quality and availability of the voice mail service.

b. Co-Location

SBT places its voice mail equipment (including hardware) within its central offices, thereby enabling SBT to provide a higher quality voice mail service. This action also reduces SBT's overall cost of providing MemoryCall™ because it eliminates the need for a local transport link to provide the service. See, Testimony of Burgess, Transcript, p. 71, l. 4 to l. 23; p. 185, l. 13 to l. 23.

At present, TAS Bureaus must place their voice mail equipment on their business premises. This reduces the quality of voice mail and necessitates paying SBT for a local transport link to the central office serving their customer. Id.

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The TAS Bureaus have requested the opportunity to locate their voice mail equipment within SBT's central offices, that is, they have requested the opportunity to co-locate their voice mail equipment. See, Testimony of Burgess, Transcript, p. 184, l. 24 to p. 185, l. 7.

SBT has received and denied such requests. Id. Since the time SBT began offering MemoryCall℠, it has been their policy not to co-locate other providers' equipment in their central offices. If SBT granted such requests, however, the voice mail quality distinction would be eliminated and TAS Bureaus would not incur the extra cost of a local transport link. Id.

SBT concedes that co-location is an advantage derived from its monopoly position. See, Testimony of Daniel, Transcript, p. 503. SBT also acknowledges that it refuses to allow co-location. Id., p. 502.

c. Timing of Unbundling Call Forwarding Features

The evidence in this Docket indicates that the network features necessary for the TAS Bureaus to offer their VMS options on a basis competitive in quality and availability to SBT's current offering of MemoryCall℠ service, has existed since at least the early 1980s.[19] The record is also clear that SBT chose not to

[19] See, Testimony of Saner, Transcript, p. 262, l. 13 to p. 263, l. 20, which establishes the following:

> [SBT] would like you to believe, the Commission, that they are the only ones that can provide voice messaging to the mass market and that is simply not the case. The market which they have referred to is being unserved -- has been unserved because of the refusal to

unbundle the features and offer them on the network on an unbundled basis until SBT was prepared to offer MemoryCall℠ service. See, Testimony of Daniel, Transcript, pp. 529 and 535. See also,

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> offer call forwarding no answer and call forwarding busy line in the past. As far back as 1982, our industry has asked for these features. In 1985, I began a petition with Southern Bell asking for these features myself. What's more alarming than anything is these features have been available since 1982, almost nine years and they're being offered today because MemoryCall℠ is getting into the business, but they're not being offered on an equal access basis.
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> Without call forwarding no answer and call forwarding busy line, the residential market, and to a certain extent the small business market, which is what they're referring to as the unserved market out there, has been unmarketable. Residential users must have an automatic means of forwarding their calls when they're on the phone or out of the office or out of their home. They will not use call forwarding variable each time they have to go out to the store, go out in the yard or they want to walk their dog. They simply do not have the discipline and they should not have to have that discipline. These special calling features should have been available nine years ago.
>
> Had this voice messaging industry today had those features, there would have been at least 89 voice messaging companies in Atlanta offering residential answering services. The price the residential marketplace would have been charged would have been market driven by the competition and the price would have been fair. There would not have been a pent-up demand and the unserved market would have been served a long time ago.

See also, Testimony of Saner, Transcript, p. 276, l. 10 to l. 19, indicating that at the outset of its business Message World was very successful in attracting residential customers for its voice mail service, but could not keep them because at that time (around 1986) SBT had not made Call Forwarding - Don't Answer and Call Forwarding - Busy Line available to the VMS market.

Testimony of Saner, Transcript, p. 283, l. 10 to p. 284, l. 17 and p. 316 to p. 317, l. 22.

The Commission finds this evidence disturbing enough because of its indication that SBT may have improperly impeded development of the VMS market for almost a decade. The evidence is even more disturbing, however, because of what it may well signal with respect to SBT's purported commitment to a proper Open Network Architecture program.[20]

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[20]Cox Enterprises, Inc. raises this important point in its post-hearing brief, p. 12, f.n. 5, as follows:

> Under the concept of Open Network Architecture ("ONA"), new features, such as CF-NA and CF-BL, should be made available on a cost basis to whoever needs them as soon as they are technically feasible. As the FCC explains:
>
> > We consider Open Network Architecture to be the overall design of a carrier's basic network facilities and services to permit all uses of the basic network, including the enhanced service operations of the carrier and its competitors, to interconnect to specific basic network functions and interfaces on an unbundled and "equal access" basis. A carrier providing enhanced services through Open Network Architecture must unbundle key components of its basic services and offer them to the public under tariff, regardless of whether its enhanced services utilize the unbundled components.
>
> Third Computer Inquiry, Report and Order, 104 F.C.C.2d 958, 1019 (1986) ("Computer III") (emphasis added).
>
> The FCC felt so strongly about ONA that it stated: "We consider the development of Open Network Architecture the focal point of this proceeding. We conclude that the

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In summary, the Commission finds that the record in this case demonstrates not only that SBT has the opportunity and incentive to use its monopoly control of the local bottleneck to discriminate against competitors regarding access to the local network, it has in fact done so with respect to access to the local network by competitors of MemoryCall℠ service.

2. Marketing Abuses and Other Unfair Use of Monopoly Position

The record in this case shows that SBT engaged in at least the following marketing and other promotional practices with respect to MemoryCall℠ during the trial period.

1. SBT actively sold MemoryCall℠ to TAS Bureau customers who called SBT to order call forwarding and other custom calling features in preparation for signing on with a TAS Bureau.

2. SBT's marketing included repair service attendants selling MemoryCall℠ to TAS Bureau customers.

3. SBT bills for MemoryCall℠ by using its monopoly billing system.

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implementation . . . of Open Network Architecture plans, approved by this Commission, is a precondition for complete elimination of the structural rules for these carriers." Computer III, 104 F.C.C.2d at 1020.

As this proceeding has made clear, Southern Bell has a view of ONA all its own. According to Southern Bell, Southern Bell should make new services available only when it plans to offer an enhanced service that can use them. Daniel at 533 ("ONA says when we use those services ourselves, we are required to make them available"). This is nothing less than an acknowledgement by Southern Bell that it views its own outside business ventures as its primary franchise motivation, not the service demands of its captive telephone ratepayers.

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4. SBT uses its monopoly billing system to promote the sale the MemoryCall™ with bill stuffers.

5. SBT refuses to allow its VMS competitors to use its monopoly billing system to either bill VMS or promote VMS.

6. SBT uses its Customer Proprietary Network Information (CPNI) to identify prospective MemoryCall™ subscribers, while TAS Bureaus are denied real time equal access to SBT's CPNI.

See, Testimony of Burgess, Transcript, pp. 66-67, listing the marketing practices noted above and also describing the cross-subsidy concerns raised by these practices. See also, Testimony of P. Williford, public witness and competitor of MemoryCall™, Transcript, p. 38, l. 11-23; Testimony of Saner, Transcript, p. 291, l. 21 to p. 296, l. 25, establishing points 1, 2, 3, 4, 5 and 6 above, plus other marketing and operational practices of questionable fairness. These practices are not denied by SBT. See, Testimony of Daniel, Transcript, pp. 538-41, 546-47, 555.

In the Commission's view, these practices constitute marketing and other promotional activities that unfairly trade on SBT's monopoly position to the immediate and irreparable detriment of a competitive VMS market.[21] Indeed, SBT admits the validity of the concerns raised by the Staff of the Commission (See, Testimony of Daniel, Transcript, pp. 444-45) and generally concedes the validity of the Commission's concerns to protect independent competitors and

[21]To the extent that it is not self-evident that SBT's practices threaten the development of a competitive VMS market, See, Testimony of A. Carson, a public witness and competitor of MemoryCall™, testifying that from October, 1990 (when SBT began its concerted marketing push for MemoryCall™) her business lost approximately $100,000.00 in annual gross revenues, the majority attributable to MemoryCall™.

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fair competition in the VMS market (See, Comments of SBT, Transcript, p. 7, l. 9 to l. 12). Of particular concern to the Commission is the fact that SBT had earlier encountered many of the same problems in Florida when it introduced MemoryCall℠ service, yet apparently SBT took no steps to curb such practices here until the Commission instigated its investigation into SBT's trial offer of MemoryCall℠ in Georgia.[22]

Under the most favorable construction of SBT's evidence on these points, SBT raises two "defenses" to its actions. First, SBT claims to have corrected those abuses that deserve correction. Second, SBT asserts that certain marketing advantages it enjoys are properly retained by it because they merely represent "economies of scale" of which SBT should be allowed to take advantage.

Neither the evidence nor sound regulatory policy supports either of these two defenses. Rather, the Commission finds, as suggested by its Staff, that SBT's practices "raise questions regarding whether SBT and [its VMS competitors] are operating on anything like an equal footing," thereby raising "issues of fundamental fairness and competitive equality." See, Testimony of Burgess, Transcript, p. 67, bracketed material supplied.

MemoryCall℠ enjoys a favored status because of its connection to SBT's monopoly control of the local exchange network. A business or residential customer must initially contact SBT to

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[22]See, Testimony of Daniel, pp. 548-49, wherein SBT admits that despite similar problems associated with SBT's earlier Florida offering of MemoryCall℠, no prior preventative steps were taken to avoid such practices here, and where SBT acknowledges that this behavior was an error on SBT's part.

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arrange for basic telephone service. SBT uses that contact to solicit interest in MemoryCall™. This vast marketing opportunity is uniquely possessed by SBT. SBT claims that this circumstance does not constitute an unfair advantage. See, Testimony of Daniel, Transcript, p. 538. The competitors of MemoryCall™ take an opposite view, which the Commission shares. See, Testimony of public witness P. Andreson, a competitor of MemoryCall™, listing numerous MemoryCall™ marketing practices contended to be unfair, Transcript, p. 43, l. 18 to p. 46, l. 4 and p. 46, l. 21 to p. 47, l. 2.

SBT's position as monopoly provider of local exchange service allows it to develop and access a data base of information on customers known as CPNI. CPNI contains all the information SBT has on each telephone customer, including the customer's credit history, number of lines, services, and special calling features. This information, together with customer call completion data that is available exclusively to SBT, is indispensable for a targeted marketing campaign and has been used by SBT in its own marketing. See, Testimony of Burgess, Transcript, p. 67 and p. 176, l. 8 to p. 179, l. 12; Testimony of Madan, Transcript, p. 194, l. 15 to p. 197, l. 3.; Testimony of Daniel, Transcript, p. 542.

Both SBT and its competitors may obtain access to CPNI. All that is required is authorization from the customer. However, SBT has set up a system for CPNI authorization that disadvantages its competitors. Under the system SBT has set up, CPNI is available for immediate on-line, real time use by SBT unless SBT's customer

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explicitly and in writing prohibits that information being available. On the other hand, if a MemoryCall℠ competitor wishes to access CPNI, SBT requires that its competitors obtain explicit authorization from the customer in order to view the information. See, Testimony of Burgess, Transcript, pp. 176-79; Testimony of Daniel, Transcript, pp. 494-97. The procedures set up deny either on-line or real time access to CPNI by MemoryCall℠ competitors. See, Testimony of Saner, Transcript, p. 270, l. 17 to p. 271, l. 1. Indeed, SBT admits its advantage in this area. See, Testimony of Daniel, Transcript, pp. 495-500. Nonetheless, SBT refuses to equalize the procedure for access to CPNI. Id.

As shown by the evidence in this case, in order for a TAS Bureau client to utilize the TAS Bureau's competing service, the client must arrange for some form of call forwarding through SBT. When contact is made with SBT for that purpose, SBT markets MemoryCall℠. See, Testimony of Burgess, Transcript, p. 66. SBT claims to have instructed its employees to cease this practice. However, there is evidence that unfair marketing continues to occur. See, Testimony of Daniel, Transcript, p. 581. In addition, repair service personnel have marketed MemoryCall℠. Once again, SBT claims to have stopped this practice. However, there are reports that such practices persist. See, Testimony of Daniel, Transcript, pp. 578-79.

SBT uses its monopoly billing service to bill for MemoryCall℠. See, Testimony of Burgess, Transcript, p. 66. Under this approach, MemoryCall℠ customers are charged for that service in a manner that

does not identify the charge separate from SBT's charge for basic telephone service. Rather, the charge is bundled together with the charges for regulated calling features. The charge appears as a single item designated "enhanced services." See, Testimony of Dunn, Transcript, p. 351. This practice facilitates collection because it incorporates MemoryCall℠ billing into the monopoly billing service. This practice also simplifies the process for the customer and makes MemoryCall℠ more attractive. Other independent voice messaging services have requested that they be permitted to bill in a similar fashion, so that their customers can also benefit from a simplified billing process. SBT refuses to honor these requests. See, Testimony of Daniel, Transcript, p. 501.

In addition, SBT uses its monopoly billing service to promote (i.e., advertise and solicit) MemoryCall℠ service. SBT does not allow other voice messaging services to utilize this marketing channel. See, Testimony of Daniel, Transcript, p. 540; Testimony of Dunn, Transcript, p. 350.

In the Commission's view, the record with respect to SBT's marketing of MemoryCall℠ shows that SBT will not make even a cursory attempt to curb potential and actual abuses of its monopoly position unless and until regulatory intervention is threatened or occurs. SBT's assertion that it will and has now taken steps to prevent such abuses, even if believed and even if it is assumed that such steps will prove effective, simply misses the point. As succinctly stated by ATC, an intervenor in this case, what

> "SBT appears to overlook is that an appropriate competitive environment cannot be

> maintained in the long run by simply having SBT correct its abusive practices after the fact. Rather, long run competition requires that SBT compete on a basis that removes the opportunity and incentive for abuse of the monopoly, or at least minimizes the likelihood that such abuse will occur."

See, ATC post-hearing brief, p. 4.

SBT asserts that it enjoys economies of scale, particularly with respect to marketing, that allow it to offer MemoryCall™ at prices below those at which its competitors offer their services. It is clear to the Commission that the principal economies of scale advocated by SBT in this proceeding are advantages derived largely, if not exclusively, by virtue of SBT's monopoly position as provider of local exchange service. See, Testimony of Daniel, Transcript, pp. 489-492, 500-03, 512, 538. See also, the recitals herein of the advantages enjoyed by SBT regarding billing and marketing, including especially initial contact with customers and use of CPNI; Testimony of public witness S. Taylor, a competitor of MemoryCall™, regarding the unfair advantage SBT enjoys in marketing MemoryCall™ because of SBT's unequal access to CPNI, Transcript, p. 47, l. 19 to p. 49, l. 8. SBT's posture is that if it is allowed to utilize the advantages of its monopoly position, it can offer MemoryCall™ less expensively than any of the services that compete with it. However, these economies of scale are advantages SBT appears to enjoy solely due to its monopoly position. There appears to be no sound policy reason to allow SBT to leverage its monopoly position to the detriment of a competitive VMS market through these practices, especially where it has not been

demonstrated that fair compensation is being paid to ratepayers who pay the price for the monopoly position that SBT is able to leverage. See, Section III.C.3 below.

3. Cross-Subsidies and the Possibility of Predatory Pricing

Nothing in this record disproves the possibility that MemoryCall℠ is cross-subsidized and/or predatorily priced. Rather, the record suggests the opposite possibility, namely that MemoryCall℠ is priced below cost. See, Testimony of Burgess, Transcript, p. 71, l. 25 to p. 76, l. 2; p. 117, l. 5 to p. 118, l. 15. See also, Testimony of public witness P. Andreson, a competitor of MemoryCall℠, that MemoryCall℠ cannot be offered at the price charged by SBT and cover the true cost to SBT of even just the phone lines, trunk lines and equipment necessary to technically provide MemoryCall℠, Transcript, p. 46, l. 5 to l. 20; Testimony of Saner, establishing numerous issues of predatory pricing and cross-subsidy relating to MemoryCall℠, Transcript, p. 297, l. 1 to p. 315, l. 20.

The ultimate answer to the question whether MemoryCall℠ is predatorily priced (i.e., improperly cross-subsidized) is relatively simple. SBT shall file, and all interested parties shall have the opportunity to analyze and assess a complete cost of service study for MemoryCall℠ service, including all workpapers thereto. In the Commission's view, this is the only reliable way in which the issues of cross-subsidy and predatory pricing can be definitively determined.

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The fact that the record in this case does not currently contain the data from which such an analysis can already be made is troubling. The Commission's First and Third Supplemental Orders, issued in March, 1991 in Docket No. 3896-U, required SBT to file sufficient cost data demonstrating that the proposed rates for MemoryCall™ service are just and reasonable. SBT made no such filing. Indeed, SBT filed no cost data of any type at all until the last day of the hearings in this case, Docket No. 4000-U. Ostensibly, the reason was that the prior orders of the Commission requiring such filing were stayed by the Fulton County Superior Court in April, 1991. Whatever the reasons, the actual cost analysis filed by SBT at the close of this Docket is insufficient to allow the record in this case to reflect a detailed, reasoned analysis of the true cost to SBT of providing MemoryCall™. There are at least two reasons why this is true.

First of all, the data that SBT did supply was filed with the Commission only hours before the record in this Docket was concluded. No party had sufficient time to analyze and discover the matters raised by the cost analysis. In addition, the cost data supplied by SBT is not a complete cost study. It is at best a summary of a cost analysis. It does not constitute a complete cost study, including all workpapers. Moreover, even SBT's summary excludes what it considers to be sensitive and/or proprietary information.

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IV.

THE POLICY TO BE ADOPTED

The broad regulatory goal set by the Commission is to promote the development of intrastate ES and VMS markets to their efficient, competitive extreme. The Commission believes that this policy serves the long term best interest of SBT, its ratepayers, the telecommunications public and the general economic welfare of this State. Attainment of this goal is promoted by SBT's presence in these markets if that presence assists, rather than retards development toward efficient, competitive ends. SBT's presence in the ES and VMS markets will have the desired effect only where its ability and incentive to defeat competition by use of its monopoly control over the local telephone system is prevented and/or deterred. In the specific context of this case, the Commission embarks on a course designed to foster development of the VMS market to its efficient, competitive end by encouraging SBT's presence in the VMS market under conditions that prevent and/or deter SBT's opportunity and interest to use its monopoly control of the local telephone system to defeat competition. We do so by embracing the following policy positions.

First, we note and adopt the policy of promoting the development of ES markets, specifically including the VMS market, to their efficient, competitive extreme, as described above and elsewhere in this Order.

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Second, we state our belief that SBT's proper participation in the ES and VMS markets is an important, positive ingredient if the Commission's broad regulatory goal is to be attained.

Third, we embrace the general regulatory framework for regulating SBT's provision of ES and VMS, as established by the Staff in this case. That framework is consistent with the Commission's broad regulatory goal. See, Testimony and Appendix of Jamshed K. Madan, the content of which is incorporated herein by reference as if fully restated.[23] Specifically, we state our

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[23]The conclusions and recommendations of the Staff are summarized in Mr. Madan's testimony as follows (Transcript, p. 83, l. 1 to p. 85, l. 7).

1. As a general rule, SBT's provision of enhanced services should be fully regulated to the extent permitted by law, until such time as the enhanced service is subject to complete competition. The Commission may exercise less than full regulation prior to complete competition if the facts demonstrate there is a need for less than full regulation.

2. Full regulation means the price of an enhanced service is set by tariff approved by the Commission, the revenue requirement of the enhanced service is treated above the line and practices constituting impermissible cross-subsidy and unfair, anti-competitive behavior are detected and checked. Full deregulation means that an enhanced service is detariffed, the revenue requirement is treated below the line and no checks on cross-subsidy or anti-competitive behavior are applied.

3. At no time prior to full deregulation of an enhanced service should the revenues, expenses and investment associated with the enhanced service be treated below the line.

4. During the period when enhanced services are regulated, the Commission should take steps to ensure appropriate allocation of the cost of services that are shared between the regulated side of SBT and the enhanced service, the goal being to preclude impermissible cross-subsidy.

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belief that applying the regulatory framework described by the Staff to SBT's provision of MemoryCall℠ service will have the result designed by the Staff: The VMS market will stand its best chance of developing to a condition of complete competition. The Commission views complete competition to be the functional equivalent of driving the VMS market to its efficient, competitive end. Therefore, once the appropriate regulatory controls are put in place as referenced below, SBT's provision of MemoryCall℠

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5. The Commission should not determine whether it shall fully deregulate SBT's provision of an enhanced service until it has been demonstrated to the Commission's satisfaction that complete competition exists with respect to the enhanced service. The Staff comments upon the type of market conditions and other factors that may be important to investigate in order to determine whether complete competition exists, however, the Commission should set a proceeding to define with particularity the test of complete competition that must be met before the Commission will consider fully deregulating an enhanced service.

6. At the point when it has been shown to the Commission's satisfaction that an enhanced service is subject to complete competition, both the Commission and SBT should be indifferent to whether the revenues, expenses and investment associated with enhanced services are treated above or below the line for purposes of determining intrastate, regulated cost of service. At that point the Commission is faced with a policy decision whether to fully deregulate an enhanced service by taking the revenues, expenses and investment below the line.

7. Even where the Commission chooses to fully deregulate an enhanced service because it is satisfied that an enhanced service is subject to complete competition and that SBT is not engaged in improper anti-competitive practices, the Commission should retain its jurisdiction to regulate the enhanced service where conditions of complete competition do not persist or where policy considerations otherwise dictate that the enhanced service should be re-regulated.

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service shall thereafter be regulated in the manner described by the Staff.[24]

Fourth, the Commission determines that SBT's current, virtually uncontrolled presence in the VMS market presents the opportunity and incentive for SBT to use its monopoly control of the local telephone system to defeat competition. SBT's actual

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[24]A summary description of the specific ratebase, rate of return method of regulating MemoryCall™ is provided by Mr. Madan (Transcript, p. 86, l. 17 to p. 87, l. 23) as follows:

1. As a general rule, the Commission should fully regulate SBT's provision of enhanced services until such time as SBT's provision of the enhanced service is subject to complete competition.

2. During at least the initial period of regulation, the price for MemoryCall™ and other enhanced services should be set by tariff approved by the Commission. Upon appropriate showing by SBT, the Commission may partially deregulate by detariffing prior to complete competition.

3. During the period of regulation, the revenues, expenses and investment associated with enhanced services should be treated above the line when determining the intrastate, regulated cost of service of SBT.

4. During the period of regulation, the Commission should pay particular attention to determining whether the allocation of the cost of services shared between the regulated side of SBT and the enhanced services are appropriate and do not lead to impermissible cross-subsidy.

5. During the period of regulation, the Commission should take steps to insure that aspects of SBT's provision of enhanced services other than revenue requirement aspects (i.e., other than pricing issues and issues about including revenues, expenses and investment above or below the line) are fair and proper. These matters would include, for instance, insuring that SBT is not unfairly using its regulated public telephone monopoly to enter into adjacent enhanced services markets by practicing unfair marketing or improperly prohibiting equal access to the local telephone bottleneck.

behavior in the VMS market during its trial of MemoryCall℠ has been to use its monopoly position to frustrate competition in the VMS market. Further, the Commission determines that these circumstances retard the broad regulatory goal of the Commission to promote the development of ES and VMS markets to their efficient, competitive end. The Commission therefore determines as a matter of sound policy and practice, that SBT's current position in the VMS market must be temporarily frozen so that the Commission may design and implement appropriate regulatory controls that will prevent and/or deter anticompetitive behavior by SBT. However, once those controls are designed and implemented, SBT's trial offer of MemoryCall℠ service should resume immediately.

Fifth, the Commission shall develop a standard for determining when complete competition exists in the VMS or other ES market. The Commission shall evaluate the development of those markets toward their efficient, competitive extreme in order to determine when SBT's presence therein may be fully deregulated.

V.

ACTION TAKEN TO PREVENT AND/OR DETER MONOPOLY ABUSE

As explained in this Order, the Commission desires to promote the development of an efficient, competitive ES market, including specifically the VMS market. SBT's presence therein will assist that development, so long as SBT is practically prevented from using its monopoly position to unfairly promote and provide its enhanced services over its competitors' similar services. The

Commission finds that the record in this case shows that SBT has both the ability and incentive to operate anti-competitively (and in fact has operated anti-competitively) in the ES market, including the VMS market. The Commission believes SBT will continue to do so unless effective, practical controls are set in place to prevent or deter such activity. Indeed, the Commission finds that SBT's current presence in the VMS market without such controls is not promoting the policy desired by the Commission. The Commission therefore will order that SBT's trial authority to offer MemoryCall℠ service be placed on hold until the Commission can design and implement the controls it believes necessary to protect the market and the State's economy from SBT monopoly behavior that threatens the existence of an efficient, competitive VMS market. Specifically, the following actions will be ordered.

1. The Commission will temporarily freeze SBT's trial offering of MemoryCall℠ service. The freeze means that SBT's provision of MemoryCall℠ service is temporarily restricted to those specific MemoryCall℠ customers who have actually subscribed to MemoryCall℠ service on or before the effective date of the Commission Order in this case.

2. The Commission states that the purpose of the temporary freeze is to halt SBT's anticompetitive behavior pending filing by Southern Bell of a complete cost of service study for MemoryCall℠ service, including all workpapers thereto, and pending Commission design and implementation of appropriate regulatory controls to prevent and/or deter monopoly abuse and to insure that SBT's entry

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into the VMS market has the effect of assisting instead of retarding development of an efficient, competitive VMS market. The temporary freeze will remain in place no longer than necessary to achieve these ends. After that, SBT's trial offer of MemoryCall℠ service will resume.

3. The Commission undertakes the following investigations/actions in order to develop the appropriate regulatory controls:

a. Identification of the actions necessary to insure the elimination of all network access problems that have kept or it is reasonably believed may keep VMS competitors from having comparably efficient interconnection to the local system. This includes:

1. Solving the co-location problem;

2. Solving the 1AESS switch upgrade and replacement problem;

3. Developing system architecture besides DID architecture that provides the opportunity to provide VMS.

b. Establishing CPNI rules and procedures to deal with CPNI problems and their resolution on an ongoing basis;

c. Designing regulatory controls to eliminate improper marketing practices. This would include controls that:

1. Preclude solicitation of TAS Bureau customers who call SBT to order Call Forwarding and other custom calling features;

2. Preclude solicitation and sales of MemoryCall℠ service by anyone other than a specially designated sales force;

3. Require SBT to establish a separate marketing organization for the marketing of MemoryCall℠, complete with appropriate cost accounting controls and other organizational requirements

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designed to insure that all the activities associated with marketing MemoryCall℠ and their costs are provided and accounted for separate from the operation of any other part of SBT's marketing arm, or require SBT to provide MemoryCall℠ through a separate subsidiary;[25]

4. Equalize access by all VMS competitors to SBT's monopoly billing system for use in billing for VMS services;

5. Equalize access by all VMS competitors to SBT's monopoly billing system for use in promoting any VMS service by any means.

d. Establishing the proper price for MemoryCall℠ service by means of:

1. Performing a complete review of all relevant cost data and making an independent assessment of the true cost of MemoryCall℠ service;

2. Assessing whether and how SBT's provision of MemoryCall℠ service benefits from the following aspects of SBT's monopoly position, and if so, whether the price of MemoryCall℠ should so reflect:

a) Association with the BellSouth and/or the Southern Bell logo and name.

4. The temporary freeze shall be reexamined by the Commission once the matters listed above have been concluded so that the Commission may determine to its satisfaction that SBT can be set free in the VMS market to compete under the regulatory framework referenced below (paragraph 5) without undue risk of SBT abusing its monopoly position.

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[25] See, Transcript, p. 252, l. 7 to l. 15, Testimony of ATC witness Mr. Sulmonetti, establishing that ATC does not market its voice mail service as a package with its interexchange services, but rather has established a separate marketing organization for its voice mail service.

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5. The Commission adopts the regulatory framework for MemoryCall℠ that is described in detail in the Staff's prefiled testimony in this case, which is geared to regulating SBT's presence in the VMS market and other ES markets in a way that promotes development of those markets to their efficient, competitive limits.

VI.

PREEMPTION ISSUES

A. FCC Preemption

1. The Rule of Law

The scope of the FCC's jurisdiction is defined by the Communications Act of 1934.[26] Section 152(b)(1) of the Communications Act contains Congress' enactment of an express jurisdictional bar to the FCC's authority to act in any manner in the arena of intrastate telecommunications services.[27] The jurisdictional bar contained in the Communications Act has been ruled by the Unites States Supreme Court to preclude the FCC from preempting state regulation of intrastate telecommunications

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[26] See, 47 U.S.C. § 151, et seq., hereafter "the Communications Act."

[27] Section 152(b)(1) states in pertinent part as follows:

> . . . nothing in this Act shall be construed to apply or give the Commission jurisdiction with respect to (1) charges, classifications, practices, services, facilities, or regulations for or in connection with intrastate communication service by wire or radio of any carrier . . . .

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services except in very narrow, limited circumstances. Those circumstances arise under what is called the impossibility exception. See, Louisiana Public Service Commission v. Federal Communications Commission, 476 U.S. 355, 106 S.Ct. 1890, 90 L.Ed.2d 359 (1986); People of the State of California v. Federal Communications Commission, 905 F.2d 1217 (9th Cir. 1990) (hereafter referred to as "California v. FCC" and the California v. FCC court as "the Court").

The impossibility exception is triggered only when the state regulator's exercise of its authority to regulate intrastate telecommunications services negates the exercise by the FCC of its own valid authority over interstate telecommunications services. Moreover, even where such conditions are proven by the FCC, the FCC's preemption order is upheld only where the FCC carries it burden of showing that every aspect of its preemption order is narrowly tailored to preempt only the state regulation or portion thereof that necessarily thwarts or impedes the FCC's valid regulation of interstate telecommunications services. That showing must be made with specificity. Id.

2. The Court's Application of the Rule of Law to Computer Inquiry III

In Computer Inquiry III, the FCC attempted to preempt virtually all manner of state regulation of intrastate enhanced services. The FCC specifically sought to preempt the states from taking three broad types of actions:

1. Tariffing intrastate enhanced services;

2. Requiring structural separation between intrastate basic services and intrastate enhanced services;

3. Requiring non-structural safeguards inconsistent with or more stringent than the FCC's system of non-structural safeguards.[28]

Each attempted preemptive action was struck down by the Court. In doing so, the Court made several points particularly relevant to this Commission's efforts to determine whether and how to craft a regulatory scheme to regulate SBT's provision of MemoryCall℠.

The Court rejected the FCC's attempt to impose any restrictions on a state's effort to tariff intrastate enhanced services. It appears that the Court believes that the impossibility exception cannot provide a valid basis upon which the FCC can preempt state tariffing. See, California v. FCC, p. 1242. Indeed, it appears that the FCC itself did not even attempt to defend this particular preemptive action under an impossibility exception approach. Id., f.n. 38.

The Court also struck the FCC's attempt to preempt all state regulation imposing structural separation requirements. The FCC attempted to preempt this type of state action on the theory that any state requirement to separate intrastate enhanced and basic services necessarily forces a BOC to separate their interstate basic and enhanced services, due to the fact that intrastate and interstate components of enhanced services are structurally

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[28]The FCC's system of non-structural safeguards amounts to basically three items: (1) application of certain ONA requirements; (2) application of certain CEI requirements; and (3) application of the Joint Cost Rules and a carrier-specific Cost Allocation Manual.

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inseverable. Id., pp. 1243-44. The Court struck this aspect of the FCC preemption order because the FCC failed to carry its burden of demonstrating that all state-imposed separation requirements would necessarily negate the FCC policy of permitting the structural integration of basic and enhanced interstate services.

In the Court's view, the FCC's preemption order neglected to face the possibility that some enhanced services may be offered on a purely intrastate basis. In fact, the example used to illustrate this point was voice mail services, said to be a service offered to discreet locales within a state and therefore a purely intrastate enhanced service. Thus, the FCC's attempt to preempt all state structural separation requirements was struck because the FCC did not carry its burden of showing that

> the structural separation of such purely *intra*state enhanced services from basic telephone service would interfere in any way with a carrier's ability to provide *inter*state enhanced services (or enhanced services with mixed intra- and interstate components) on an integrated basis.

Id., p. 1244.

In addition, the Court rejected the FCC's inseverability contention because that contention assumed that state structural separation regulations necessarily require separation of physical facilities. The Court noted that

> [s]tate regulations might require only that carriers establish separate corporate *organizations* for providing intrastate basic telephone and enhanced services, while allowing the same facilities to be used for both types of services. The Commission has failed to explain why requiring communications

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> carriers to offer *intra*-state enhanced services through a separate corporation would frustrate the Commission's goal of giving communications carriers the freedom to choose whether to integrate or separate their *inter*-state operations.

Id. The Court ruled that the narrow impossibility exception is not met where the FCC merely shows that some possible state structural separation requirements would negate the FCC's policy against a separate subsidiary requirement for the provision of interstate enhanced services.[29]

B. Federal Court Preemption.

Section III.A.1 herein describes the MFJ entered by the antitrust court and the line of business restrictions placed on the BOCs pursuant to the MFJ. Section III.A.2 herein further describes the line of business restrictions as they have been subsequently modified by the antitrust court. In particular, the waiver contained in the VMS Waiver Order as it relates to information services transmission is discussed, because that is the authority

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[29]However, the Court did acknowledge the possibility that the FCC could preempt some forms of state structural separation requirements. In particular, the Court noted that:

> [t]he Commission has made a plausible argument that *some* forms of state structural separation requirements would negate its policy of permitting the integration of basic and enhanced services offered on an interstate basis. For example, a state-imposed requirement that carriers use separate physical facilities for all basic telephone and enhanced services offered on an intrastate basis would almost certainly force carriers to separate their interstate services as well.

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pursuant to which SBT now offers MemoryCall℠ without contravening the MFJ Decree.

The MFJ preempts state regulatory action to the extent that such action bars execution of the MFJ Decree. The MFJ Decree includes, of course the subsequent waiver of the information services transmission restriction. In keeping with the general rule of federal preemption under the Supremacy Clause of the United States Constitution, the antitrust court recognized that "a judicial remedy may infringe upon state law only to the extent necessary effectively to protect the federal interest." MFJ, p. 160 (citations omitted.)

C. Effects of Preemption Issues on the Commission's Actions

As discussed above, the FCC's ability to preempt state regulation of intrastate service is narrowly circumscribed and the antitrust court only bars state regulation that directly conflicts with the goals of the MFJ. In that context, the Commission's action here falls well within the scope of its authority and is not preempted by either the FCC or the antitrust court.

The Commission takes its cue from the Ninth Circuit's analysis in California v. FCC. The Commission therefore elects to stay clear of ordering SBT to separate its physical facilities that are used to provide mixed enhanced services (i.e., that have both an intrastate and interstate component) into separate subsidiaries.

However, the Commission believes that MemoryCall℠ is a purely intrastate telecommunications service. This view is supported by both the record (see, for instance, Testimony of Burgess and Madan,

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Transcript, pp. 140 to 145) and the Ninth Circuit's analysis. California v. FCC, 905 F.2d at 1244. Therefore, under the analysis in California v. FCC the Commission might order a fully separate subsidiary requirement for SBT's provision of MemoryCall℠. However, because we wish to take the least intrusive measure first, a separate marketing organization within SBT may be appropriate at this time.[30] In order to gain maximum protection, the separate marketing organization requirement is intended to insure that the marketing organization that promotes MemoryCall℠ be very separate from the rest of SBT's marketing activities. At the same time, the Commission stops short of requiring duplication of the physical facilities (i.e., the local network facilities) necessary to provide MemoryCall℠ service.[31]

Similarly, the other actions taken by the Commission in this Order are not contrary to the preemption boundaries established by the Ninth Circuit in California v. FCC. Treating the revenues, expenses and investment of MemoryCall℠ above the line is consistent with both the ruling in California v. FCC and the FCC's own

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[30]As discussed in Part V, the Commission will consider whether the separate marketing organization will take the form of a separate subsidiary as part of its further proceedings in this matter. See, page 50, supra.

[31]SBT's preemption claims rest, in large part, on the assumption that the FCC, acting on the remand of California v. FCC, will again attempt to preempt state regulatory requirements like those imposed here, but this time avoid propagating overbroad preemption claims that again must be struck by the federal courts. Leaving the speculative nature of that assumption aside, the Commission's actions here are clearly within the sphere of exclusive state action contemplated by California v. FCC, the controlling case in this matter.

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arguments in that case. See, California v. FCC, p. 1242 and f.n. 38 therein. Developing and implementing appropriate regulatory controls for CPNI, CEI and the marketing aspects of SBT's provision of MemoryCall™ is certainly not inconsistent with the FCC's approach to its regulation of interstate ES. Indeed, the FCC has devoted substantial effort to developing the regulatory controls it believes necessary to properly regulate interstate ES. The Commission is merely doing the same on an intrastate basis.

The Commission's state regulatory policy and the actions taken herein to achieve that policy also are consistent with the MFJ Decree and VMS Waiver Order. The regulation of MemoryCall™ simply does not affect the "federal interest" the MFJ court protects.

First, the MFJ explicitly recognizes the role of state regulation. While the VMS Waiver Order permits BOCs to enter the VMS market, it waives only the provisions of the MFJ itself that forbade entry and there is no language in the VMS Waiver Order that suggests preemption of normal state regulation. This is consistent with the original MFJ which, as noted above, preempted state regulation inconsistent with the MFJ's prohibitions, not state regulation that coveres permitted activities. See, Part VI.B, supra.

Second, the type of regulatory controls sought to be developed and deployed by the Commission are consistent with the VMS Waiver Order. The Commission's Order seeks to develop controls that will insure the development of an efficient competitive VMS market free from monopoly abuse. The antitrust court's overall goal is

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similar. In performing its cost benefit analysis in favor of allowing BOC entry into the VMS market, the antitrust court decided in favor of BOC entry in part due to the absence of specific, concrete proof of anticompetitive behavior of the BOCs in the VMS market. See, VMS Waiver Order, pp. 21-22, and f.n. 9 of this Order. However, that is precisely the proof adduced in this case. See, Part III.C, supra.

Thus, based on both the original MFJ and the VMS Waiver Order, it is evident the antitrust court does not intend its VMS Waiver Order to preempt state regulation where, as here, evidence is presented giving concrete substance to the contention that a BOC has the opportunity and incentive to behave and, indeed, has behaved anticompetitively in the VMS market. Preemption by the antitrust court is extremely unlikely in the circumstances presented here. Moreover, the freeze of SBT's expansion into the VMS market is only temporary and will last no longer than the time necessary for the Commission to define and deploy appropriate regulatory controls to prevent monopoly abuse. In the Commission's view, such an order is not inconsistent with the information services line of business restriction contained in either the MFJ Decree or the VMS Waiver Order.

VII.

SBT'S EQUAL PROTECTION CLAIM

On April 15, 1991, Southern Bell Telephone and Telegraph Company ("SBT") filed its "Motion to Expand the Scope of the Docket

and Reschedule the Hearings" (hereafter, "Motion") in this case. The Motion raises an equal protection claim. Specifically, SBT asserts that regulation of its provision of MemoryCall™ service without regulation of all other providers of competing services would result in "unfair discrimination against [SBT] . . . in violation of [SBT's] rights to equal protection of the law." Motion, p. 3.

SBT's equal protection claim is without merit. The short answer to SBT's equal protection challenge is: (1) because no one else is similarly situated to SBT, equal protection is not an issue; (2) even if there were others similarly situated, the Commission's decision to regulate SBT's provision of MemoryCall™ meets the rational basis test that is applied where economic regulation is challenged on equal protection grounds; and (3) it is not a violation of equal protection where the Commission identifies one portion of a problem, i.e., SBT's opportunity and incentive to behave anticompetitively, as opposed to other local exchange companies' similar opportunity and incentive (if such exists), and then attacks the SBT portion of the problem first.

A. The Equal Protection Standard To Be Applied In This Case

The law with respect to equal protection of economic interests is well-established. The Equal Protection Clause of the United States Constitution "is essentially a direction that all persons similarly situated should be treated alike." City of Cleburne v. Cleburne Living Center, 473 U.S. 432, 439, 1055 S.Ct. 3249, 87

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L.Ed. 2d 313, 320 (1985).[32] The Equal Protection Clause of the United States Constitution "does not require things which are different in fact or opinion to be treated in law as though they were the same." Tigner v. Texas, 310 U.S. 141, 147, 60 S.Ct. 879, 84 L.Ed. 1124, 1128 (1939). Thus, where two classes are sought to be required to be treated identically, but are found to be different in fact or opinion, disparate treatment of them does not represent an equal protection violation. Tirolerland v. Lake Placid 1980 Olympic Games, 592 F.Supp. 304, 319 (N.D.N.Y. 1984).

Even if two classes are similarly situated, they may be disparately treated if the treatment meets a rational basis test. A two step analysis occurs under the rational basis test: (1) Does the challenged action have a legitimate purpose; and, if so, (2) does the classification employed promote that purpose? See, Schweiker v. Wilson, 450 U.S. 221, 234, 101 S.Ct. 1074, 67 L.Ed. 2d 186, 197-198 (1981) ("Thus, the pertinent inquiry [under the rational basis test] is whether the classification employed . . . advances legitimate legislative goals in a rational fashion.") (Bracketed material supplied); Vance v. Bradley, 440 U.S. 93, 97, 99 S.Ct. 939, 59 L.Ed. 2d 171, 176 (1979).

There need not be a tight fitting relationship between the purpose and result. See, Jackson Water Works v. Public Utilities

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[32] SBT does not state whether it bases its equal protection claim on the Federal or State Constitution. However, the Eleventh Circuit Court of Appeals has recognized that under the Georgia Constitution, equal protection analysis applied to economic regulation turns on a rational basis standard aligned with federal equal protection analysis. See, Silverstein v. Gwinnett Hospital Authority, 861 F.2d 1560, 1565-66 (1988).

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Comm., 793 F.2d 1090, 1094 (9th Cir. 1986). Moreover, there is a presumption of constitutionality under equal protection analysis if the local economic regulation

> is rationally related to a legitimate state interest. . . . Rational basis for an economic regulation is established easily and accorded minimal scrutiny. . . . In local economic regulation, wide latitude is given to the governmental entity and only a "wholly arbitrary act" overruns equal protection rational basis.

Silverstein v. Gwinnett Hospital Authority, 861 F.2d 1560, 1564 (11th Cir. 1988) (citations omitted). See also, Cotton States Mut. Ins. Co. v. Anderson, 749 F.2d 663, 669 (11th Cir. 1984).

In applying the rational basis standard to test local economic regulation for equal protection flaws, it has been held that a "distinction [that] reflects the reality of the marketplace [is] therefore . . . not fundamentally irrational." Asociasion de Compositores v. Copyright Royalty Tribunal, 851 F.2d 39, 42-43 (2nd Cir. 1988).

The wide latitude given to states to regulate their local economies under their police powers extends to giving leeway to determine the order and timing of how it will attack a perceived problem. The United States Supreme Court, in New Orleans v. Duke, 472 U.S. 297, 303, 96 S.Ct. 2513, 49 L.Ed 2d 511, 517 (1976), concluded that

> [l]egislatures may implement their program step by step . . . in such economic areas, adopting regulations that only partially ameliorate a perceived evil and deferring complete elimination of the evil to future regulations.

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Accord, Minn. Ass'n of Health Care v. Minn. Dept. of Public Welfare, 742 F.2d 442, 448 (8th Cir. 1984) ("Consistent with equal protection principles, a legislature may deal with a problem one step at a time, addressing that part of the problem which seems most serious . . . or it may select but one phase of a field of business activity for regulation while neglecting the others.") (Citations omitted).

Equal protection under a rational basis test does not require that the classifications chosen by government to attack a perceived problem be perfect, mathematically precise or guaranteed not to result in any inequality.

> The problems of government are practical ones and may justify, if they do not require, rough accommodations - illogical, it may be, and unscientific. A statutory discrimination will not be set aside if any state of facts reasonably may be conceived to justify it.
>
> . . .
>
> . . . [T]he Equal Protection Clause does not require that a State must choose between attacking every aspect of a problem or not attacking the problem at all. It is enough that the State's action be rationally based and free from invidious discrimination.

Dandridge v. Williams, 397 U.S. 471, 485-486, 90 S.Ct. 1153, 25 L.Ed.2d 491, 502-503 (1970). (Citations and some material omitted).

B. Application of Law to the Facts

In the Commission's view, the facts clearly show that no one else is similarly situated to SBT. To begin with, the universe of those who could possibly be similarly situated to SBT is small. It is limited to local exchange companies, for only such entities have

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even the potential opportunity and incentive to use their monopoly control over the local telephone network to defeat competition in the ES market. However, three circumstances distinguish SBT from all other Georgia local exchange companies: (1) only SBT has been adjudged by the antitrust court and the FCC to actually have the opportunity and incentive to behave anticompetitively in the ES market (See, Part III.A. and B.); (2) only SBT has been the subject of complaints to that effect with regard to its current actual behavior in the Georgia VMS market; and (3) only SBT's opportunity and incentive for anticompetitive behavior and actual anticompetitive behavior has been factually proven to the Commission.

The decision to control SBT's current presence in the ES market is a matter of the Commission's economic regulation of a monopoly telephone utility subject to its jurisdiction and authority, for the purpose of protecting competition in the ES market and protecting the economic interests of the State. Even if there were others similarly situated to SBT, the decision to control SBT's presence in the ES market, arguably reflecting a distinction between SBT and other local exchange companies, is a distinction that reflects the reality of the marketplace. While there are 36 local exchange companies in Georgia, SBT dominates the local exchange arena, controlling some 80% of all the local access lines in Georgia. The reality is that SBT's name recognition and market presence make it the central local exchange company player with respect to the fledgling ES market. The Commission's decision

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to control SBT's presence in the ES market in order to promote development of a completely competitive ES market is a legitimate State regulatory goal. Focusing on SBT first, and employing the means described in this order to prevent and deter anticompetitive behavior, are steps rationally related to that legitimate goal. Certainly, selecting SBT for initial investigation and action is rationally related to that goal.

Equal protection does not require the Commission to investigate and control all local exchange companies (regarding anticompetitive behavior in the ES market) simultaneously. Consistent with equal protection principles, the Commission may attack one aspect of this problem at a time. SBT has not shown, and indeed could not show, that the Commission will not investigate and control other alleged local exchange companies' anticompetitive behavior in the ES market where it is brought to the Commission's attention as has SBT's practice with regard to MemoryCall℠ service.

VIII.

FINDINGS AND CONCLUSIONS OF FACT, LAW AND REGULATORY POLICY

Based upon the entire record in this case, including but not limited to the specific matters recited in this Order, the Commission makes the following findings and conclusions of fact, law and regulatory policy.

1.

The Commission finds and concludes that MemoryCall℠ is an intrastate telecommunications service over which the Commission may

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exercise its regulatory authority. See, Section II, incorporated herein by reference.

2.

The Commission finds and concludes, by virtue of taking administrative notice of the relevant federal court decisions in the AT&T divestiture case, that since 1982 the United States District Court for the District of Columbia has continually found, in the context of applying the federal antitrust laws and in the context of exercising its responsibility to weigh public benefit and harm under the Tunney Act, that:

a. The BOCs possess monopoly control over local telephone service;

b. BOC monopoly control over local telephone service gives the BOCs the opportunity and incentive to impede competition;

c. Historically, BOC opportunity and incentive to impede competition through its monopoly control of local telephone systems has been manifested by such actions as (1) discriminating against competitors by denying, delaying or otherwise impeding access to the local network bottleneck, (2) cross-subsidizing competitive services with monopoly service revenues and/or improperly charging expenses and investment of competitive services to monopoly ratepayers and (3) exploiting marketing advantages stemming from the BOCs' local exchange monopoly position.

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See, Section III.A, incorporated herein by reference.

3.

The Commission finds and concludes, by virtue of taking administrative notice, that the Federal Communications Commission ("FCC") in December, 1983 and in June, 1984 found that, in order to insure that BOC provision of enhanced services will not lead to unreasonable rates because of improper cost shifting or diminish competition in the provision of enhanced services because of other anti-competitive practices, BOC provision of enhanced services must be performed through a separate subsidiary. The FCC found that structural separation would assist control of the BOCs' ability to cross-subsidize competitive offerings and the BOCs' ability to discriminate in the interconnection of competitors' offerings. See, Section III.B, incorporated herein by reference.

4.

The Commission finds and concludes that during the trial period for MemoryCall℠, SBT used its monopoly control of the local service network to impede competition in the VMS market by denying MemoryCall℠ competitors appropriate and fair access to the local service network. See, Section III.C.1, incorporated herein by reference.

5.

The Commission finds and concludes that during the trial period for MemoryCall℠, SBT used its monopoly control of its local telephone service operations, including specifically but not limited to its monopoly service marketing and billing operations,

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to impede competition in the VMS market. See, Section III.C.2, incorporated herein by reference.

6.

The Commission finds and concludes that substantial issues of predatory pricing and cross-subsidy have been raised with respect to MemoryCall℠ and that SBT has failed to show by reliable evidence that the price charged by it for MemoryCall℠ is a just and reasonable rate, free from predatory pricing and cross-subsidy. See, Section III.C.3, incorporated herein by reference.

7.

The Commission finds and concludes that SBT has the opportunity and incentive to use its monopoly control of the local service network and operations to impede competition in the VMS market. See, findings and conclusions numbers 2 through 6 herein, hereby incorporated by reference.

8.

The Commission finds and concludes that SBT has in fact used its monopoly control of the local service network and operations to impede competition in the VMS market. See, findings and conclusions numbers 4 through 6 herein, hereby incorporated by reference.

9.

The Commission finds and concludes that the regulatory policy it wishes to pursue, which policy it also finds and concludes is a fair, just and appropriate regulatory policy, is to promote the development of the intrastate VMS market to its efficient,

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competitive extreme. See, Section IV, incorporated herein by reference.

10.

The Commission finds and concludes that SBT's opportunity and incentive to use its monopoly control of the local service network and operations to impede competition in the VMS market, and SBT's actual use thereof for that purpose, frustrates attainment of the Commission's regulatory policy of promoting development of the intrastate VMS market to its efficient, competitive extreme. The Commission further finds and concludes that SBT's opportunity and incentive to use, and actual use of its monopoly control of the local service network and operations to impede competition in the VMS market will continue unless effective regulatory controls are developed and implemented to preclude and/or deter such anticompetitive behavior.

11.

The Commission finds and concludes that in order to halt SBT's opportunity and incentive to use, and actual use of its monopoly control of the local service network and operations to impede competition in the VMS market, and to protect the development of a completely competitive VMS market (including protecting individual VMS competitors) until it can become self-regulating, it is proper to place SBT's trial offer of MemoryCall℠ on a temporary freeze until the appropriate regulatory controls can be developed and implemented to preclude and/or deter SBT's anticompetitive behavior in the VMS market.

12.

The Commission finds and concludes that SBT's opportunity and incentive to use, and actual use of its monopoly control of the local service network and operations to impede competition in the VMS market has caused and will continue to cause immediate and irreparable harm to development of a completely competitive VMS market and to individual VMS competitors.

13.

The Commission finds and concludes that any harm to SBT that might result from the temporary freeze of SBT's trial offer of MemoryCall℠, is outweighed by the immediate and irreparable harm SBT's uncontrolled presence in the VMS market causes to the development of a completely competitive VMS market and to individual VMS competitors.

14.

The Commission finds and concludes that protection of SBT's ratepayers, promotion of development of the VMS market to a stage of complete competition and protection of the state's telecommunication's infrastructure and economy requires that SBT's trial offer of MemoryCall℠ be temporarily frozen while appropriate regulatory controls are designed and implemented. The Commission further finds and concludes that such controls must be designed and implemented on a permanent basis until the VMS market reaches a stage of complete competition where it can self-regulate SBT's presence in the VMS market, notwithstanding SBT's opportunity and incentive to use, and actual use of its monopoly control of the

local service network and operations to impede competition in the VMS market.

IX.

ORDERING PARAGRAPHS

WHEREFORE, based on the findings and conclusions of fact, law and regulatory policy as stated and supported herein, it is

ORDERED, that SBT's authority to offer MemoryCall℠ service on a trial basis is hereby temporarily frozen, such that SBT's provision of MemoryCall℠ service is temporarily restricted to those customers who have actually subscribed to MemoryCall℠ service on or before the date of this Order.

ORDERED FURTHER, that SBT shall file a complete cost of service study, including all workpapers in support thereof, demonstrating that the price of MemoryCall℠ is just and reasonable.

ORDERED FURTHER, that the Commission shall design and implement regulatory controls in accordance with the discussion in Section V herein, at which time the temporary freeze of SBT's offering of MemoryCall℠ service shall be reexamined by the Commission.

ORDERED FURTHER, that the Commission shall apply the regulatory framework testified to by the Commission Staff in this case as the general means of regulating SBT's provision of MemoryCall℠ service.

ORDERED FURTHER, that in conjunction with applying the regulatory framework testified to by the Commission Staff in this case, the Commission shall develop a standard for determining when

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the VMS market has reached a stage of complete competition, so that the Commission may entertain the prospect of fully deregulating SBT's provision of MemoryCall℠ service at the earliest appropriate juncture.

ORDERED FURTHER, that jurisdiction over this proceeding is expressly retained for the purpose of entering such further order or orders as the Commission may deem proper.

ORDERED FURTHER, that a motion for reconsideration, rehearing or oral argument shall not stay the effectiveness of this Order unless expressly so ordered by the Commission.

The above by order of the Commission in Administrative Session on May 21, 1991.

WILLIAM J. BUCKNER
EXECUTIVE SECRETARY

6-3-91
DATE

BOB DURDEN
CHAIRMAN

6/4/91
DATE

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October 9, 1990

Memorandum:

To: L. E. Spradlin

Subject: MATCH PROGRAM

Attached is a copy of the MATCH Program Tax Plan for your perusal. We have become very familiar not only with what is written, but also with what was actually done from speaking with service technicians and customers.

Basically, simple sales were considered closed unless the service technician specifically requested a service representative to intervene or the customer called directly.

Service representatives used the M Channel to report the sales and the credit was split with Network.

Service Technicians also passed out business cards with the "customer number" for the customer to refer to when they called in. The "customer number" of course, was the tech's sales code. We spoke with one service technician who said he passed out hundreds of cards at shopping centers to customers so they would call in with their customer number. When told that was borderline cheating he laughed and said he preferred to call it "hustling".

We have some basic problems with MATCH:

1. It diverts customers from their regular sales channel thereby hurting the results of Customer Services Residence, Business and Marketing.

3. It encourages "Wage and Hour Violations" and as such places our Company at risk of suits.

Attachment

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Shirley S. Elliott
Manager

Southern Bell
900 North Nova Road
Post Office Box 951
Daytona Beach, Florida 32015

SEPTEMBER 6, 1990

MEMORANDUM TO: RON TYO

FROM: SHIRLEY

SUBJECT: GOLDLINE REFERRALS

I would like to request that the following matter be referred to the Operations Manager in Network.

On August 23, I spoke with Curtis Wright, Manager-Maintenance Center, Melbourne, regarding the number of Goldline referrals being generated by one of his employees, Bruce Eberhardinger. At that time, I had received 65 total referrals for wire maintenance from Mr. Eberhardinger. Each of the customers were called and only 5 contacts resulted in successful sales.

I also expressed my concrn to Mr. Wright that many of the customers we called were irritated and claimed that no one had talked with them regarding our maintenance plan.

Although I was assured by the Manager that he would look into the matter, he immediately indicated that he knew the source of these potential "sales leads". Mr. Eberhardinger is a screener, and he felt that every customer's account being screened that did not presently have SEQ1X, was being referred to Goldline.

Since August 23, I continue to receive 6-10 referrals from this employee daily. I have also spoken to Mike Franks, who advised me that he is now refusing to accept any referrals from this employee. He had referred this matter to the Supervisor in Goldline prior to my conversation with Mr. Wright. Mike said that he has at least 50 no sales referrals from this employee.

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This type of referral policy is a violation of the rules of this very important employee incentive plan designed to stimulate additional revenue for our company. My Service Representative's time is being wasted, customers are being irritated, and we are missing out on potential revenue my Reps. could generate on open key.

I would appreciate your help in escalating this matter so that it can be resolved.

Thanks.

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Sales Issues

Daizzra **Problem:** No save efforts being made on downgrades from PSLS to CCS or PCP to CCS. PCP being removed by SRs who are not trained on multi-line prestige.
Solution: If a commitment is shown on IBOSS to call the customer back, please allow the original SR the opportunity to save what was sold. Especially on PCP, since all SRs are not trained to handle.

ORLANDO **Problem:** INTEGRITY! Many examples have been referred of out & out stealing-- example, sales codes removed or added inappropriately; additional lines established instead of handling interfering stations; cutoffs; hangups on customers....

Judy S. **Problem:** Integrity.
Solution: Immediate suspension if employee is caught.

Landaka **Problem:** Need review upsell and floating sales code - original office changing the float code?

Sanford **Problem:** If no sale getting deposit instead of ZRDP.

Gainesville **Problem:** Sales Tracking - Sales Made Sales Removed. Pretty soon the number of out items on the sales report will not cut it. The employees are going to ask for legal and honest tracking. It can be done. Lets invest money for on-line measurement tracking and provide this program to our reps and improve sales and morale.

Problem: If no sale likely, rep refusing to take T& F on interfering station. Or rep taking F only advising customer must call back to place T after I.S. cleared. Or refuses to place order at all & advises customer he must call back after I.S. cleared.

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JONES (165 disputed sales) cont'd

305-	305-	305-
305-	305-	305-
305-	305-	305-
305-	305-	305-
305-	305-	305-
305-	305-	305-
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Copies of subscriber records for the above accounts were retrieved from IBOSS (Interim Billing and Support Systems). These records reflect the Service Representatives' notations briefly capsulizing the subscriber's call along with that portion of the records showing that Call Waiting was being billed to the account, plus the sales code of the employee responsible for the sale. These records were matched to the corresponding Network Sales Referral forms where possible. Because there is no required retention period for these forms a complete match was not possible.

INTERVIEW WITH LAURIE CRAVENER
(November 24, 1987)

LAURIE CRAVENER was interviewed to give her an opportunity to address the questions raised by her sales. Present during this meeting was Mr. C. D. Chasteen, Manager-Network. CRAVENER reviewed the IBOSS records for the 27 disputed sales attributed to her, plus the available matching Network Sales Referral forms, she admitted preparing false forms and her admission is detailed in the following notarized statement:

"November 24, 1987
8038 N.E. 2 Avenue
Miami, Florida

I, LAURIE JEAN CRAVENER, voluntarily furnish Allen W. Hart, who has identified himself to me as a representative of Southern Bell Telephone and Telegraph Company, the following statement. I have been told this statement may be used as evidence.

I have been with Southern Bell Telephone Company since April 25, 1980. My title is Services Technician. I am on home dispatch assigned to the Miami-Metro Division. My immediate supervisor is Jim Edie, Assistant Manager-Network. My date of

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birth is June 30, 1951, and my social security number is [redacted]

I have been apprised that the purpose of this interview is to discuss some questions that have come up regarding sales to customer accounts. I have reviewed, along with Mr. Hart from Security, a number of Network Sales Referral forms prepared by me that indicate that the subscriber was contacted and agreed to have Call Waiting put on their service. These same subscribers, I have been told, later called the Company and denied ever requesting this service. I would like to explain how this came about. In July of this year I injured my back. When I returned to work I was put on restricted duty. Sometime in August or September, while still on restricted duty, I was assigned, full time, to do telephone sales. This required me to contact subscribers and attempt to sell them a variety of services, such as Custom Calling Service, Trouble Isolation Plan (TIP) and Prestige features. My sales were recorded on Network Sales Referral forms which were then sent to the Customer Services office so that the customer's records, service and bills could be updated.

Initially I was contacting the customer but I was having limited results - sometimes I would only make seven or eight sales a day. On many occasions Edie (my foreman) would ask me how many sales I had made for the day or the week, etc. Many times he made a point of comparing my results to STEVE JONES, another employee who was also on the same selling program, always mentioning that STEVE's count was much larger. I felt threatened by this.

I asked STEVE 'How do you do it?' He suggested I tell the customer, if they weren't sure, to just try it out for a while. He also said, and I don't remember exactly how he put it, but I got the message, to just fill out the forms as if I had contacted the subscriber and send it in. STEVE's rationale was that most customers wanted Call Waiting anyway and if they didn't, they could just call in and cancel the service. We discussed that Call Waiting was the best feature to go with because most customers liked the feature.

I set an arbitrary objective for myself of about 20 sales a day. Each afternoon, if my legitimate sales fell short of that mark, I would prepare enough false forms to make up the difference.

I can't tell just by looking at them, what Network Sales Referral forms are true and which are false, but I can assume that the ones which resulted in customer denials are false.

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1987

ROBERT A. BUTTERWORTH
Attorney General
State of Florida

OFFICE OF THE ATTORNEY GENERAL

DEPARTMENT OF LEGAL AFFAIRS
THE CAPITOL
TALLAHASSEE, FLORIDA 32399-1050

The attached, concerning "boiler room" operations, are excerpts from a Southern Bell internal investigation conducted by the company's security personnel and submitted to the Office of Attorney General.

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AN AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER

Butch Olsen, Manager-I&M West Palm Beach, Florida. Olsen stated that he has been in his present position since the Fourth Quarter, 1987, and reports to Gene Davis, Operations Manager-Network West Palm Beach. His new job assignments coincide with Paul Singer's assignment to Southeast Florida. During one of the first staff meetings, Davis stated that sales were a very high priority and they wanted to be the best for Paul Singer. Davis also wanted to beat Bob Sattizahn, Operations Manager over the North Broward District. All of the managers in the Palm Beach District agreed to set up a boiler room, it was a team effort. Olsen had a staff meeting and told his people of the boiler room, that they would be setting up for sales. Mr. Motely and Magrath felt the effort was futile because the Business Office normally stole half of their sales. Monk Leonard said he understood the position that Olsen was in and realized that Olsen was in the dark regarding the I&M Sales Program since he had come from a Construction and Cable Maintenance background. Monk agreed that he would help Olsen with setting up the boiler room. Monk indicated that he would do volume sales using a Cross Reference Blue Book Directory, and he would get his leads by using this. With numbers from the blue book, they pulled the associated DLR's from the LMOS system. They had some of the employees pull DLR's, some people called to make sales, some people acted as couriers with the sales referrals from the Lakeside to the boiler room and to other places. The points were all shared amongst about 200 people in the district. Pearl Smith did various jobs for the sales efforts. This included pulling DLR's, dividing the points, selecting sales codes, and delivering the DLR's. At one point, Pearl was inputting referrals to IBOSS records and she would also check sales against the IBOSS to see if the customer already had a Maintenance Plan. If she could not input the sales, she would return it to the foremen to discuss with the person who made the sales. The sales referrals were usually input the same day or the next. Olsen's objective was to ensure the project was expedited to get the whole job done. The boiler room and the entire sales effort was done with the knowledge and agreement of Gene Davis. Olsen stated that they had numerous records' discrepancies on the DLR's. Mr. Mike Dowdy, who worked for Olsen, did a study and it indicated the DLR Data Base did not match with the IBOSS records. Someone in the Business Office, Olsen cannot remember the name, gave a discrepancy figure of approximately 6% of the customers who already had the plan or the line was disconnected. On numerous occasions, maybe five, Olsen contacted two to five customers from the return referrals. His findings were that those customers had already been called. Olsen could not recall when he made these calls and no documentations was ever made of the calls or the findings. At one point, the boiler room operation had about 25 people of the 150 people in his district associated with the sales program. Besides his own shops' efforts, each manager, that included Paul Davis, Joe Bullock, Bob Rhodes, Rick Totka, and Tom Crampton, contributed

Virgin Islands. The managers attending from West Palm Beach, along with Olsen, were Gene Davis and his wife and Monk Leonard and his wife. The night before the cruise, they were transported by limousine from West Palm Beach to the Miami Airport Hilton for a banquet. The next day, Sunday, they flew to St. Thomas and leased five sailboats for four couples per boat and sailed the islands for five days. On Friday, they flew back to Miami and a limousine returned them to West Palm Beach. This cruise was coordinated by Denise Maggert. In December 1987, the sales in Olsen's district exceeded $50,000. and the boiler room was a lot more profitable due to the revenues. They did a high volume. The volume of sales was lower in 1988, with no boiler room, but the sales in his District were still higher than others. Olsen would compare his area with Orlando, Miami and North Broward in sales because they were the highest and Orlando always stood out. The emphasis in 1988 changed back to results so the question of a boiler room never came up as far as it being utilized. Frank Reddington, Services Technician, who was relieving, volunteered that he had worked out an agreement with his wife, Debbie Reddington, who reports to Joyce Seither, to let Pearl Smith input Network sales referrals on an IBOSS terminal in the Business Office. Olsen does not recall discussing the arrangement with Joyce Seither. There was an unspoken understanding that both knew about the arrangement. Pearl Smith took sales forms to the Business Office daily and was assigned to an IBOSS terminal by an unknown person and did the inputting. Cheryle Dittmer also input at times. Olsen believes that he mentioned this arrangement to Gene Davis. Ruth Nelson, Vice President of the local union, filed a grievance regarding Network clerks doing Service Representatives' work; they were to be paid a differential. In the first quarter of 1988, inputting was transferred from Joyce Seither to Shirley Jarriel. The Maintenance Plan did not give revenue to the Business Office like other features, so it was agreed to give the Business Office all feature sales in exchange for them inputting or letting Network input the Wire Maintenance Plan. After the boiler room stopped, Olsen sent or delivered referrals himself and was asked not to hold them to prevent backlogs in inputting. Problems did start when Olsen began taking referrals to Jarriel. Olsen received two or three memos from her but could not recall the content. Olsen never responded in writing; he felt it was better to respond verbally because she was not in Network. Jarriel questioned the volume and the integrity of the sales. She pointed out a sampling she did which showed the customers denied being contacted. Olsen felt the samples did not indicate that they had a problem in Network. Olsen quoted "Once she gave me a stack of questionable referrals to her, this was not a specific response to the June 16, 1989 letter, but because I was there." The questionable referrals were all three to

four months old. Olsen questioned the validity of any sample older than three months. Olsen does not recall having talked with Jarriel regarding a letter dated March 31, 1989 regarding questions on particular accounts or that Larry Mixon was copied the same letter. If Olsen had received letters, he would have discussed them with Monk and asked him to investigate. Olsen recalls no response from Monk or others regarding that type of investigation. Olsen did not share the letters from Jarriel from Gene Davis because of her preconceived ideas that Network should not make sales. Olsen did not place a lot of weight on her letters or complaints due to this bias. Butch does not recall discussing or investigating those allegations in a letter dated June 16, 1990 regarding sales made to Service Representatives. Butch was not aware of any other correspondence from Jarriel and does not recall discussing the sampling of 50 sales that were proved 100% negative. Olsen feels there is no reason for or motivation for Services Technicians to place invalid sales as a result of pressure, gifts or points. On one occasion, Olsen visited Jarriel's office and she was not there. Her assistant and Larry Mixon were. Her assistant showed him to Jarriel's office, where he saw a stack of referrals that were two or three months old that he questioned. After the visit to Jarriel's office, Olsen called Gene Davis and Tom Carmody's office to complain of Jarriel's delay in inputting referrals. Carmody advised that a telemarketing thing was coming soon whereby they could forward referrals. Olsen does not recall that Archie Muller made sales from home, but heard this week that he was involved in programmed selling. In late 1989 while at Gene Davis' office, Olsen saw Davis with Dave Bailey's personnel file and said he wanted to talk to Olsen about it. About the same time, Olsen got a courtesy call from Carmody advising someone from Olsen's shop called with a complaint regarding Olsen's sales. Olsen did not get or ask for specifics. Olsen assumed that Vicky Sides in Gene Davis' office was the person who called as they have a personality clash. Olsen never confronted her about this. Olsen does not remember the specifics or anything concerning a letter dated December 1, 1989 from Olsen to Davis regarding Bailey's credibility. Olsen cannot recall any specific questions he was trying to answer for Gene. On October 24, 1990, Olsen got a call from Gene Davis about a PSC complaint that Davis found dating back to November - December of 1989. Olsen did not recall the complaint, nor that they had ever discussed it at the time it happened. If Olsen had received the PSC complaint, Olsen would have discussed it with Bailey or Monk. In reviewing the complaint, Olsen could see the handwriting was his and it did involve Bailey as Bailey's sales code was on the complaint. The complaint was that a customer complained that he never authorized the sale. The sale was canceled and no further action was taken from this case.

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Olsen does not recall whether he discussed this with Bailey, Monk or Gene. On December 1, 1989, in a letter from Olsen to Gene Davis, Olsen claimed he had no knowledge of any wrongdoing by Bailey. He sampled some of the rejected sales referrals and had no suspicion that Bailey was not making actual sales. Olsen questioned Bailey several times and was sure that he was making sales. Bailey made calls from all over, cross boxes, meter rooms, Central Office and maybe from his home. Olsen was not aware that Bailey was making calls from his home the entire year. Olsen recalls a time where Bailey was kicked out of the Lakeside work center while he was placing calls to customers. Olsen did not pick up or drop off any forms from Bailey's house, but he would not have been surprised if he was calling from home and sees nothing wrong with this. Olsen stated that Bailey had indicated at one time that he was involved with the C.I.A., F.B.I. and the M.I.A. in an intelligence capacity. In 1987-1988, Bailey was hardly on the load, he was making sales most of the time. In 1989, he was on the load partially. In 1990, he has been assigned to bulk load. Regarding the letter dated December 1, 1989, Gene initialed over his name and Olsen read it. Olsen stated the details checked out on specific customers; confused and irritated on getting second and third call. Olsen does not recall any calls
from Carmody regarding Dial America, nor any mention that Gene was doing an investigation about referrals returned from Dial America. Olsen does not challenge Carmody's credibility or recollection. Sales in sequential order within a two block area would have raised a credibility question. Olsen does not recollect a conversation with Shirley, Carmody, or Liz Sutton. Olsen does not know or recall anything about the 500-600 rejected sales referrals from Dial America. For a short time, John Moree, Jr. worked in the boiler room. Olsen recalls remarkable sales for a short time (three to six weeks). Olsen has no recollection of assigning Moree to the boiler room, nor talk of revenue or dollar amount of sales he generated or was responsible for. In 1989, if Moree did in an excess of $22,000.00, the figure must be in error. Olsen also states he does not recall a talk with Moree on October 23, 1990 regarding his sales or the revenue generated, nor with his disagreeing with the amount of sales attributed to him. In 1989, the only points shared were with Crampton's group in exchange for loaning Pearl Smith to Olsen. Crampton would get as much as 200 points per month which were distributed amongst the supervisors. In 1989 and 1990, Olsen's West Palm Beach group used flyers in connection with the Match program. The flyers were distributed to condominiums and multi-family residences where prewiring had been done. The flyers contained sales codes of the person dropping off the flyer, all the point were shared, half for the Services Technician and half with the Match program. As a result of the

prewiring, it was conceivable that most of the new customers would have requested phone service with or without the flyer. The motivation for this was to increase points for the sales program. Regarding sales; Olsen placed monthly objectives for each manager as part of their PMCR. The craft assigned to sales were coded as working on sales. Olsen did not oversee this process, he believes his foremen did. Olsen does not know who authorized Bailey to sell from his home; when he became aware of it, he thought it was O.K. In 1989, Crittenden reduced the sales awards and the emphasis shifted and GoldLine was initiated. This resulted in diminishing sales. On October 23, 1990, Olsen met with Gene Davis at Lakeside. Gene asked a number of questions and completed about three and a half pages of notes regarding the sales program. Olsen asked Gene for a copy of the notes, but was refused. Gene said he would write a report to Paul Singer based on the notes of his investigation. Olsen and Gene discussed their credibility being questioned. On October 24, 1990, Olsen got a call from Gene regarding a PSC complaint Davis had found. At that time, Olsen did not recall it. Gene indicated he had called Mario Martinez in Security about his findings. Also, on October 24, 1990, he talked with Monk about Gene Davis and the PSC complaint. Magrath called Olsen regarding going to a Security interview. Olsen does not recall specifics of the conversation. Olsen has talked to many of the people since the investigation began, but will not name them as he does not want to incriminate them since they were told not to discuss the investigation with anyone including Olsen. Olsen usually stopped the conversation before it began. Olsen was aware that Bailey had an ongoing medical condition but does not recall addressing it with a Company doctor. Olsen does not know why he would not have done this because that would be the normal conduct. Olsen felt it was conceivable that Bailey could make 50 sales a day because Bailey had a method for making his calls. He would hang up after two rings if there was no answer. He had no reason to believe Bailey was not contacting customers and does not believe it now. Olsen received sales checks and exchanged them for merchandise, i.e., bedding, toys, etc. He still has a few checks left. Olsen has no recall of getting big ticket items, but if he did they would be on record. On October 24, 1990, Olsen attended a meeting with Bruce Swinea, Gene Davis and other managers from every turf to discuss Crittenden's AIRO investigation. Singer came in the meeting and mentioned sales investigations and threw a few names out of craft people involved. Olsen does not recall those names. Singer indicated that there was an ongoing investigation in Orlando and we would probably be asked questions regarding the sales program. For Singer, the criteria for investigation involved people with high sales. Crittenden reportedly told the General Managers that if it was happening in Orlando, it could also be happening elsewhere and

that Crittenden had ordered an investigation. The meeting broke up into turfs. Singer met with them and mentioned Heitjans as a high seller in Palm Beach and Olsen told him that she was assigned to a boiler room as a result of an auto accident and light duty. Singer also asked about Bailey and Olsen told him that Bailey always had high sales and there was always something wrong with him, either his eyes, ankle or heart condition. Singer did not question the credibility of the sales people. Olsen does not recall using the words boiler room or programmed selling with Singer and if he did, he did not mean to. Gene Davis was present during these conversations and partially participated. After his October 23, 1990 meeting with Gene Davis, Olsen made a 24 page document including attachments to use as recollection of past years and his association with the sales program. Olsen volunteered a copy to Mario Martinez.

Deborah S. Reddington, Assistant Manager, West Palm Beach. Between 1987 and 1988, Reddington was contacted by Butch Olsen regarding inputting sales slips. Reddington told him she did not think she could do it. He called her again and suggested he provide a person to do the inputting. She discussed with her manager, Joyce Seither, who agreed to let Olsen use a terminal in the training room in the Business Office. Pearl Smith was provided by Olsen to do the inputting. Smith reported to the Business Office and Reddington showed her how to input into D.O.E. (Direct Order Entry). Reddington did not supervise Smith during the three to four months that Smith was in the Business Office. Reddington's Operations Manager, Bruce Abernathy, approved of the arrangement with Smith inputting sales. Abernathy had seen Smith in the training room, asked what she was doing and Reddington told him. Smith worked by herself in the office. Reddington has no idea if Mr. Davis was aware of Smith working in the Business Office. Olsen had Smith inputting sales because he knew they would not get done for months if he did not provide a person to input them himself. Reddington was not aware of any problems with the arrangement. Reddington is not aware if Shirley Jarriel knew of the arrangement. Reddington provided her sign-on for Smith to use everyday; Smith could not sign on by herself. Reddington was aware of some, not a lot, of customer complaints and as far as she knew, they were referred to Olsen. Reddington knew Jarriel and Olsen had problems, but does not know what they were. She only discussed the arrangement with Seither and saw nothing wrong with the arrangement because she was always there. Reddington never saw any correspondence from Jarriel to Olsen and is not aware of any improprieties in the sales program.

Joyce E. Seither, Manager-Customer Services, West Palm Beach.

924-7771. I am employed by Southern Bell in West Palm Beach as a Manager-Customer Services, and my net credited service date is June 10, 1961. My date of birth is October 27, 1942, and my social security number is [redacted] I understand that I am being interviewed about the Network Sales Referral Program which involved referral forms being sent to my office. In my position, I supervise an office of Service Representatives, and I have been in this position for about 10 years. Sometime in early 1988, I Sales Referral forms. In my office, we were supposed to simply input these forms so that the involved customers would begin receiving whatever service they had agreed to subscribe to. Close to 99% of the forms we received involved the sale of the Wire Maintenance Plan to individual subscribers whose names, addresses, and telephone numbers were written on the forms. What caused me concern about these forms at first was the volume I was receiving. In addition to the volume, it also appeared that someone had prepared the forms by using our Premise microfiche to obtain the customer name, address, and telephone number information to use on the forms. From the forms I received, you could see that they were in street address sequence from form to form. Eventually I began having some of the customers contacted in order to determine if they had ever been called about the service they were about to be billed for, or if the customer even wanted the service. The results of these contacts with the customers were that we never found one who had been previously contacted about subscribing to the Wire Maintenance Plan. In one instance, we received a batch of about 50 referral forms and called each of the customers, but found that none of them had been contacted about subscribing to the maintenance plan. After all of the above, it appeared to me that whoever was preparing the referral forms was not contacting the customers involved at all. Based on this feeling, I telephoned the second level manager over the group that was preparing the forms who is E. B. "Butch" Olsen. After I apprised Butch of my concern, he advised me to return the forms to him for him to handle the matter. A few months later, we started receiving stacks of referrals again. We sampled the customers whose names were on the forms, and found that none had been previously contacted about the who had been previously contacted. I telephoned Butch again and told him the results of our sample, and explained that I felt the forms involved the customers being charged for services they had not requested. The response from Butch was that he believed I was trying to keep him from making revenue for the Company. After our conversation, I continued to receive batches of referral forms, sometimes 500 forms at a time. In view of the feeling I had that these forms did not reflect legitimate sales, and considering that

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my two calls to Butch had not stopped the flow of these forms, on June 16, 1988, I prepared a letter to be sent to Butch concerning this matter. This letter did not generate any response that I recall from Butch. The only change in the volume of referral forms we were receiving was that the volume increased. In March, 1989, I decided to prepare a second letter to Butch concerning this matter, and this letter was dated March 31, 1989. At the time I prepared this letter, I noted the bottom left corner that I had sent copies of the letter to my supervisor, L. E. Mixon, Operations Manager-Customer Services, and to my counterpart Joyce Seither, Manager-Customer Services. I actually only sent a copy to Seither, and not to Mixon. I only put Mixon's name on the letter in the hope of getting the attention of Butch. After Butch received my second letter, he telephoned me and was upset that I had sent a copy to Mixon. I did tell Butch at that time that I was holding a copy of the letter for Mixon, but had not sent it out yet. I never did send Mixon a copy of this letter, but I did make him aware of it in early, 1990. At that time, Mixon asked if I wanted him to become involved with this and I told him "no", that I had already referred the matter to Angela Valenti, Assistant Staff Manager-Customer Services. On many of the referral forms we received, the Network employee who had prepared them was Dave Bailey, but I don't recall discussing Bailey by name with Butch. When Butch called to discuss my March 31, 1989, letter, he stated that my sample of 13 customers called was not large enough. He had no explanation for why none of the customers contacted by my office to confirm the sales had ever been previously contacted about subscribing to the maintenance plan. Butch also stated that he would do anything to by-pass me in the handling of these referral forms, and he stated that he would have them input some place else. It is my opinion that Butch had to have the blessings of his supervisors to continue having these forms prepared, and if his supervisors never actually okayed the preparation of these referrals without the customers being contacted, I do not see how the supervisors could not have known what was going on. Butch never admitted to me that he knew the forms were being prepared without the customers being contacted. His only argument to me was that I was jealous of all the sales his group was generating and of the revenue it was earning the Company. Following the initial contact with Angela Valenti on staff, I continued forwarding referral forms to her office. Towards the end of 1989, I spoke with her again and learned that she had been approached by another work group about the same problem. The reason I provided this information to Valenti is because she was working with the Network staff on the problem. I felt that Valenti could possibly fix the problem. I stopped receiving these forms around the end of 1989. I also heard from Joyce Seither that Gene Davis, Operations Manager-Network, had

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MNC-85
393

begun his own investigation into this problem, but I never heard anything about the results of this investigation. Davis may have had his investigation under way when I spoke to Joyce, but I cannot be sure of this. During this interview, I have provided copies of my June 16, 1988 and March 31, 1989, letters to Butch Olsen and I believe I sent him a third letter. I have not yet been able to locate this third letter, but as I recall, it was prepared after my March, 1989 letter, after we had received a batch of about 50 sales referral forms. We called each of the customers from these forms and learned that none of them had been previously contacted about subscribing to the involved maintenance plan. In the third letter to Butch, I pointed out that we had sampled 100% of the batch of approximately 50 referrals, and that none of the involved customers had agreed to the service they were about to be charged for. I will attempt to locate a copy of this letter, and provide it to Security. Another reason I believe Butch knew that those forms were being illegally prepared without the customers ever being contacted for permission, was that I eventually stopped inputting the forms, but Butch never called me to ask where his revenue was.

I have been informed by Mr. Nicholson that this investigation is governed by the attorney-client privilege and that it is to remain confidential information.

I have read the above statement consisting of this and seven (7) other handwritten pages. To the best of my knowledge, it is true and correct. I have initialed each page.

Sgn/Shirley L. Jarrial
Manager-Customer Services
October 18, 1990

Witnessed By:
G. E. Nicholson
Staff Manager-Security
October 18, 1990

The original statement of Shirley L. Jarrial will be retained in the exhibit section of the Security Office file.

Note: To insure that Jarrial had a full understanding of the attorney-client privilege, she was reinterviewed on October 24, 1990, and after a complete explanation, provided the following statement.

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Southern Bell

6451 North Federal Highway
Fort Lauderdale, Florida 33308

September 29, 1986

File: 71.1
TO: District Sales Coordinators - I & M
South and Southeast Florida

FROM: Denise Maggert, Area Sales Coordinator

SUBJECT: 'ACCENT ON ACTION'

By now you have received information and sales items associated with the latest Headquarters Sales Campaign, "Accent on Action". A description of the Award Plan and the Network Overview detailing the theme and qualifications for bonus points is attached. The tax number for this campaign is KCP8687.

As we discussed in our recent meetings, there is a Custom Calling Services waiver in effect during this campaign which runs from October 1st through November 28th. The waiver, coupled with the bonus points offered should create some enthusiasm and get your Services Technicians interested in sales again. Remember, their sales during "Accent on Action" will generate additional revenue for the managers' "Sales for Sails" campaign!

In order to determine bonus point winners, you should maintain a separate record of sales during the campaign. Remember also, sales awards checks issued in conjunction with this campaign should reflect the associated tax number shown above.
NOTE: All grand prize winner award checks will be issued from this office. If you have any questions, please don't hesitate to call me at 492-3332.

Let's kickoff this campaign with lots of enthusiasm -- a sale everytime we have the opportunity!!

OCT 0 2 86

Attachment

cc: Mr. D.R. Burnett
Mr. G.W. Fortner
Operations Managers

4-479

FORM 0770
(7-83)

208 10

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
DESCRIPTION OF INCENTIVE AWARD PLAN

A. (To be completed by sponsoring department)
Plan Title: Accent on Action

Plan Description: Network employees are eligible for awards under this program based on the number of Custom Calling Features, Touchtone, TIP, and Prestige sales made during the below period. These awards are valued under $525. The sale of each feature is equivalent to 10 points ($.183 per point value). This campaign temporarily suspends the on-going sales campaign during the dates noted below.

Effective Date: Begin: 10-01-86 End: 11-30-86

Description and Statement of Cost of Awards: See Attachment 1

Tax Allowance: (X)Flat rate of 20% ( )Individualized ( )None

Sponsoring Department: Network Area(s): NC, SC, GA, FLA

18 Headquarters Coordinator: Larry Ford Area Coordinator: Denise Maggert

APPROVAL:

(Officer) Executive Vice President-Network (Title) 9/17/86 Date

B. (To be completed by Personnel)
This plan has been reviewed for compliance with Wage and Hour Law requirements and Company Compensation guidelines

Comments:

CONCURRENCE:

62 (Name) Assistant Vice President (Title) 9/29/86 Date

C. (For non-cash award plans, this section is completed by Headquarters Tax Office.) Awards presented under this plan (X) are [redacted] taxable compensation to the recipient.

Th's plan has been assigned Plan Number XCP8687.

31 Tax Office Representative Operations Manager (Title) 09-29-86 Date

Forward copies of completed form to:
1. District Staff Manager - Payroll Methods
2. Departmental Representative
3. payroll office(s) for the Area(s) involved.

4-480

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Awards will be made under the following conditions and categories.

1. Services Technicians and Repair Service Attendants

   a. Top sales persons in every area with a minimum of 100 features sold will be the winner of the grand prize.

   b. Second and third place sales persons with a minimum of 75 features sold will win the second and third place prizes.

2. All other non-management network employees

   a. Points will be awarded to each of the other Network employees who sell any features, but there will no other prizes awarded to these employees.

NOTE: THERE WILL BE NO REPETITIVE WINNERS.

REVENUES

Total estimated revenues *(1/2 year annualized which will be achieved by the Network sales channels for this period).	$250,000

ACCENT ON ACTION

MNC-1
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NETWORK OVERVIEW

JOIN THE SOUTHERN BELL ALL STARS

You've got what it takes to be an ALL-AMERICAN...Now's the time to put the "Accent On Action" as you march down the sales field. During the next eight weeks, you'll be running your plays in an attempt to score Touch-Tone Touchdowns, Call Forwarding Field Goals, Call Waiting Safeties, Speed Dialing Touchbacks, and kicking for Extra-point Prestige.

With the right plays and the best game plan, you can give your customers the winning combination of services...while you score big with Award Checks good for merchandise and travel awards of your choice.

Will you be ready to intercept your customer's questions? Are you ready to go long for customer service? No time outs left, you've got to go for it all! You can't sit on the bench and win, you've got to put the "Accent On Action" and connect for big sales.

OFFICIAL RULES

You will have the opportunity to win the grand prize award during the months of October and November. In order to qualify for the first place grand prize, you must sell a minimum of 100 features. Each area will award its top seller a first-place award of 5,000 points. In order to qualify for the second- and third-place grand prizes, you must sell a minimum of 75 features. Each Area will award its number two seller a second place award of 3,000 points. The Area's number three seller will receive 1,500 points. Remember, all grand prize winners must meet the stated minimums in order to win. All points will be issued as Award Checks

HUDDLE UP

So pull your team together! Don't get caught without a game plan! Your skill and expertise will help you move down the field. Give your customers that extra effort, put the "Accent On Action!"

Will you make the most completions? Do you have what it takes to be an "All Star?" This is your chance to take the hand off and run for valuable awards. The clock is ticking away so sprint over the goal line and score!

Put the "Accent On Action" for Southern Bell Sales & Service and come up the big scorer! Ready...Set...Hike...

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MMC-X6
5 of 10

Southern Bell

20th Floor
Southern Bell Tower
301 W. Bay Street
Jacksonville, Florida 32202
(904) 350-2021

3

W. R. Perry, P.E.
General Manager
Network Staff

July 17, 1987

8

L. E. Crittenden
Vice President - Florida Network
Jacksonville, Florida

SUBJECT: 1987 Network Sales Campaign - Proposed Addendum

The "Grand Prize" addendum proposed in the attached is designed to further promote Network sales by increasing management involvement via an alternative incentive.

The current Network I/M sales campaign, "Your Marketing Imagination", allows the manager to earn a percentage of what his/her subordinate sells during the year. The "Grand Prize" addendum gives those who wish to participate the option to earn the revenue percentage toward gifts from the E.F. MacDonald Company catalog, or forfeit the gifts and compete for the charter trip.

The 1986 "Sales for Sails" campaign which offered the same incentive was extremely successful and the winners were anxious to compete for the charter again. This addendum, unlike the 1986 campaign which only allowed the I&M Managers to participate, will include the Maintenance Center and CRSAB managers throughout the State thereby increasing the revenue earning base by approximately 1500 employees. The General Manager whose area generates the most revenue per employee will be invited. Additionally, there are provisions for you to attend as a host should you elect to participate in this special recognition program.

If you concur, your approval is required on the attached Description of Incentive Award Plan (Form 0770).

General Manager - Network Staff

Attachment

356

11-2009

MNC-26
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'YOUR MARKETING IMAGINATION'

GRAND PRIZE ADDENDUM

STATE OF FLORIDA

GENERAL

The Grand Prize Addendum proposed is designed to serve as a vehicle to further promote sales and increase management involvement in the current Network I & M Sales Campaign, "Your Marketing Imagination".

Revenue will be generated in the same way as the original approved plans for non-management; however, managers wishing to compete for the Grand Prize Award will forfeit the revenue percentages prescribed in KCP 8740 for the trip. The estimated costs in conjunction with this addendum proposal remain within budgetary guidelines for the State of Florida.

Form 0770 is attached for approval as prescribed in the Executive Instructions Number 4, Section 3.

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11-2010

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7.08.10

MANAGEMENT

PLAN DESCRIPTION: ADDENDUM TO KCP 8740

A Grand Prize will be awarded to the top District, Second and First level Manager in each Area and the top General Manager in the State of Florida. Sales will be generated by non-management employees reporting to the respective managers.

Revenue points earned, based on previously established percentage levels toward E. F. MacDonald prizes, will be forfeited in lieu of the Grand Prize Award. There will be no multi-level awarding during the Grand Prize campaign.

Campaign Period: August 15 through December 31, 1987

Eligible participants must meet or exceed the following minimum revenue requirements:

General Level	$25,000
Operations Level	$15,000
Second Level	8,500
First Level	5,000

Winners will be determined based on cumulative revenue per employee.

Sales generation will be from the following available offerings: Custom Calling Features, Touchtone, T.I.P., Prestige Single and Multi-Line packages, Ringmaster and Wire Maintenance.

Revenue figures will be taken from the Customer Sales Person Report, Form 2011; force figures will be taken from the OSP 20 Report and will include Services Technicians, Maintenance Administrators and Repair Service Attendant titles.

DESCRIPTION OF STATEMENT OF COST OF AWARDS:

GRAND PRIZES: 38 trips X $1,900 per trip = $76,000

Grand Prize trip proposed is a 5-day, 4-night yacht charter sailing trip in the Caribbean. The cost of each trip to include air-fare, all other associated land travel expenses, food, beverages and all tips.

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11-2011

MNC 26
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Form 8778
(7-83)

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
DESCRIPTION OF INCENTIVE AWARD PLAN

A. (To be completed by sponsoring department)
Plan Title: ''YOUR MARKETING IMAGINATION'' IV
(MANAGEMENT - OVER $500)
Plan DescriptTon: ''GRAND PRIZE'' ADDENDUM
SEE ATTACHED

Effective Date: Begin: 03/01/87 End: 12/31/87 (ORIGINAL KCP 8740)
08/15/87 12/31/87
Description and Statement of Cost of Awards:

SEE ATTACHED

Tax Allowance: ( ) Flat Rate of % (x) Individualized ( ) None

Sponsoring Department: Network Area(s): STATE OF FLORIDA

Headquarters Coordinator: N/A Area Coordinators: DENISE MAGGERT 16
ROOM 1011 17
6451 N. FEDERAL HIGHWAY 18
FT. LAUDERDALE, FL. 33308 19

APPROVAL:

(Department Head) | VICE PRESIDENT-NETWORK FLORIDA (Title) | JULY 1987 (Date)

B. (To be completed by Personnel)
This plan has been reviewed for compliance with Wage and Hour Law requirements and Company compensation guidelines.

Comments:

CONCURRENCE:

(Name) | Title | Date

C. (For non-cash award plans, this section is completed by Headquarters Tax Office.) Awards presented under this plan ( ) are <u>not</u> taxable compensation to the recipient.

This plan has been assigned Plan Number _____.

Tax Office Representative | Title | Date

359

Forward copies of completed form to:
1. District Staff Manager - Payroll Methods
2. Departmental Representative
3. Payroll Office(s) for the Area(s) involved

11-2012

1988 NETWORK SALES CAMPAIGN

'IN PURSUIT OF PROFITS'

'IN PURSUIT OF PROFITS' is similar to 1987's campaign with the exception that the Match Referral program has now been made a part of the management incentive. In 1988, any sale completed for basic offerings and generated to the Form 2011 will represent 10% of the semi-annualized revenue to the craftsmen. Offerings in the Match referral program such as 800 Service, WATS, Ringmaster, etc. will afford the craftsmen 5% of the semi-annualized revenue.

The management team will now also benefit from the Match sales in that they will also be awarded a percentage of the earnings.

	Basic Offerings	Access Line Svcs	
Technician	10%	5.0%	.05
First Level Manager	3%	1.5%	.015
Second Level Manager	2%	1.0%	.01
Operations Manager	1%	.5%	.005

Revenue percentages will be equated to catalog points towards merchandise available from the E. F. MacDonald Award Catalog (1 point = 10 cents).

There will be special programs which will emphasize the sale of specific items during the year with bonus points awarded to the districts for the non-management employees.

360

MNC-86
10/6/10

"IN PURSUIT OF PROFITS"
SALES IS THE NAME OF THE GAME

CONTACT SALES AND MATCH REFERRALS

CONTACT SALES NSR - 86 FORMS	MATCH REFERRALS 1/800-3 4 MATCH

Offerings:

CUSTOM CALLING FEATURES	WATS SERVICE/800 SERVICE
TOUCHTONE	RINGMASTER
MAINTENANCE PLAN	FOREIGN EXCHANGE LINES
PRESTIGE SINGLE-LINE	ADDL RESIDENCE/BUSINESS LINES
PRESTIGE MULTI-LINE	REMOTE CALL FORWARDING
	PRESTIGE SINGLE/MULTI LINES

Participants:

Services Technicians
Maintenance Administrators
Repair Service Attendants
Dispatch Clerks

Awards/Prizes:

Based on Semiannualized Revenue

	CONTACT	REFERRALS
Non-Management Participant	10%	5%
First Level Managers	3%	1.5%
Second Level Managers	2%	1.0%
Operations Managers	1%	.5%

Prizes From E. F. MacDonald Awards Catalog

-1988 NETWORK MARKETING SALES CAMPAIGN-

As stated earlier in this report, instructions were given in late June, 1990, that all sales in the Orlando Network Division would be referred through GoldLine. The sales printouts for July, August, and September, 1990, reflect that the total sales submitted by employee Sloan were eight Wiring Maintenance Plans.

Interview of Marsha Ann Taylor

On September 19, 1990, employee Taylor was interviewed and provided the following signed statement to Bradley in the presence of her immediate supervisor, Larry E. Batchelor:

"Orlando, Florida
September 19, 1990

I, Marsha Ann Taylor, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty years old. My birthdate is July 8, 1950, and my Social Security Number is [redacted] I am employed with Southern Bell as Maintenance Administrator reporting to Mr. Larry Batchelor at 7900 Mandarin Drive, Orlando, Florida. My NCS date is 8-28-68.

In the Orlando Maintenance Center since the consolidation with the Sandlake Maintenance Center, there has been at least one employee assigned to telephone sales solicitation. These sales contacts with subscribers concentrated on the Wiring Maintenance Plan.

Within the last two years I was assigned this job. Initially, I worked for Mr. Don Babair, who was in charge of the sales program at the time. Prior to my assuming the sales job, fellow employees Bea Leatherman and Joy Folley had the job.

When I started in sales I was instructed by Mr. Babair to upgrade the Maintenance Plan on subscriber lines having only the Inside Wiring Maintenance, to the Full Maintenance Plan. This would increase the subscriber's bill from $1.50 per month to $2.50 per month. Mr. Babair instructed me to add the upgrade without contacting the subscriber.

I knew when I took over the sales job that Bee Leatherman and Joy Folley had also upgraded the Maintenance Plan on subscriber lines without contacting the customer. I recall that either Bea or Joy mentioned to me that the subscriber would not notice the increase, because most people don't look at their telephone bill that closely.

After Don Babair left the Maintenance Center, I was placed under the supervision of Mr. Dick Newsome. Mr. Newsome and I never specifically discussed that I was adding the Maintenance feature to subscriber lines without making contact with the subscriber. However, I feel that he knew what was going on, because on more than one occasion Mr. Newsome came to me and told me not to send anymore sales referrals in that month. He stated that too many referrals might initiate an investigation.

I also worked for Mr. Gary Maser for approximately six months. I feel that he knew what I was doing, but told me he did not want to know anything about it.

Mr. Jonah Bradley also knew what was going on. He also came to me on more than one occasion telling me to hold off sending too many sales referrals in. I assume that he was concerned like Mr. Newsome, that a large number of sales in a particular month might cause problems.

My present supervisor, Larry Batchelor was not aware that I added features to subscriber lines without contacting them. He has spoken to me three times regarding problems with my sales and placed a warning entry in my record regarding correctness and proper completion of company and subscriber records.

When I came into the Maintenance Center, I was told by fellow employees not to make any waves and to do what I was told or Management would make my life hell.

I knew that what I was doing by adding additional features to subscriber lines without the subscriber's authorization was wrong, and have had many nightmares about it. However, I did what I was told by management.

The majority of my sales were the addition of the upgraded Maintenance Plan.

Reviewing Company records with Mr. Bradley reflects that from January, 1990 through May, 1990, I sold 2733 upgraded Maintenance Plans. Of these I estimate that approximately 25% of these are actual sales resulting from customer contacts. The approximately 75% remaining sales were added to the subscriber lines without making contact with the customer. I estimate all previous sales I reported since I took over the sales job would break down the same way, 25% actual sales and 75% added without contacting the subscriber.

I was pulled off sales in late June and have not done any sales solicitation since.

As I stated before, I knew that what I was doing was wrong, however, I was following management's instructions.

I have read the above statement consisting of four pages and it is true to the best of my knowledge and belief.

7 Signed:
Marsha Taylor
9-19-90

Witness:
A. F. Bradley
Staff Manager-Security
9-19-90

Witness:
14 L. E. Batchelor
Staff Manager-IMC
9-19-90"

17 Review of Taylor's Sales Results

The 1988, 1989, and January through June 1990 sales for Taylor as reflected on the sales printouts are as follows:

Type Sale	1988	1989	1990	Total For 1988-1990
Wiring Maintenance Plan	5,262	11,539	2,922	19,723
Custom Calling Features	0	10	0	10
TouchTone	3	3	16	22
Prestige Service	4	0	0	4
TouchStar Features	0	0	2	2
Total Sales	5,269	11,552	2,940	19,761
Reflected 6 Mo.Revenue	$31,467	$78,921	$19,561	$129,949

29 Interview of Jonah F. Bradley

30 On September 19, 1990, Jonah F. Bradley, Manager of the Orlando Network Division Maintenance Center was interviewed and provided the following signed statement:

"Orlando, Florida
September 18, 1990

I, George Moses Sloan, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty-two years old. My birthdate is January 20, 1948, and my Social Security Number is . I am employed with Southern Bell as Services Technician and my NCS date with Southern Bell is January 10, 1972. I report to Mr. Don Babair at 1227 Division Street, Orlando, Florida, and I may be contacted at 407-425-1707.

In March, 1989, I was relieved of my job as a Services Technician, and brought into the office to make telephone sales to subscribers. I concentrated on sales of Custom Calling features and the Wiring Maintenance Plan.

After a couple of weeks on the sales job, it was brought to my attention that my sales were not as good as others in my district. My supervisor, Don Babair, came to me one day to discuss my low sales. He suggested that one way to increase my sales was to review customer records and find those subscribers that have only the Inside Wiring and Jacks Plan (WMR) and upgrade them to the full Maintenance Plan (SEQ1X), without making a sales contact with the subscriber. He stated that the subscriber really needed the upgrade, and it would only cost them an extra $1.00 per month that they would not notice on their bill.

I took my supervisor's suggestion and began submitting Network Sales Referrals without contacting the subscriber on lines that only had WMR Maintenance. Since Mid March, 1989, I estimate that I have taken unearned credit for hundreds of the upgraded Maintenance Plan sales without contacting any of the subscribers.

I have reviewed 499 Network Sales Referral sheets that I submitted in May, 1990. All of these are sales referrals I submitted without contacting the subscriber. I did not keep any records of my sales referrals since March of 1989, however, I did submit a substantial number of referrals each month on subscribers that I did not contact. During this period I only submitted unauthorized referrals on the upgrade of the Maintenance Plan. All other sales referrals that I submitted on Custom Calling features or RingMaster were actual sales from a customer contact either by the telephone or in person.

MNC-DD
2083

Following the initial suggestion from my supervisor Babair to submit unauthorized sales, we have not discussed the matter again.

I continued to submit unauthorized Maintenance Plan sales until the GoldLine sales referral program went into effect in my district in June of this year. Under the GoldLine Program, all sales are referred to GoldLine and they recontact the subscriber and confirm the sale. This made it impossible for me to submit a sale without first making contact with the subscriber.

My second level supervisor from March, 1989 until April, 1990, was Mr. Ron Browning. He was not aware that I was submitting false sales referrals. I never discussed my sales with Mr. Browning. Any discussion I had with management about sales was with my supervisor, Don Babair.

Approximately two months ago, I was approached by my present 2nd level supervisor, Ray Mann. He advised me that some of my sales were being questioned that they may be unauthorized. I told him there were no problems and that all of my sales were legitimate. He instructed me to maintain good records of who I spoke with when I call a subscriber so that I could prove my sales were legitimate. This was about the same time that the GoldLine Program went into effect. I started making the sales referral sheets with either an M or F to indicate that I either spoke with the Mr. or the female of the family.

Approximately five years ago, I was cut back from supervisor to craft. I felt that I was unjustly cut back and started to have a very poor attitude about my job.

When I was asked to come into the office to concentrate only on sales, I felt that this was a good opportunity for me not only to reverse my poor attitude, but to also prove to the company that I was a good contributing employee. I worked very hard in the beginning on sales, but was not keeping up with the sales made by others in my district. Because of this, I decided to take my supervisor's suggestion to refer sales without contacting the subscriber, so that I would look good in the eyes of the company.

I received a lot of gifts for my unauthorized sales. However, this was not my main objective. I truly wanted to appear to the company to be a good and contributing employee.

I am glad that this problem has been uncovered. I knew that what I was doing was improper, and it has bothered me ever since I started.

366

I have read the above statement consisting of four pages and it is true to the best of my knowledge and belief. I have initialed all pages and corrections.

Signed:
George M. Sloan
9-18-90

Witness:
A. F. Bradley
Staff Manager-Security
9-18-90

R. J. Mann
Manager-Network
9-18-90"

Review of Sloan's Sales Results

All Company employees in the position to have frequent sales opportunities are assigned a sales code. In the case of employee Sloan, his sales code in 1990 through the end of February was B24IE1I. From March to the present, his assigned sales code is B24IE1N. Employee Taylor's sales code for all of 1990 has been B24IDOF.

Sales are tracked on a sales report computer printout (Form 2011A). The printout reflects monthly and year-to-date sales by sales code as well as the amount of revenues to be received from the sale for six months.

Following the interview of Sloan and before any additional interviews were conducted, the sales printouts for the Orlando Network Division were reviewed for 1990. The sales printouts for 1989 were not immediately available from the service order group or the Network staff before other interviews were conducted, however, to facilitate this report, the 1989 and 1990 sales totals for employee Sloan are reported as follows:

Type Sale	1989	1990	Totals For 1989 and 1990
Wiring Maintenance Plan	18,987	6,305	25,292
RingMaster	16	0	16
TouchTone	1	2	3
TouchStar Features	96	4	100
Total Sales	19,100	6,311	25,411
Reflected 6 Mo.Revenue	$130,867	$42,056	$172,923

MMC-07
181

MNC-300
184

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

UNC-30
484

Nmc-31
1081

July 29, 1987

MEMORANDUM:

3 To: T. C. Taylor, Operations Manager-IM&C

4 From: T. J. Carmody,Jr. Manager I&M/SSIM

Synopsis: Sales information

6 Per Nell Campbell Manager-Labor Relations

Non-contact employees are all craft titles except Service and Network Technicians as outlined in Appendix C Part 1 of the contract. Even though Service Representatives, Repair Service Attendents and Maintenance Administers have verbal contact with our customers, it is not part of their job discription and they cannot be evaluated on performance for sales results. However, they can be expected to make a sales effort but can't be held accountable for individual sales objectives.

Basically, if the employee dosen't have personal contact with a customer on a daily or frequent schedule in the course of their jobs then they are classified non-contact.

If you remember,ESRP and other related non-contact sales programs were cancelled for some of the following reasons.

Limited sales opportunities for non-contact employees.

Promotional material and incentive awards were more expensive to administer and fund than the revenue generated.

Many employees felt pressured and discriminated against because of poor performance.

Employees can volunteer for programs of this type but cannot be singled out or treated differently because of their participation. Off duty solicitation is discouraged.

28 Per Jim Moore

30 31 At a recent meeting in South Florida to discuss the profitability of the various deregulated wiring plans, Mr. Henry and Mr. Crittenden agreed to combine the wire maintenance and trouble isolation plans on October 1, 1987 and charge customers $1.75 for this service. No other service will be available after this date. Customers with existing plans will be "grandfathered" but cannot keep plan if they move. There are no plans to solicit existing customers who have one or both of these plans. Since PSC approval is not required in a deregulated environment, chances are this program will "fly". Of course this would impact our current plans for "We still make house calls".

313 11-2020

PNC-32
108

MNC-32
2082

M062-2396

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

375

MNC-33
108

376

MNC-53
2582

M062-0943

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2639—NESBITT, U.S.D.C., S.D. FLA.

311

19.06.87
MNC 34
1 081

RASC RTOC Mtg 1986

4-15 Ans

41817 [illegible] (1945)
FROM SG13358 ON 04/14/88 12:56
CS7CSFL

==========

PLEASE CALL FACE RECIPIENT UPON RECEIPT FOR PICKUP

==========

TO: OPERATIONS MANAGERS-CUSTOMER SERVICES (FLA.)
ADMINISTRATIVE MANAGERS-CUSTOMER SERVICES (FLA.)
MANAGERS-COG (FLA.)

B. R. ABERNETHY
JUDY SAWYER
MARY BUTTERWORTH
D. L. BEDNAR
HELEN PRIETO
FLORA MITCHELL
C. C. NELSON
ANNE SADLER
ELEANOR KLUGMAN
CORANNA ZAK
R. F. TYO
DON MOORE
TOM HUNT
JULIE COKER

HOT

FROM: SOUTHERN BELL CENTER
ATLANTA EXECUTIVE OFFICES
APRIL 14, 1988

HEADQUARTERS INSIDE WIRE I.30A.030

COEDNET
IMMEDIATE COVERAGE REQUIRED

SUBJECT: WIRE MAINTENANCE RATE INCREASE AND ADJUSTMENTS

IT HAS BEEN BROUGHT TO OUR ATTENTION THAT CUSTOMERS WHO ELECTED TO DISCONTINUE THE INSIDE WIRE MAINTENANCE PLAN (WMR), BY DEDUCTING $1.00 HAVE BEGAN CALLING THE SERVICE CENTERS QUESTIONING WHY THE BALANCE IS STILL ON THEIR BILL AND WHY THEY ARE STILL BEING BILLED FOR THE MAINTENANCE PLAN.

PG 01
-01- 041482 1359/041488 1359
-01- 041480 1400/041488 1400
-03- 041485 1400/041488 1400
-02- 041483 1355/041488 1356

15-2

319

MNC-35
286

41810 A ORG MSG # 01475 (01946)
FROM SW13358 ON 04/14/88 13:14
PG 02

SERVICE REPRESENTATIVES SHOULD ASSURE THE CUSTOMER THAT THE $1.00 BALANCE FROM MARCH, ALONG WITH CREDIT FOR APRIL WILL BE REFLECTED ON THEIR MAY BILL. ORDER ISSUANCE IS NOT REQUIRED BY THE SERVICE REPRESENTATIVES BECAUSE THE SPECIAL GROUP WILL ISSUE THE ORDER TO REMOVE THE PLAN, FLOAT NMC BY THE LINE TSOC AND ISSD THE ACCOUNT BACK ONE DAY PRIOR TO THE MARCH BILLING DATE FOR PROPER CREDIT. SINCE THE SPECIAL GROUP WILL BE WORKING FROM A PRINTOUT WHICH IDENTIFIES CUSTOMERS DESIRING TO BE DROPPED FROM THE PLAN ORDER, SERVICE REPRESENTATIVES SHOULD NOT ISSUE SERVICE ORDERS ON THESE ACCOUNTS SINCE IT WILL GENERATE A DUPLICATE ORDER ON THE HOLD FILE.

CURRENTLY, CUSTOMERS WHO DESIRED TO CANCEL THE PLAN AND WHOSE BALANCE IS EXACTLY $1.00 RECEIVE THE FOLLOWING CONFIRMATION NOTICE:

ACCORDING TO OUR RECORDS YOU HAVE DECIDED NOT TO SUBSCRIBE TO THE INSIDE WIRE MAINTENANCE PLAN AND YOU WILL BE DROPPED FROM THE PLAN.

WE HAVE REQUESTED COMPTROLLERS ADD TO THIS MESSAGE:

CHARGES FOR MARCH AND APRIL WILL BE ADJUSTED EFFECTIVE WITH YOUR MAY BILL.

THIS CHANGE SHOULD BE EFFECTIVE BEGINNING WITH THE 10TH BILLING PERIOD AND WE HOPE THE CHANGE IN WORDING WILL CUT DOWN ON THE VOLUME OF CALLS RECEIVED IN THE SERVICE CENTERS.

WE HAVE ALSO BEEN INFORMED THAT SOME CUSTOMERS WHO DEDUCTED THE $1.00 FROM THEIR MARCH BILL ARE BEING BILLED A LATE PAYMENT CHARGE ON THE $1.00 BALANCE.

OUR INVESTIGATION HAS REVEALED THIS TO BE A PROGRAMMING ERROR WHICH HAS NOW BEEN CORRECTED. APPROXIMATELY 1,602 ACCOUNTS WILL BE IMPACTED BY THIS ERROR AND THE BREAKDOWN IS AS FOLLOWS:

PG 02
-G1- 041486 1359/041488 1359
-H1- 041488 1400/041488 1400
-H3- 041488 1400/041488 1400
-F2- 041486 1355/041486 1355

380

MRC 35

3086

41810 A ORG MSG # 01476 (01946)
FROM S#13358 ON 04/14/88 13:35
PG 23

NORTH FLORIDA-754
SOUTH FLORIDA-750
SOUTHEAST FLORIDA-322

SINCE THESE ORDERS WERE GENERATED BY THE SPECIAL GROUP, WE HAVE IDENTIFIED THE ACCOUNTS INVOLVED AND ARE MAKING ARRANGEMENTS TO HAVE THE $1.00 BALANCE ALONG WITH THE LATE PAYMENT CHARGE ADJUSTED. NO ACTION IS REQUIRED ON THE SERVICE REPRESENTATIVE'S PART FOR ADJUSTING THESE ACCOUNTS. SERVICE REPRESENTATIVES CAN IDENTIFY THESE ACCOUNTS BECAUSE THE ORDER NUMBER BEGINS WITH R7467 AND THE PLAN HAS BEEN REMOVED FROM THE CUSTOMER'S CSR. THIS IDENTIFICATION IS VERY IMPORTANT BECAUSE IF THE ORDER NUMBER DOES NOT BEGIN WITH R7467, IT MEANS THE ORDER WAS ISSUED INCORRECTLY BY THE SERVICE CENTER AND THE SERVICE CENTER WILL NEED TO ADJUST THE ACCOUNT.

AS YOU ARE AWARE, ANY TIME A USOC IS MANUALLY RATED AND THERE IS A RATE INCREASE ON THE SERVICE, SPECIAL ORDER ISSUANCE IS REQUIRED TO RATE THE USOC. SPECIAL ORDER ISSUANCE WAS REQUIRED TO INCREASE THE RATE TO $1.00 ON ALL CUSTOMER ACCOUNTS WHERE THE SEQ1X WAS MANUALLY RATED AT $.45.

WE HAVE BEEN ADVISED THAT APPROXIMATELY 400 ACCOUNTS IN NORTH FLORIDA WERE ISSUED USING AN INCORRECT EFFECTIVE BILLING DATE. THE BILLING DATE USED WAS APRIL INSTEAD OF MARCH. THIS MEANS THAT THOSE CUSTOMERS 400 CUSTOMERS INVOLVED WERE ADVISED IN THEIR MARCH BILL THE CHARGE FOR MAINTENANCE WOULD INCREASE, HOWEVER THE INCREASE WAS NOT SHOWN. SINCE THE APRIL IEBD DATE WAS USED, THE RATE INCREASE WILL BE REFLECTED ON THE APRIL BILL. SHOULD CUSTOMER INQUIRIES BE RECEIVED ON THESE ACCOUNTS, THE SERVICE REPRESENTATIVES SHOULD EXPLAIN TO THE CUSTOMER, DUE TO AN ERROR ON OUR PART, THE INCREASE WAS ONE MONTH LATE IN BEING APPLIED. HOWEVER, THERE WILL BE NO BACK BILLING TO RECOVER THE CHARGE FROM MARCH. THE SERVICE REPRESENTATIVES SHOULD HANDLE BOTH THE INQUIRY AND ANY SERVICE ORDER NEGOTIATION TO COMPLETION.

BASED ON THE PROBLEM AREAS IDENTIFIED IN THE SERVICE CENTERS, THE FOLLOWING INFORMATION SHOULD BE USED BY THE SERVICE REPRESENTATIVES IN DETERMINING WHAT ACTION IS REQUIRED ON THEIR PART.

PG 23
-S1- 041488 1359/041488 1359
-S1- 041488 1400/041488 1400
-S3- 041488 1431/041488 1431
-F2- 041488 1355/041488 1356

MNC-35
486

1810 A DRG MSG # 01475 (01946)
FROM SG13359 ON 04/14/89 13:49
PG 04

SITUATION 1

IF	THEN
IF THE CUSTOMER CALLS TO QUESTION WHY THE $1.00 BALANCE IS STILL ON THE BILL AND WHY THE MONTHLY CHARGE FOR MAINTENANCE IS STILL BILLED.	ADVISE THE CUSTOMER THE $1.00 BALANCE, ALONG WITH THE CHARGE FOR APRIL WILL BE ADJUSTED ON THE MAY BILL. THE SERVICE REP. SHOULD NOT ISSUE AN ORDER.

SITUATION 2

IF	THEN
IF THE CUSTOMER CALLS TO QUESTION WHY THE $1.00 BALANCE AND A LATE PAYMENT CHARGE IS BILLED ON HIS ACCOUNT.	ASSURE THE CUSTOMER THE CHARGE OF $1.00 ALONG WITH THE LATE PAYMENT AMOUNT WILL BE ADJUSTED ON THE MAY BILL. IF THE CHARGE FOR MAINTENANCE HAS ALREADY BEEN REMOVED AND THE ORDER NUMBER BEGINS WITH R7467 NO ADJUSTMENT SHOULD BE ISSUED BY THE SERVICE REP. BECAUSE WE KNOW WHO THESE CUSTOMERS ARE AND WILL ARRANGE TO HAVE THE ADJUSTMENTS MADE BY THE MAY BILL. A LOG OF THE CUSTOMER ACCOUNT NUMBERS SHOULD BE MAINTAINED ON A FOLLOW-UP TO ENSURE THE ADJUSTMENT IS MADE. HOWEVER, IF A LATE PAYMENT CHARGE WAS BILLED AND THE ORDER NUMBER DOES NOT BEGIN WITH R7467 THE SERVICE REP. SHOULD ISSUE AN ADJUSTMENT BECAUSE THE ORDER WAS ISSUED FROM THE SERVICE CENTER INCORRECTLY.

PG 04
-G1- 041488 1359/041488 1359
-H1- 041488 1401/041488 1401
-H3- 041488 1401/041488 1401
-F2- 041488 1356/041488 1356

15-5

382

41811 A 0RG MSG # 01476 (21945)
FROM SG13358 ON 04/14/89 13:59
PG 05

SITUATION 3

IF	THEN
IF THE CUSTOMER QUESTIONS WHY THE CHARGE FOR INSIDE WIRE MAINTENANCE INCREASED WITH THEIR APRIL BILL.	EXPLAIN TO THE CUSTOMER THE RATE INCREASE WAS EFFECTIVE IN MARCH. HOWEVER, DUE TO AN ERROR ON OUR PART, THE BILLING WAS DELAYED ONE MONTH. IF ORDER ISSUANCE IS REQUIRED, THE SERVICE REP. SHOULD HANDLE TO COMPLETION. IN THIS INSTANCE, THE EBD WOULD BE ONE DAY PRIOR TO THE BILLING DATE IN APRIL AND NOT MARCH.

SHOULD YOU HAVE ANY QUESTIONS, PLEASE DIRECT THEM TO GREG HARKER ON 404-350-3639 WHO IS THE PERSON DESIGNATED TO TAKE CALLS ON THIS SUBJECT IN YOUR AREA. THE SUBJECT MATTER EXPERT FOR MAINTENANCE OF INSIDE WIRE IS CHRIS COOPER AT 404-529-6912.

M. W. CARSON
PERATIONS MANAGER-
CUSTOMER SERVICES

CC: GREG HARKER
DONNA COPE
SANDRA RILEY
WILMA BURLESON

MJF
PG 05L
-G1- 041486 1359/041488 1400
-E1- 041486 1401/041488 1401
-E3- 041488 1401/041488 1401
-F2- 041486 1355/041488 1357

15-6

383

45216 A ORG MSG # 00915 (01791)
FROM SG14047 ON 05/12/88 12:01
PG 02

HEADQUARTERS INSIDE WIRE MAINTENANCE I.12.012

DATAPHONE MESSAGE

SUBJECT: INSIDE WIRE MAINTENANCE

WE HAVE BEEN ADVISED THAT A LATE PAYMENT CHARGE WAS BILLED IN ERROR TO CUSTOMERS WITH A BILL PERIOD OF MAY 1 THROUGH MAY 7 THAT DEDUCTED $1.00 FROM THEIR MARCH AND APRIL BILLS TO INDICATE THEY NO LONGER WANTED THE INSIDE WIRE MAINTENANCE PLAN. THE CREDIT FROM THE SERVICE ORDER SHOULD HAVE OFFSET THE BALANCE. HOWEVER, THE $2.00 BALANCE WAS NOT REMOVED PRIOR TO RENDERING THE MAY BILL, THEREFORE, A LATE PAYMENT CHARGE WAS BILLED.

COMPTROLLERS PUT IN A PATCH TODAY TO CORRECT THIS PROBLEM AND WILL PROGRAMMATICALLY REMOVE THE LATE PAYMENT CHARGE AND RENDER AN OC&C NEXT MONTH REFLECTING THE CREDIT. HOWEVER, THEY CAN NOT ALWAYS IDENTIFY MULTI-LINE ACCOUNT, THEY SHOULD ADJUST THE LATE PAYMENT CHARGE. IN SOME CASES WE MAY GIVE THE CREDIT TWICE, HOWEVER, WE ARE ONLY TALKING ABOUT THREE CENTS AND WE WOULD RATHER GIVE THE CUSTOMER SIX CENTS THAN NOT GIVE CREDIT AT ALL.

SHOULD YOU HAVE ANY QUESTIONS, PLEASE CONTACT GREG HARKER AT 904-350-3639 WHO IS DESIGNATED TO TAKE CALLS IN YOUR AREA. THE SUBJECT MATTER EXPERT FOR MAINTENANCE OF INSIDE WIRE IS CHRIS COOPER AT 404-529-6912.

MIKE CARSON
OPERATIONS STAFF MANAGER -
CUSTOMER SERVICES

CC: GREG HARKER
SANDRA RILEY
DONNA COBB
WILMA BURLESON

DL
PG 02L
-G1- 051288 1201/051288 1201
-H1- 051288 1202/051288 1202
-H3- 051288 1204/051288 1204
-F2- 051288 1201/051288 1201

15-7

384

MK-3
182

Date: March 28, 1988

To: Rosemary Kirkland, Inside Wire Implementation Manager
Southern Bell Marketing
Joey Saia, Inside Wire Implementation Manager
South Central Bell Marketing

From: Jim Skinner, Inside Wire Product Manager
BellSouth Services

Subject: Sales Procedures for Inside Wire

Attached, please find a copy of an article from the Wall Street Journal dated March 22, 1988. The article advises that the Attorney General and Consumer Advocate's office for the state of Pennsylvania have accused Bell of Pennsylvania of deceptive techniques in selling optional telephone services. Specifically, the selling of Custom Calling services and inside wire service plans are the objects of their accusations.

I would like your assistance in verifying that the procedures specified in the inside wire product guide and re-emphasized in the M&P's developed for the current repricing are being adhered to. The procedures for our Service Reps specify that the customer must be advised that the inside wire service plan is optional, and that he may maintain his own wire or contract another party for this service. Additionally, the procedures call for the customer to be advised of the limitations and exclusions of the plans, either verbally or with a confirming notification sent to the customer who subscribes to the plan.

Please check with your counterparts in the customer service areas to determine what practices our customer contact personnel are using. Recent audits were performed in both Southern Bell and South Central Bell. I am not sure if this was one of the covered items, however it may be to our advantage to determine if it was part of the audits. I feel certain that our people are following the established procedures, however it is critical they are being followed TO THE LETTER on EVERY customer contact.

Let me know as soon as possible what you are able to find out. If it appears we need to stress this subject through a re-training exercise, we should do so at the earliest opportunity. As always, the entire product team is at your disposal, and will gladly help in any way we can.

Jim Skinner

cc: Inside Wire Core Team Members
J. R. Green
J. F. Wise

M062-1685

385

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

c. Biff
c. Jeff Wise
Jim Skinner
Jaye Cottman
fyi - we! DWs are ok
JEL 3/27

2, 1988

Bell Atlantic Unit Criticized on Sales In Pennsylvania

By JULIE AMPARANO
Staff Reporter of THE WALL STREET JOURNAL

The Pennsylvania attorney general and consumer advocate offices accused Bell Atlantic Corp.'s telephone subsidiary of using "deceptive techniques" in selling optional telephone services.

The state offices said they found that Bell of Pennsylvania sales representatives assigned telephone features—such as call waiting, speed dialing and wire-maintenance plans—without explaining prices or informing customers that the services were optional, as required by regulations.

If found to be in violation of regulations, Philadelphia-based Bell of Pennsylvania could be ordered to pay $1,000 for each infraction and forced to refund "millions" to customers who got more services than they wanted, according to the attorney general's office.

A Bell of Pennsylvania spokesman said there was "no justification for the allegations" and that the telephone company would contest the charges. He said sales representatives spend at least "half-an-hour explaining what options are available."

However, the attorney general's office said that wasn't the case when its agents inquired about service last fall. Of 32 telephone service inquiries placed at various Bell of Pennsylvania centers across the state, there were 23 cases in which sales representatives assigned services without saying they were options, Attorney General LeRoy S. Zimmerman said.

In a suit filed in Commonwealth Court yesterday, the attorney general's office, under the state's Unfair Trade Practices and Consumer Protection Law, is asking the telephone utility to refund about $7.7 million to consumers who have subscribed to a wire maintenance plan since January 1987. The agency also seeks unspecified penalties. Under the wire maintenance plan, Bell of Pennsylvania will repair the customer's inside telephone wire if a problem develops.

In a separate but related action, the consumer advocate's office filed a complaint with the Pennsylvania Public Utility Commission seeking unspecified penalties, to end the alleged illegal marketing practices and refunds for customers who got more services—excluding wire-maintenance plans—than they wanted.

Since 1984, consumers have spent $176 million on optional telephone services, such as call waiting, call forwarding and speed dialing. However, the agency said it isn't clear how much of that total can be attributed to "deceptive sales practices."

In composite trading yesterday on the New York Stock Exchange, Philadelphia-based Bell Atlantic closed at $70.25, down 75 cents.

In California, Pacific Telesis Group's Pacific Bell Telephone Co. must refund $35.6 million to customers who were sold optional services they didn't want.

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M062-1686

A RATHER TAXING EXAM.

1. What state just lowered its personal income taxes by $4.5 billion?

A) New York

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

Headquarters Inside Wire Maintenance 1.12.01

6-14 Ans 1988

OPERATIONS MANAGER
JO-ANN McNAMARA
RUTHANN WOODBURY
MARY LOU KOLB ✓
BETTY TRATER ✓
DICK SISCLAK
LINDA DAWKINS
PLEASE HANDLE
AS INFORMATION
RETURN BY

Southern Bell

M. W. Carson
Operations Staff Manager

675 W Peachtree St. NE
Atlanta, Georgia 30375
404 529-8849

RECEIVED
JUN 13 1988
WEST BROWARD DIST.

June 6, 1988

MEMORANDUM TO: Operations Managers-Customer Services (Florida Only)
Administrative Managers (Florida Only)

SUBJECT: Inside Wire Maintenance

The Vendor is still in the process of handling the latest Inside Wire Maintenance project. We had hoped to complete the project by the end of May but the end of June is a more realistic date. Three attempts are being made to reach all customers who are being called. A follow-up letter will be mailed and we want to include sufficient time for the customer to reply.

As you are aware the Vendor received incoming calls, processed the orders and is currently doing outbound calling as a result of the rate increase. As they processed the orders they encountered the same on line edits as Service Representatives do when they issue the order. We have received a tape of the orders that the vendor tried to process which for edit reasons would not flow. (We have received a program that will allow us to read this tape and print out the telephone numbers, and we are in the process of printing these errors.) Once we complete this process the telephone numbers will be sent to the business office to issue the order. When we send the prints we will include instructions for processing.

In the meantime in order to eliminate customer complaints to higher management and the Florida Public Service Commission we are including a FYI page in all the Florida bills where the indicator on the account indicates no action has been taken and the balance on the bill is $6.10 or less. This amount was chosen because some customers deducted $2.00 from their March, April and May bills, which included the Inside Wire Maintenance and Trouble Isolation Plan. We did not remove any Trouble Isolation Plans from the accounts.

Hot cover now

15-11

387

The FYI page will read:

> WE ARE STILL PROCESSING REQUESTS TO REMOVE THE MONTHLY INSIDE WIRE MAINTENANCE CHARGE. IF WE HAVE NOT HANDLED YOUR CHOICE CORRECTLY PLEASE CALL THE BUSINESS OFFICE AT THE NUMBER LISTED ON YOUR BILL.

Hopefully, this statement will not generate a large number of calls into the Service Centers. However, all calls received in the Centers should be handled to conclusion with proper IBOSS notations made to eliminate duplicate handling. The Service Representative taking the call should issue the order with an effective billing date of one day prior to the March bill date and make any necessary adjustment to remove the late payment charges.

If you have any questions regarding this, please call Greg Harker at 904-350-3639 or Chris Cooper at 404-529-6912.

Mike

Operations Staff Manager-
Customer Services

6-14 Amsl 385
Cobell

Southern Bell

M. W. Carson
Operations Staff Manager

OPERATIONS MANAGER _____
JO-ANN McNAMARA ✓
RUTHANN WOODBURY _____
MARY LOU KOLB ✓
BETTY THAYER ✓
DICK SISSLAK _____
LINDA DAWKINS _____
PLEASE HANDLE _____
AS INFORMATION _____
RETURN BY _____

675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
404 529-8810

RECEIVED
JUN 13 1988
WEST BROWARD DIST.

June 9, 1988

MEMORANDUM TO: Operations Managers- Customer Services (Fla)
Administrative Managers- Customer Services (Fla)
Managers- Customer Services (Fla)

SUBJECT: Inside Wire Maintenance Service Order Errors

You were advised in our memo of June 6, 1988, that many customers that requested to remove the Inside Wire Maintenance Plan (WMR), due to the rate increase in March, are still being billed due to on line edits that prevented their orders from being processed by the Vendor. While many of these customers may have already called into the Centers for order issuance due to continued billing, balances and late payment charges, some of them may not have called. For this reason, we must review the customer service record (CSRs) involved, to ensure the customer's request to remove the plan has been handled and issue a service order to remove it if the USOC is still on the records. Unlike on line edits that we encounter, the orders that the Vendor can not process do not make it to the pending order file. The orders are voided by Cordnet and we must reissue the order.

There are approximately 3,227 accounts that must be reviewed and the approximate breakdown by Area is as follows:

North Florida	---	1,963
South Florida	---	821
Southeast Florida	---	443

The list of error orders have been forwarded to Greg Harker. Greg will break the orders down as equitable as possible and forward them to the Service Centers for corrective action. The error lists are not broken down by Residence/Business, or geographically within a Center.

15-13

389

Therefore, we will try to ensure that each Center receives a fair share of the errors. Since the majority of accounts are Residence, Greg will forward the list to the Residence Centers first. Once the Residence Centers have completed handling the residence accounts, the lists should be forwarded back to Greg in order for them to be divided and sent to the Business Centers for appropriate action. The telephone numbers on the error lists that have been lined thru require no action.

As soon as other errors are received, they will be forwarded in the same manner described above. You can anticipate a much smaller list of errors thru the end of June.

Should you have any questions, please refer them to Greg Harker at 904-350-3639 who is the person designated to take calls on this subject in your Area. The Subject Matter Expert for Maintenance of Inside Wire is Chris Cooper at 404-529-6912.

Mike

Operations Staff Manager-
Customer Services

Attachment

cc: Greg Harker
Donna Cobb
Sandra Riley
Wilma Burleson

Instructions For Processing Inside Wire Maintenance Error Orders

The error order printout shows the area code, telephone number and gives an error reason for why the record (R) order to remove WMR was not processed. If the WMR is present, it will be necessary to issue a service order to remove it and correct the error condition that exist. On multi-line accounts, ensure that WMR is removed from each line.

If	Then
WMR is still billed	Issue R order to remove WMR and correct error. D&E the line USOC and show NMC by the line. Change the ZOPT to IZOPT D. The order should carry an IEBD of one day prior to the customers March billing date for proper monthly credit. If a late payment charge has been assessed to the customer, it must be adjusted also. Note IBOSS of action taken. The error print can be noted with a check to indicate order issued.
WMR is not billed	This will indicate the customer has called the Service Center and an order has already been issued to remove the plan. The error print can be noted NA, indicating no action was taken and it is not necessary to note IBOSS.

MNC-38

1083

File Code: 010.0308

Date: October 10, 1989

To: D. R. Dobbins, Operations Manager-Marketing Support

From: J. C. Edwards, Operations Manager-Lines of Business Network

Subject: Rate Changes for the Inside Wire Service Plan

As you noted in your letter of September 8th, Southern Bell and South Central Bell have again pressed forward with rate increases to the inside wire service plans without the participation of the Inside Wire Product Team. Some of these rate increases were recommended by the Product Team as far back as August of 1987, while others (notably Florida) were implemented even though the product team had recommended AGAINST the increase. I am certainly aware of the hardship this has created for your organization, and am as concerned as you about the haphazard way the states have chosen to implement these rate increases.

Unfortunately, revenue stimulation programs driven by upper management in both Operating Companies have created this situation. These programs were at the heart of the short notification in Florida, Louisiana, and Georgia. In addition, rate increases are planned in the next few months in North Carolina, Kentucky, Alabama and Tennessee, again as the result of revenue stimulation programs.

Contributing to the problem is the fact that although the activity level on inside wire is at its highest level since it was deregulated in 1987, the product was prioritized as a "life cycle managed" product in the 1989 prioritization. As a result, there are no designated implementation teams in SCB, SBT or BSS, since resources were never allocated for that function. In addition, the activity is expected to increase dramatically as the result of several upcoming F.C.C. initiatives and the work necessary to produce a Product Plan and Business Case for the SMART HOUSE project.

Jim Skinner and I have had several discussions on this problem and propose the following:

1. The prioritization review for 1990 is scheduled to be presented to the PMC on November 2, 1989. We have already developed the proposal to move inside wire back up the list based upon all of the problems above as well as the high level of potential revenue opportunities.

M058-0800

[redacted]

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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MNC-38
2083

2. The inside wire product team met on September 27, 1989 and decided to develop a formal plan of action for rate changes to be presented to the BOCs. This plan will include recommendations on rates, procedures for implementing the rate changes, method of notifying the customers, and recommended implementation dates. Hopefully, by formalizing the recommendations we can influence what is done, when it is done, and how it is accomplished.

3. Inside Wire Product Team meetings, previously only scheduled on an as needed basis due to the lowered priority, will now be held on the last Thursday of every month. These meetings will include the Southern Bell and South Central Bell Regulatory and Pricing organizations, as they should be the most in tune with their respective states plans. This should allow the BOCs to participate proactively, as well as provide the opportunity for each of the core team members to hear the plans first hand.

4. When notice is received of a state's intention to change rates, I will call you directly to advise you of the change. This call will be in addition to Jim's call to Linda Smith and/or Melissa Bailey. This should minimize the impact of vacation days, etc. which could effectively reduce the notification time.

In spite of these actions, I suspect the states will continue to react to changes when mandated by their own upper management. However, we will make every attempt to influence their decisions in a positive fashion. Your support of re-prioritizing inside wire will go a long way toward that end. If you would like to discuss this in greater detail, I may be reached at (404) 529-6862.

cc: T. L. Hamby
J. L. Dick
M. J. Skinner

M058-0801

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

393

MNC-38
3 of 3

I N T E R O F F I C E M E M O R A N D U M

Date: 11-Oct-1989 10:26am GMT
From: MARLOW J. SKINNER
SKINNER_MJ AT A1 AT MOMSD
Dept: BSS
Tel No: 404-529-7249

TO: PARDUE_RON AT A1 AT MOMSB

Subject: letter to Dobbins

A. Document is attached to this message

M058-0802

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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MNC 39
1084

MWC-35
284

MNC-39
3 of

MMC-39
494

MNC-40
1085

October 19, 1990

Inside Wire Maintenance Project Overview

Strategy

Customers will receive notification that there has been a billing error on their account and we are adjusting the charges from the originating date in addition to any other information we provide. These customers will be directed to call 1-800-522-BELL(2355) ext. 300 if they have any questions or need to discuss the service. This number will be answered by Southern Bell Direct Marketing Center Service Representatives from 8:30 am to 7:30 pm Monday through Friday. We will explain the bvenefits of the service and the coverage it provides, answer any questions and assist the customer in making the dicision that best fits his needs. Our Reps will have access to IBOSS and DOE, are trained for all business and residence services and will be able to answer any other related questions the customer may have. Irate customers or customer requesting to speak to a higher management person will be referred to a DMC Supervisor, then the DMC Manager and if necessary to a designated Manager in North Florida (this will probably be Ron Tyo the District Manager in Customer Services located in the Orlando area).

Bill Adjustments

Bill adjustments will be handled through a team effort between the Direct Marketing Center and the Comptrollers Department.

Tracking

The DMC will track all customer responses by name, telephone number, person responding and decision. We will maintain a list of these customers for future cross referencing or correspondence.

Follow-up

Follow-up contacts to non-respondents or any customers affected will be made as required.

15-127

391

MNC-40
2089

URGENT

November 1, 1990

Memo to: Managers - Customer Services

From: Leslie Ogilvie

Subject: Service Plan Billing Errors

Due to employee error, many customers are being billed for SE01X in error. A task force has been set up to handle this problem. Letters have been sent to the affected customers explaining that the service is being deleted from their records. In this letter, the customers are directed to call the Direct Marketing Center at 1-800-522-BELL(2355) extension 300 for more information. If any of these calls are received in your offices, it is imperative that they be on-line transferred to the above number or given that number if they want to call at another time. The task force has complete details of the problem. Therefore to avoid any additional customer irritation, please be sure your employees are made aware of the situation immediately and are ready to transfer these customers to the group which can help them.

If you have customer appeals as a result of this, or need further information, please call me at (904)350-3639.

cc: Operations Managers - Customer Services

15-131

400

MNC_40
3 of 9

November 2.1990

Memo to: Beverly Boone
Betty Klutz

From: Leslie Ogilvie

Subject: SEQ1X Verification

We had discussed the notation which your reps will be putting on customers accounts who are involved in this verification process.

For outbound calls how about:

Customer contacted by DMC task force regarding SEQ1X billing verification. Customer is keeping SEQ1X(or issued order to downgrade to WMR per customer request. Advised customer adjustment will be $xxxx: or removed SEQ1X per customer request. Advised customer adustment will be $xxxx).

For incoming calls from customers who have received letters:

Customer called DMC task force regarding SEQ1X billing verification(if customer wants service back on line: added SEQ1X back to records per customer request) If customer questions adjustment : explained customer will receive $xxxx adjustment.

For incoming calls from customers who did not receive letters, rather just heard about it:

Customer called DMC task force regarding SEQ1X billing verification. (If customer wants SEQ1X totally removed: removed SEQ1X per customer request. Advised customer adjustment will be $xxxx). (If customer wants downgrade: Downgraded from SEQ1X to ____ Advised customer adjustment will be $xxxx.)

Of course, you will need to abbreviate.

There is no current disclosure statement for the reps to use when speaking about SEQ1X that I have been able to find. If I can locate this for you, I will send it.

Bev, Betty has the three approved letters.

Attached is the information which will be used for a press release if there is need for one. IT HAS NOT YET BEEN RELEASED. Thanks again for your help!

15-132

401

MNC-40
409

URGENT

November 5, 1990

To: All Service Centers

Re: Service Plan Billing Errors

It looks like all the customers who received letters are calling this morning! If you are unable to get through to the 1-800-522-bell ext 300 number. Please ask your customer if he would be able to call back to that number later this afternoon. If your customer is irate, or is refusing to call back, please call (404)493-3007 and leave your customer's name and number for a call back. The Direct Marketing Center has one shift on now, will have another shift starting at 9:30 and another at 11:30 they will be open for calls until 7:30 p.m. Leslie (904)350-3639.

15-139

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MNC-46
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ANOTHER URGENT MESSAGE

November 5, 1990

To: All Service Centers

Re: Service Plan Billing Errors

It is very important that your Reps refer these customers to the Direct Marketing Center. This is true even if the customer is stating that they want to keep the Service Plan on their account. There are specific procedures the DMC has to follow so that these customers will not have SEQ1X dropped from their accounts. There are also specific instructions which the DMC Reps must follow in speaking with these customers. This is not a sales opportunity! This is very important.

If a customer refuses to call the DMC or to accept a call back from the DMC, please take the customers name, number and comment down and call it to the DMC. If you have several, feel free to FAX the information to the manager of the DMC, Beverly Boone at (404)496-0233. If a customer will accept a call back please have a Rep or AM call (404)493-3005 (this is an AMs * and should not be given to customers - yes this is a different number) and leave the customer s name and number so that someone from the DMC can call them back.

The DMC is open for incoming calls from 8:30 a.m. to 7:30 p.m. Thank you for your cooperation in this very delicate matter. Leslie (904)350-3639.

15-135

403

MNC40
689

URGENT

November 7, 1990

Memo to: Managers - Customer Service

From: Leslie Ogilvie

Subject: Service Plan Billing Errors

Because of the great number of customers calling in in response to letters sent regarding these errors, the DMC is having trouble keeping up with the committments to call customers back who have called into the Service Center. Therefore for the rest of this week, we will have a different procedure for handling these committments:

If a customer calls into the Service Center because he has been unable to get through on the 1-800-522-Bell ext 300 number, please make a commitment. Please note on the committment the customer's name, telephone number, and any comments such as "wants to keep service plan". Then, fax the committment to my attention at (904)350-2399.

Again, Service Reps are not to process orders for these customers. The DMC has specific procedures they must follow in writing these orders so that SE01X will not be dropped from the accounts of customers who want to keep the plan.

Thanks again for your help in handling this situation. (904)350-3639.

cc: Operations Managers - Customer Services

15-136

404

MNC-40
7 89

November 15, 1990

Memo to: Managers - Customer Services

From: Leslie Ogilvie

Subject: Service Plan

The Direct Marketing Center is no longer having any trouble handling the call load from customers who have received letters regarding their Service Plan. So, effective immediately, if you do need to make a committment to have someone call the customer back, or if you receive correspondence from a customer regarding this, please fax it to the Direct Marketing Center attn: Betty Klutz at (404)496-0233. I was having committments faxed to me temporarily while the call load was a bit unmanageable at the DMC. This interim procedure is no longer needed, so we can go back to sending this information to the DMC. Thanks for your help and patience during this time.

cc: Operations Managers - Customer Services

15+137

405

MNC-40
879

November 21, 1990

Memo to: Beverly Boone

From: Leslie Ogilvie

Subject: Inside Wire Orders

Attached is information from the Comptrollers group concerning the SEQ1X project. Included in the information is instructions as to how the orders are to be written for the customers who want to keep SEQ1X.WMR or WMQ. This taken with the information from the Operating Standards concerning reinputting Grandfathered Maintenance Plans should be all that is needed by Betty and her Reps. I have sent the Operating Standards to Betty under separate cover.

Just as written confirmation. Customer Services had thought that follow-up letters to the customers who did not respond to the initial mailing might be helpful. Upon further reflection, it isn't thought that this will help to reach customers who weren't reached by the original mailing. So, this will no longer be pursued by Customer Services.

If there is anything else you might need, please give me a call at (904)350-3639. Thanks!

cc: Sue DuBose

15-138

406

MNC-46
979

November 29, 1990

To: All Service centers:

Subject: Maintenance Plan Problem

Information concerning what has been referred to a billing problem up until now has been published in the Orlando Sentinal. The article states that five employees have been fired - this is true. The problem was Network Sales referrals were written to put SEQ1X - the maintenance plan - on customers lines who had never been contacted. The reason information was not shared with you up until now, is that security did not want to jeapordize their investigation. The Direct marketing Center has been handling all customer inquiries regarding this and will continue to do so. If you receive customer calls regarding the article - refer these customers to the 1-800-522-2355 ext 300 number. If you can t get through, please fax a commitment to Betty Klutz at (404)496-0233 DO NOT HANDLE THESE CALLS IN THE SERVICE CENTER!!! Please call Sue DuBose with questions (904)350-8360.

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—RESBITT, U.S.D.C., S.D. FLA

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...ACTION NO. 83-2039—NESBITT, U.S.D.C., S.D. FLA.

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M069-0109

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ACTION NO. 89-2839—NESBITT. U.S.D.C. S.D. FLA. CIVIL

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EXHIBIT, U.S.D.C., S.D. FLA.

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CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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M069-0119

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VII

ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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M069-0120

IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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M069-0121

CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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069-0052

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SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA

1084

Date: June 21, 1990

To: Bill Freeman

From: Ron Pardue

Subject: "State of The Wire" Message on Basic Inside Wire

Did you know?

From 1987 to 1990, Basic Inside Wire revenue will increase $112M while expenses (fully distributed) will increase only $21.5M, based on 1990 actuals through April, annualized. Net Revenue will increase $90.5M, from -$36.6M to +$53.9M. In only three years, what other service has had such a dramatic turnaround?

Following are some activities I was directly involved in which contributed to the improved profitability of inside wire. Some of these have had, and continue to have, a tremendous impact on this service.

7/88 - Prepared several scenarios for rate increases for presentation to Carl Bailey in SCB.

11/88 - Completed an expenses analysis for each SCB state.

2/89 - Met with SCB AVP-Rates, advocating increased rates.

4/89 - Recommended $1.60 as the minimum rate for the plan in SCB.

5/89 - Recommended $2.00 as the optimum rate for the plan in SCB. Provided nine different analyses for SCB's review.

8/89 - Market Research completed, which I had requested and helped formulate appropriate questions.

Additionally, at every opportunity, I have "preached" raising rates and reducing expenses. All Southern Bell states are now profitable. Most South Central Bell states have increased to a profitable level. Through April, Mississippi is the only state showing a negative net revenue. Planned increases will result in continued increases in the net revenue.

M062-1096

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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Southern Bell has been more progressive in increasing prices. But they also had higher prices to start with. On the other hand, South Central Bell has been more reluctant to increase prices. I think it is interesting to note that the percent increase in revenues from 1987 to 1990 is actually greater in South Central Bell.

I do not intend to take a passive role on Inside Wire, now that it is a very profitable line of business. Following are some areas I plan to delve into:

(1) While the percentage of eligible participants on the monthly plans remain high, we need to begin analyzing ways to retain these subscribers. Our market research can be a good tool to provide insight into customer's attitude toward the monthly plans. We need to continually emphasize the benefits of the plans.

(2) The issue of whether the incremental cost or the fully distributed cost should be the floor for pricing decisions, sooner or later, must be resolved. For pricing decisions the incremental cost should be used and for accounting purposes the fully distributed cost is the appropriate cost. (By the way, all the expenses used herein are based on the fully distributed costs. If incremental costs were used the net would be substantially higher.)

(3) I intend to provide some analyses for each of the Companies, making some comparisons on expenses (increases and decreases), percent profit, trends, etc. which I hope will create some interest in states which appear to be lagging behind. For example, Alabama is the only state whose nonrecurring revenue is higher than the corresponding expenses (revenues are 31% above expenses). Alabama and North Carolina are the only states that have reduced total expenses since 1987. Conversely, Georgia's expenses have increased 37%.

(4) Recent court and FCC decisions could impact inside wire. In NARUC v. FCC, the United States Court of Appeals for the District of Columbia held that the FCC may preempt state regulation of simple inside wiring services only to the extent such regulation would impede achievement of competition in the provision of inside wiring services. Basically, this means the FCC will continue to require inside wiring services be optional and unbundled from tariffed services. Since we are operating that way today, in the future the FCC could have very limited control over inside wire. The state commissions will have more control. In a separate matter, the FCC has modified rules pertaining to simple inside wiring which will allow customers to connect to the telephone network by direct access to carrier-installed wiring at the demarcation point. This indicates the customer could access the telephone company provided protector is some cases. The FCC also has revised the definition of the demarcation point so that in most cases it will be at or near where wiring enters the customer's premises.

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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Attached are details of revenue and expenses, broken down by region, company and state. For the calculations herein, 1990 revenues and expenses were annualized based on year to date actuals through April. 1897 through 1989 are actuals. In SBT, the 1987 inside wire revenues and expenses were not split between basic and non-basic, therefore actual basic numbers are unavailable. I took a percentage of non-basic to the total in 1988 in SBT. Using this factor, I subtracted non-basic from the total in 1987 to derive 1987 basic revenues and expenses.

This document is FYI only. I just wanted you to be aware of the tremendous revenue generated by this service that fails to get much, if any, positive publicity, either internally or externally.

Ron

Attachments

cc: Jerry Dick

M062-1098

SUBJECT TO PROTECTIVE ORDER IN CIVIL
ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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BASIC INSIDE WIRE

	AL	KY	LA	MS	TN	GA	NC	SC
87								
Rev						4		
Exp						5		
Net						6		
88								
Rev						7		
Exp						8		
Net						9		
89								
Rev						10		
Exp						11		
Net						12		
90								
Rev						13		
Exp						14		
Net						15		

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COMPANY TOTALS

	SCB	SBT	BS	Cumulative $ increase	Cumulative % increase
87					
Rev		$86,759,143			
Exp		$102,320,756			
Net		($15,561,613)			
88					
Rev		$104,922,847			
Exp		$96,453,430			
Net		$8,469,417			
89					
Rev		$132,503,408			
Exp		$115,163,162			
Net		$17,340,246			
90 **					
Rev		$157,142,610			
Exp		$116,434,500			
Net		$40,708,110			

** Annualized based on actuals through April

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NOTICE: NOT FOR USE/DISCLOSURE OUTSIDE BELLSOUTH EXCEPT UNDER WRITTEN AGREEMENT

SUBJECT TO PROTECTIVE ORDER IN CIVIL ACTION NO. 89-2839—NESBITT, U.S.D.C., S.D. FLA.

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1088

IN THE SUPREME COURT OF THE STATE OF FLORIDA

JANUARY TERM, 1991

CASE NUMBER 78,035

FILED - Sealed
4-14-92
Sid J. White, Clerk
Supreme Court of Florida
By: [signature]
Deputy Clerk

FINAL REPORT OF THE TENTH STATEWIDE GRAND JURY

SEPTEMBER, 1992

A TRUE COPY.
Attest:
SID J. WHITE, Clerk
Supreme Court of Florida
By: [signature]
Deputy Clerk

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2088

FINAL REPORT OF THE TENTH STATEWIDE GRAND JURY

SEPETEMBER, 1992

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I. INTRODUCTION

The Tenth Statewide Grand Jury was impaneled on July 30, 1991, and was seated in Orlando, Florida. The Grand Jury has convened almost monthly to investigate allegations of multi-circuit, organized crime throughout the State. The Grand Jury's original term expired after twelve months, but was extended to October 30, 1992. The Grand Jury is adjourning one month early, subject to recall, if necessary.

The purpose of this Report is to record for posterity the work and recommendations of this Grand Jury, with the hope that its collective voice will be heard and that the citizens of this State will benefit from its efforts.

II. SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

We embarked upon our investigation of Southern Bell at the beginning of our term. During the course of the investigation, we heard testimony from numerous witnesses, including former and current Southern Bell employees who held positions ranging from craft level workers to Company officers. We have also had the opportunity to examine a multitude of company documents.

The primary focus of our investigation concerned allegations of company misconduct in four major categories: (1) the intentional overbilling of customers generated by the fraudulent "sale" of optional services by Company employees whose primary responsibility was supposed to have been the installation and repair of telephones; (2) the intentional failure to pay the full amount owed for allegedly unintentional customer overbillings discovered during the Company's analysis of some of its billing records; (3) the intentional failure to pay required rebates to compensate customers who informed the Company that their telephone was out of service; and (4) the intentional failure to properly report trouble and repair information to the Public Service Commission.

Our Legal Adviser, the Statewide Prosecutor, has negotiated a settlement agreement with the Company, in the nature of a pre-trial diversion opportunity, which calls for, among other things:

- --complete and expeditious restitution to affected customers;
- --cooperation with the State in any investigations arising out of these matters;
- --implementation of revised billing practices, fraud preventative procedures, and ethics training;
- --a three year review period, subjecting the Company to periodic audits and compliance monitoring;
- --funding by the Company of the review program, audits, and monitoring;

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--discretion to void the agreement and pursue prosecution vested in the Statewide Prosecutor;
--funding provided by the Company to support prosecution of these allegations, if necessary;
--no restrictions on the prerogative of the Statewide Prosecutor to investigate any other allegations of Company fraud, and to prosecute where appropriate;
--a prohibition against including any costs associated with the agreement in the rate base of the customers.

In our Advisory Opinion, issued this date, we recommended that the Statewide Prosecutor proceed with the settlement of this investigation because we believe it to be in the best interest of the people of this State. The agreement will provide the Company with the opportunity to reform the negative aspects of the corporate environment. However, it will not exonerate the Company for repayment of its debts to our society. We are hopeful that the Company will prove itself worthy of this unique and beneficial opportunity.

In closing, it must be noted that the proposed settlement agreement does not contain any "punishment", per se, of the Company for its alleged failure to properly report to the Public Service Commission actual repair time for restoration of telephone service to customers whose telephones were out of service. This issue was raised in our investigation, but we have been advised that the United States Supreme Court's ruling H.J., Inc., et al v. Northwestern Bell Telephone Company, 112 S. Ct. 2306 (1992), casts doubt on our ability, or the ability of the criminal courts, to directly sanction the Company for such conduct, if it in fact occurred. We specifically note, however, that the Florida Public Service Commission has both the jurisdiction and concomitant discretion to impose severe monetary penalties on the Company if it finds that the Company has falsified reports required by PSC rules. We therefore strongly recommend that the Public Service Commission, in conjunction with its publicly mandated responsibility, investigate this matter, exercise its penal authority, and take into consideration this possible fraudulent conduct on the part of the Company in determining an appropriate rate of return.

III. REGULATING UTILITIES

Our investigation of Southern Bell led us to an inquiry into some of the regulatory activities of the Florida Public Service Commission, and the rules and statutes governing this function.

We wish to make it clear that time constraints did not afford us the opportunity to fully investigate every issue brought before us, but we heard sufficient testimony to convince us that changes must be made in this process to protect the utility consumers of this State and to renew the faith of the people in its government.

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The recommendations we have proposed are addressed to the Florida Legislature and the Public Service Commission. We hope these recommendations will be given serious consideration.

A. Ex Parte Communications

In January of this year, we issued an Interim Report entitled, "Regulating Utilities - Recommendations to Enhance The Integrity of the Process." This report discussed the necessity for strict rules and laws prohibiting ex parte communications with Public Service Commissioners and Commission staff by utility representatives on regulatory matters. We noted that communication to a judge by an interested party, concerning an issue to be decided by that judge, is prohibited in American courts of law unless all interested parties have an opportunity to be present during the communication. Such communication is considered improper because it gives an unfair advantage to the party with the most access to the judge. Since the members of the Commission have responsibilities equivalent to that of a judge, we proposed a strict prohibition against all forms of ex parte communication in our interim report.

We note with some dismay that the State Legislature has not yet enacted any of our proposals. An amendment to the ex parte section of Chapter 350 of the Florida Statutes, though not as efficacious as our suggestions, was passed by the State House of Representatives, but it did not come to a vote in the Senate. We urge the Legislature to allocate time during its next session to consider and pass the recommendations contained in our Interim Report.

B. Prohibitions on Employment of Commissioners

Immediately after resigning, a former Public Service Commissioner recently accepted a lucrative position with an affiliate of one of the utilities he used to regulate. News reports indicated that his starting salary was twice that of his Commission salary. It appears that nothing restricted the ability of that utility from courting the Commissioner during the regulatory process, and nothing prevented the Commissioner from seeking such employment during his tenure on the Commission. Coupled with the almost unfettered ability to discuss regulatory matters with Commissioners and Commission staff, the existence of such relationships creates an appearance of impropriety the Commission can ill afford to bear.

We are therefore concerned that the Legislature failed to enact another necessary reform in the many sessions held this year: a law prohibiting Public Service Commissioners from accepting employment with the utilities regulated by the Commission.

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The House and the Senate both passed bills which included a provision requiring former Commissioners to wait two years before accepting employment with a regulated utility or its affiliates, but neither of those respective bills came to a vote in the other chamber, and hence could not become law.

We therefore strongly recommend that the Legislature move quickly and without hesitation to enact the proposed statutory provision of a two year prohibition on the acceptance of employment by a Commissioner with a regulated utility. Any person desiring to serve the people of the State of Florida as a member of the Public Service Commission should be more than agreeable to such a limitation. The people deserve no less.

C. Regulation of the Sale of Optional Services

Our investigation of Southern Bell, and the recommended settlement, focused on the sale of optional services during a program specially designed for telephone installation and repair personnel. One of the questions left for another day is whether the overall sales practices of Southern Bell are plagued with the potential for fraud. Due to the outpouring of complaints reported recently in the media from Southern Bell customers paying for services they did not order and do not want, we find it necessary to briefly address this potential question.

It would appear that many of the practices which could lead to such a result may well be violations of consumer protection laws. However, we note with much concern that the fraudulent practice of misleading utility customers as to the nature and cost of certain services is not covered by the Consumer Protection and Telemarketing Acts currently on the books. Sections 501.212 and 501.604, Florida Statutes, specifically exempt utility activities regulated by the PSC. We note also that there are few PSC rules designed to protect utility consumers from unscrupulous sales people.

Inasmuch as few utility customers have a choice in selecting their common service provider, we strongly recommend that the Public Service Commission adopt similar, if not more restrictive rules, for the sales and marketing techniques of optional services to which these same customers are subjected.

The consumer protection statutes require written and signed verification of orders for goods or services taken by telephone. Section 501.059(5),(6), Florida Statutes specifically states:

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A contract made pursuant to a telephonic sales call:

1. Shall be reduced to writing and signed by the consumer.

2. Shall comply with all other applicable laws and rules.

3. Shall match the description of goods or services principally used in the telephone solicitations.

4. Shall contain the name, address, and telephone of the seller, the total price of the contract, and a detailed description of the goods or services being sold.

5. Shall contain, in bold, conspicuous type, immediately preceding the signature, the following statement:

"You are not obligated to pay any money unless you sign this contract and return it to the seller."

6. May not exclude from its terms any oral or written representations made by the telephone solicitor to the consumer in connection with the transaction."

The Telemarketing Act further protects the consumers of this State by requiring a statement of consumer rights, providing a three day right of rescission, entitlement to full refund if the Act is violated, and payment of costs of cancellation by the seller. The Act also provides for criminal penalties when deception is used in connection with an offer to sell.

Requiring utilities to obtain and maintain written authorizations from customers is an easy method to prevent fraud by corporate deception. Detection of such fraud should not be the sole responsibility of the customer. Many customers, perhaps hundreds of thousands of them, would not know they were paying too much for phone service unless they read their phone bill each month in microscopic detail, assuming they received a detailed bill each month. A customer told that the bill for monthly basic service will be, for example, $20 per month, but not told $8 of that monthly fee is for optional services, will in all probability pay the written bill each month without a quibble. After all, that was the price quoted by the telephone company representative and the bill matches the price. If the company only itemizes these costs in a yearly billing summary, and the customer does not read the summary, the customer can easily be given the false impression that the bill contains only mandatory charges.

The Legislature has an obligation to prevent victimization of all the citizens of this State. If the Public Service Commission does

not implement similar consumer protection requirements for the utility activities it regulates, then the Legislature should strike the exemptions in Sections 501.212 and 501.604, Florida Statutes, and subject utilities to the standards of fair trade practice outlined in the statute.

D. Cost Allocation Procedures

Southern Bell, like other providers of local telephone service, is a regulated utility. In exchange for being regulated by a government entity, that portion of the business which is regulated is allowed to charge certain specified amounts to its customers for the regulated telephone service it provides. If a utility is unable to achieve the minimal level of return to which the PSC decides it is entitled, the company can ask the Commission to approve an increase in the amount customers pay for regulated telephone service. All of the expenses incurred in the provision of regulated telephone service are passed directly on to the customers, including the salaries and benefits of all employees during the time those employees are working on a regulated activity.

By Public Service Commission Rule, the amount of time employees spend on unregulated activities is supposed to be deducted from the amount paid by customers of regulated telephone service. Thus, there arises a question of "cost allocation." The utility must accurately allocate costs so that customers of regulated telephone services are not subsidizing the cost of unregulated activities. The PSC is charged with the responsibility of monitoring and regulating the cost allocation process.

This question arose in the context of our inquiry regarding the sale of certain unregulated optional services by installation and repair personnel (regulated). We reached no conclusion as to whether the cost allocation process is currently being misused, but we determined that the opportunity and temptation to move salary and benefit allocations to the regulated side of a utility appeared to be great. While not a matter in which we hold a great deal of expertise, we have considered the implications of a failure to accurately allocate costs and believe that better methods of detection and enforcement must be implemented to prevent the unlawful subsidy of the unregulated side of the utility by the regulated side.

We therefore recommend that the PSC initiate quarterly unannounced spot reviews and a complete audit and regulatory review of the cost allocation process on an annual basis. The audits should, at a bare minimum, follow the generally accepted auditing standards established by the Auditing Standards Board of the American Institute of Public Accountants.

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SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "Settlement Agreement") is entered into on this 9th day of October 1992, between BellSouth Telecommunications, Inc., successor to Southern Bell Telephone and Telegraph Company (hereinafter "Southern Bell," which term whenever used herein shall mean BellSouth Telecommunications, Inc., its predecessor, Southern Bell Telephone and Telegraph Company, and their successors and assigns) and the Statewide Prosecutor and the Office of Statewide Prosecution (hereinafter collectively the "Office").

W I T N E S S E T H:

WHEREAS, the Office commenced an investigation regarding Southern Bell's reporting of trouble and repair information to the Florida Public Service Commission; the credits given by Southern Bell for service interruptions greater than twenty-four (24) hours; the sale, billing and provision of certain optional services through Southern Bell's Network Sales Program, allegedly not ordered by certain Southern Bell subscribers; and the alleged wrongful conduct of Southern Bell related to the Touchtone/Custom Calling Service reconciliation program conducted by Southern Bell in 1990 and 1991 (the "Reconciliation Program");

WHEREAS, Southern Bell denies that it engaged in conduct alleged to be in violation of any state law, denies that it engaged in any fraud in the State of Florida, denies that it improperly withheld credits to subscribers with an out of service condition in excess of twenty-four (24) hours, such credits being

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required by Section 25.4.110(2), Florida Administrative Code, and denies that it inaccurately reported information to the Public Service Commission in violation of Sections 25-4.0185 and 25-4.070, denies that it improperly sold, billed or provided optional services through its network sales program, and denies that it engaged in any improper conduct with respect to the Reconciliation Program, and does not intend to engage in any such conduct; and

WHEREAS, Southern Bell and the Office desire to conclude the Investigation and the claims which were investigated in the Investigation (as defined in paragraph 1 below);

NOW, THEREFORE, in consideration of the premises and the mutual promises, agreements and covenants contained herein, including, but not limited to, the Review Program as described in Exhibit "C" and the payment of the restitution described in paragraphs 3, 4 and 5 below, the parties hereto stipulate and agree as follows:

1.

As used herein, the term "Investigation" shall mean the Office of Statewide Prosecution investigative case No. SWP 91-000007-NFB which was opened in March 1991. The Investigation is limited to the alleged failure of Southern Bell to properly report trouble and repair information to the Public Service Commission, and Southern Bell's alleged failure to properly provide credits for service interruptions greater than twenty-four (24) hours; matters concerning the sale, billing and provision of certain optional services through Southern Bell's Network Sales

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Program in 1987, 1988, 1989, 1990 and 1991, allegedly not ordered by certain Southern Bell subscribers (not including the inside wire maintenance reconciliation program conducted in 1990 and 1991); and the alleged wrongful conduct of Southern Bell related to the Reconciliation Program.

2.

It is expressly understood and agreed between the parties that this Settlement Agreement is made in compromise of disputed claims. This Settlement Agreement and the restitution payments and releases provided hereunder are not and shall not be construed as an admission of liability or an acknowledgment of the validity of any claims which were investigated by the Office against Southern Bell arising out of the Investigation. Southern Bell hereby expressly denies any liability to the Office or any other person. Southern Bell hereby also expressly denies the claims and allegations asserted against Southern Bell by the Office or any other person.

3.

Southern Bell shall pay Three Million Five Thousand Dollars ($3,005,000) in restitution, in pro rata amounts, to those Southern Bell subscribers identified by Southern Bell who reported one or more out of service interruptions during the period January 1, 1985 to June 30, 1991 (the "Out-of-Service Subscribers"). Southern Bell shall, within ten (10) days of the execution of this Settlement Agreement, deposit the above Three Million Five Thousand Dollars ($3,005,000) (the "Out-of-Service Payment") into a separate interest bearing account from which it

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can make credits and/or refunds to Out-of-Service Subscribers. The Out-of-Service Payment shall be credited to the accounts of or refunded by check to current Out-of-Service Subscribers and refunded by check to former Out-of-Service Subscribers by Southern Bell in equal pro rata amounts within sixty (60) days of the execution of this Settlement Agreement. Southern Bell may not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on the Out-of-Service Payment, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds. "Out-of-Service" for the purpose of this paragraph shall mean that the subscriber's telephone number had no dial tone, could not be called, or could not call out and that the receipt to close time for such service interruption or "trouble" was greater than twenty-four (24) hours.

4.

Southern Bell shall pay as restitution the amount of Ten Million Five Hundred Thousand Dollars ($10,500,000) (the "Network Sales Payment") to those subscribers who have been or were subscribed to certain optional services by network employees of Southern Bell as part of its Network Sales Program during 1987,

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1988, 1989, 1990 and 1991, and who have not previously received a credit or refund payment. Southern Bell shall, within ten (10) days of the execution of this Settlement Agreement, deposit into a separate interest bearing account the above Ten Million Five Hundred Thousand Dollars ($10,500,000) from which it may make the credits and/or refunds described in this paragraph. Within sixty (60) days of the execution of this Settlement Agreement, the Network Sales Payment shall, on a pro rata basis, be credited to the account of or refunded by check to each current subscriber and refunded by check to each former subscriber, listed on Exhibit "A," who Southern Bell has identified as having been subscribed to certain optional services by Southern Bell as part of its Network Sales Program during 1987, 1988, 1989, 1990 and 1991, and who has not previously received a credit or refund payment. Southern Bell shall not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Southern Bell will pay restitution to those current or former Southern Bell subscribers listed on Exhibit "A." Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on the Network Sales Payment, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

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Southern Bell shall make an additional effort to identify former subscribers not listed on Exhibit "A" who had one or more optional services placed on their telephone by a Network Sales employee during the Network Sales program in 1987, 1988, 1989, 1990, and 1991. Southern Bell will seek to find the present address of these former subscribers. Southern Bell will make full refunds, plus interest, to those former subscribers it locates who paid for one or more optional services to which they were subscribed by a Network employee, but which the subscribers indicate they did not order. The letter from the Office attached as Exhibit "D" and the letter from Southern Bell attached as Exhibit "E" shall be sent to these former subscribers who receive a refund check.

5.

Within ten (10) days of the execution of this Settlement Agreement, Southern Bell shall pay a maximum of One Million Six Hundred Seventy-Seven Thousand Six Hundred Ninety-One Dollars and Sixty-Two Cents ($1,677,691.62), as reflected in Exhibit "B," into a separate interest bearing account as additional restitution for the benefit of those current and former subscribers, listed on Exhibit "B," identified during the Reconciliation Program as having been double-billed or over-billed for certain optional services and who received previously only partial restitution; provided, however, the amount to be deposited to this account will be increased to the extent that Southern Bell identifies through the Reconciliation Program additional subscribers as having been double-billed or over-billed for certain optional services and who

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received previously only partial restitution. Southern Bell will, within sixty (60) days of the execution of this Settlement Agreement, make restitution to those subscribers listed on Exhibit "B" in the amounts listed in Exhibit "B." Restitution payments to which subscribers are entitled pursuant to this paragraph shall be credited to the account of or refunded by check to current subscribers and refunded by check to former subscribers. Southern Bell may not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on this account, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

6.

Refunds sent by Southern Bell pursuant to paragraphs 4 and 5 of this Settlement Agreement shall be sent by First Class Mail. Each refund sent pursuant to paragraph 4 will be accompanied by the letter from the Office attached as Exhibit "F" and the letter from Southern Bell attached as Exhibit "G." Each refund sent pursuant to paragraph 5 shall be accompanied by the letter from the Office attached as Exhibit "H" and the letter from Southern Bell attached as Exhibit "I." The bill containing the credits

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applied to subscriber accounts pursuant to paragraph 3 shall be accompanied by the letter attached as Exhibit "J." Refunds sent to subscribers pursuant to paragraph 3 shall be accompanied by the letter attached as Exhibit "K."

7.

Southern Bell shall pay to the Office the amount of Seven Hundred Sixty-Seven Thousand, Eight Hundred Ninety-Six Dollars and Twenty-Six Cents ($767,896.26), in full payment of the costs and expenses incurred in connection with the Investigation. This payment shall be made within ten (10) days of the execution of this Settlement Agreement, by depositing it into the Office's Grants and Donations Trust Fund, for distribution as follows:

Office of Statewide Prosecution:	$ 21,286.43
Department of Legal Affairs Revolving Trust Fund:	$697,771.08
Florida Department of Law Enforcement:	$ 48,838.75

Within ten (10) days of the execution of this Settlement Agreement, Southern Bell shall deposit the amount of Two Hundred Twenty-Five Thousand Dollars ($225,000) into an interest-bearing account, controlled by the Office. This account shall be maintained and used by the Office during the Review Period to monitor compliance with the Review Program. Also within ten (10) days of the execution of the Settlement Agreement, Southern Bell shall deposit Four Hundred Forty-Seven Thousand, Eight Hundred Seventy Dollars and Thirty Cents ($447,870.30) into an interest bearing account, controlled by the Office. Any additional fees, costs or expenses incurred by the Office, the State of Florida or

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local governments in Florida, in connection with the Investigation, monitoring of the Review Program, or enforcement of this Agreement shall be paid by the Office to such agency or agencies out of this account at the discretion of the Statewide Prosecutor. The account shall be maintained until the conclusion of the Review Period. All funds remaining in the account at the end of the Review Period shall revert to the State of Florida's General Revenue Fund, unallocated, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

8.

Southern Bell will fully cooperate with the Office in the Investigation as it may continue with respect to individuals, including the production of any documents in Southern Bell's possession, custody and control or witnesses requested by the Office. If the documents or information requested are protected by the attorney-client or work product privilege, then Southern Bell will provide all information necessary and all assistance needed to disclose the documents or information sought to the extent possible without waiving any such privileges. Non-compliance with this provision shall constitute a breach of this Settlement Agreement, and the Statewide Prosecutor may exercise the rights of the Office hereunder consistent with paragraph 18 below.

9.

KPMG Peat Marwick (hereinafter "The Accounting Firm") shall perform the work described in paragraph 10 herein, in

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accordance with the terms of an agreement to be entered into between counsel for Southern Bell and The Accounting Firm (the "Accounting Agreement"), which is subject to the approval of the Office.

10.

Southern Bell will implement all of the systems, operations, ethics, sales incentive and sales programs described in Exhibit "C" (the "Review Program") by the specific implementation dates set forth in this program. The Review Program is fully incorporated herein as a term of this Settlement Agreement. For a period of three (3) years beginning on the date this Settlement Agreement is executed (the "Review Period"), The Accounting Firm will conduct semi-annual audits to determine whether Southern Bell is complying with all of the obligations and programs set forth in the Review Program. Non-compliance with the provisions of the Review Program shall constitute a breach of the Settlement Agreement, and the Statewide Prosecutor may exercise the rights of the Office hereunder consistent with paragraph 18 below.

11.

Southern Bell agrees it will not engage in a practice of falsifying information required by the Florida Administrative Code to be reported to the Florida Public Service Commission, in a practice of causing Florida subscribers to be billed for services that the subscribers did not order, or in a practice of causing Florida subscribers to receive a credit or refund that is less than that to which subscribers are entitled. During the Review Period, if Southern Bell (which for the remaining portion of this

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paragraph 11 shall mean Installation and Maintenance Center managers, and district managers (paygrade 6), or higher level managers) discovers that any of its employees have engaged or are engaging in the practices described above, Southern Bell will identify such employees and such practices to the Office. Any information given to the Office pursuant to this paragraph shall not be used in any civil action by the Office or as the basis for any criminal action against Southern Bell, or its subsidiary, affiliate, or parent companies, and any information delivered pursuant to this paragraph shall, until the Review Period expires, be treated in accordance with Florida Statute § 119 as information obtained during the course of a criminal investigation. Provided, however, that any information derived therefrom may be used as the basis for a criminal action consistent with the provisions of paragraph 18. Southern Bell reserves the right to discipline any employee for any actionable conduct in which an employee engages, provided, however, that employees or former employees shall not be disciplined or terminated in whole or in part at any time, for their testimony, whether voluntary or compelled, or for the fact of their cooperation with the Office; with any other State of Florida agency involved in the Investigation, unless such employee violated written company policy or knowingly gave false material information during the course of such cooperation.

12.

The Office will not institute, assert, or maintain any civil action, claim, cause of action, obligation, liability or demand for punitive relief, exemplary or treble damages, claim of relief

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or demand whatsoever, in law or in equity, against Southern Bell or its parent, affiliate, and subsidiary companies, their officers, directors, employees, agents, representatives, attorneys, and their heirs, successors, and assigns, which previously were asserted or maintained, which could have been asserted or maintained or which could in the future be asserted or maintained against Southern Bell in any civil investigation, action or other proceeding based on conduct addressed in, directly arising out of, directly related to, or directly connected with the Investigation.

13.

The Office will not take or cause another to take any grand jury or other criminal action against Southern Bell or BellSouth Telecommunications, Inc., their parent, affiliates, or subsidiary companies, or their successors, and assigns, as a corporate entity or entities based on matters addressed in the Investigation, so long as Southern Bell does not breach the Settlement Agreement. Nothing in this paragraph shall be construed to prevent the Office from taking any criminal action against individual officers, directors, managers or agents of Southern Bell, or of its parent, affiliates, or subsidiary companies or their heirs, successors, or assigns. Nothing in this paragraph shall be construed to prevent any grand jury from issuing a report or presentment concerning the Investigation. This paragraph shall not be construed to prevent the Office, during the five (5) year period following execution of this Settlement Agreement, from using conduct addressed in the Investigation as predicate incidents in a criminal action against

Southern Bell based upon misconduct unrelated to the Investigation. If the federal government or any local governmental or law enforcement agency seeks to investigate or charge Southern Bell, or its parent, affiliate or subsidiary companies or their heirs, successors, and assigns for the matters investigated in the Investigation, the Office will advise such federal or governmental agency of this settlement.

14.

None of the costs associated with this Settlement Agreement (including but not limited to the cost of all credits and refunds, attorneys' fees and expenses) will be included in the customer rates of Southern Bell.

15.

The Investigation shall not be deemed concluded or closed prior to the expiration of the Review Period described in paragraph 10 above.

16.

This Settlement Agreement and the exhibits hereto constitute the entire agreement between the parties with regard to the subject matter contained herein, and all prior negotiations and understandings between the parties shall be deemed merged into the Settlement Agreement.

17.

No representations, warranties, or inducements have been made to Southern Bell or the Office concerning this Settlement

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Agreement, other than those representations, warranties and covenants contained in this Settlement Agreement.

18.

Southern Bell and the Office acknowledge the technical and logistical complexity of implementing and managing the payment of restitution and the transmittal of correspondence pursuant to this Settlement Agreement, of implementing and managing the Review Program, of identifying the matters to be reported pursuant to paragraph 11 and of otherwise managing Southern Bell's obligations hereunder. With respect to the Review Program, the parties acknowledge that Southern Bell may later discover that portions of the Review Program may be impossible, infeasible or unreasonable to implement. If such discovery is made, Southern Bell will notify the Office to discuss the problem and to negotiate a reasonable substitute for such program that is designed to achieve the same purpose as the program that is replaced. Any resulting dispute will be submitted to the Special Master in accordance with the procedure set forth in paragraph F(1) of the Review Program.

The parties do not intend that this Settlement Agreement be voided for minor, technical violations, but rather that it be subject to being voided where Southern Bell willfully and purposefully causes or allows a breach to occur. In the event the Office contends that Southern Bell willfully and purposefully caused or allowed a breach of this Settlement Agreement to occur and the breach tends to undermine or circumvent the obligations under this Settlement Agreement, the Office will provide written notice of the claimed breach to Southern Bell and provide Southern

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Bell with a reasonable opportunity, not to exceed forty-five (45) days, unless extended by the Statewide Prosecutor, to address or cure such claimed breach. After this period expires, the Statewide Prosecutor will in good faith exercise her discretion in deciding whether or not Southern Bell is liable for such conduct, and if so, whether or not to void this Settlement Agreement and pursue a criminal action against Southern Bell, should all the facts and circumstances justify such action. The Office will give Southern Bell thirty (30) days written notice before any decision to void the Settlement Agreement becomes effective. The right to void this Settlement Agreement expires upon the successful completion of the Review period or any authorized extension thereof.

19.

This Settlement Agreement shall not preclude Southern Bell or the Office from participating in other judicial or administrative proceedings or from introducing evidence in such proceedings concerning the conduct covered by the Investigation to the extent allowed by applicable rules of evidence and procedure.

20.

Southern Bell will develop a document retention policy that reasonably is calculated to preserve documents and information that the Company, in consultation with the Office, believes is relevant to the Investigation.

21.

No waiver, modification or amendment of the terms of this Settlement Agreement shall be valid or binding unless in writing,

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signed by all parties and then only to the extent set forth in such written waiver, modification or amendment.

22.

Any failure by any party to the Settlement Agreement to insist upon the strict performance by any other party of any of the provisions of this Settlement Agreement shall not be deemed a waiver of any of the provisions of this Settlement Agreement, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Settlement Agreement.

23.

This Settlement Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida, without regard to its conflict of laws principles. Any payments made by Southern Bell pursuant to this Settlement Agreement, including the payments described in paragraphs 3, 4 and 5 above, include any and all taxes that Southern Bell may be required to pay to the recipients of such payments, to any governmental entity or to any other person. This provision shall not reduce any of the payments which Southern Bell is required to make pursuant to this Settlement Agreement and Southern Bell agrees not to seek a refund or credit from any local, state, or federal taxing authority for any tax including but not limited to any gross receipts tax or state tax, collected or paid by Southern Bell and related directly or indirectly to services for which Subscribers

may receive a credit or refund pursuant to this Settlement Agreement.

24.

The parties acknowledge that this Settlement Agreement is being entered into for the purposes of settlement only, that there has been no finding of liability of any kind, and that Southern Bell is entering into this Settlement Agreement to avoid the expense and length of further legal proceedings, taking into account the uncertainty and risk inherent in any litigation. Neither this Settlement Agreement, any exhibit or document referenced herein, nor any action taken to reach, effectuate or further this Settlement Agreement or the settlement set forth herein is, may be construed as, or may be used as an admission by or against any party of any fault, wrongdoing or liability whatsoever, or as a waiver or limitation of any claims, legal or equitable, or defenses otherwise available to any of the parties. Entering into or carrying out this Settlement Agreement, or any negotiations or proceedings related thereto, shall not in any event be construed as, or deemed to be evidence of, an admission or concession by any of the parties, or to be a waiver of any applicable claim or defense, otherwise available.

25.

This Settlement Agreement, including its exhibits, were executed after arm's length negotiations between the parties and reflect the conclusion of the parties that this Settlement Agreement is in the best interests of all the parties hereto.

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26.

Each party participated jointly in the drafting of this Settlement Agreement, and therefore the terms of this Settlement Agreement are not intended to be construed against any party by virtue of draftsmanship.

27.

This Settlement Agreement may be executed in several counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Settlement Agreement has been executed as of the date first written above, by the undersigned counsel of record for the parties hereto and/or by the parties themselves in multiple counterparts, each of which shall be deemed an original.

OFFICE OF STATEWIDE PROSECUTION

By: Melanie Ann Hines
Statewide Prosecutor

Sworn to and Subscribed to before me this 9th day of October, 1992, in Tallahassee, Florida

Patti P. Dawkins
Notary Public
State of Florida

My Commission Expires:

Notary Public, State of Florida
My Commission Expires June 2, 1995
Bonded Thru Troy Fain - Insurance Inc.

Personally Known

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BELLSOUTH TELECOMMUNICATIONS, INC. (successor to SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY)

By: Joseph P. Lacher
President-Florida

Sworn to and Subscribed to before me this 7th day of October, 1992, in Miami, Florida

Notary Public
State of Florida

My Commission Expires:

OFFICIAL NOTARY SEAL
MARC IAN FISHER
NOTARY PUBLIC STATE OF FLORIDA
COMMISSION NO. AA654025
MY COMMISSION EXP. APR. 30,1995

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SOUTHERN BELL REVIEW PROGRAM

This sets forth the systems and operation changes, procedures and ethics programs that Southern Bell has or will put into place in Florida during the Review Period to address matters that have arisen in Florida. Southern Bell is required to maintain these system and operation changes, procedures, and programs only during the Review Period and any extension thereof pursuant to paragraph F(4) below. Implementation of the changes, procedures, and programs described below will be reviewed in the audits described in paragraph 10 of this Settlement Agreement. The term "optional services" as used in this Review Program includes the following optional services: Call Return, Call Trace, Repeat Dial, Preferred Call Forwarding; Call Blocking, Selective Call Blocking, Caller ID, Call Forwarding, Call Forwarding-Line Busy, Call Forwarding - Don't Answer, Remote Access Call Forwarding, Three-Way Calling, Speed Call-8, Speed Call-30, Call Waiting, Memory Call, Inside Wire Maintenance, Trouble Isolation Plan, Inside Wire Maintenance Combined Plan and Touchtone.

A. Institution of Ethics Program

1. Southern Bell will develop and implement a new ethics education program. This program will be presented to management and non-management employees of Southern Bell in Florida. [Implementation: October 1, 1992.]

2. Southern Bell will revise its handbook "A Personal Responsibility" to:

   a. further emphasize ethics; and

   b. promote the Company's "Hotline" number and assure that there is sufficient capacity to handle "Hotline" calls. [Implementation: October 1, 1992.]

3. Southern Bell will develop a "Code of Ethics" which will be distributed to Southern Bell employees in Florida. [Implementation: October 1, 1992.]

4. Southern Bell will change its management employee evaluation process and forms by incorporating two additional performance criteria:

   a. commitment to customer service; and

   b. commitment to ethical business practices. [Implemented previously.]

EXHIBIT C

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B. Creation of Corporate Responsibility and Compliance Office

BellSouth Corporation will create a new officer position known as "Vice President-Corporate Responsibility and Compliance." The person appointed to this office is responsible, inter alia, for internal auditing and security supervision at Southern Bell. This officer also will act as an "ombudsman" to whom Southern Bell employees can communicate complaints and concerns for appropriate action or response, including, but not limited to, confidential internal investigations if warranted. [Implemented previously.]

C. Service Sales Changes

1. Southern Bell will confirm each new sale of any optional service to residential and simple (one or two line) business subscribers ("Business Subscribers") by sending a letter to the customer stating the new service ordered and the rate for such service. For new residential or Business Subscribers or those that transfer their service, Southern Bell will confirm basic and optional services and the rates for such service. Optional services will be identified as optional in this letter. The letter will state that optional services are not required in order to obtain basic telephone service. It also will state that optional services may be cancelled at any time without a cancellation charge. [Implementation: October 1, 1992.]

2. Southern Bell will review its sales training and procedures materials and revise them, if necessary, to instruct sales personnel to communicate clearly to customers the optional nature of each optional service that sales personnel recommend or a customer orders, as well as a clear description of each optional service recommended or ordered, and the rate charged for each such service. Southern Bell also will prepare and distribute a memorandum to all sales personnel in Florida instructing them to communicate clearly to customers the optional nature of each optional service that sales personnel recommend or a customer orders, a clear description of each optional service recommended or ordered, and the rate charged for each such service. This separate memorandum, and Southern Bell's sales training and procedures materials, also shall advise sales personnel to make clear to customers that optional services are not required to obtain basic telephone service. [Implementation: October 1, 1992.]

3. Southern Bell will discontinue sale of optional services by non-sales personnel in Florida. Inquiries regarding the purchase of services will be referred to Southern Bell's business offices. [Implemented previously.]

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4. Southern Bell will enhance the management and reporting of its existing program for the observation of sales calls between sales representatives and subscribers. The results of local observations will be reported to the Florida headquarters and to Southern Bell headquarters in Atlanta. The results of the Florida headquarters observation program also will be reported to Southern Bell's headquarters in Atlanta. [Implementation: October 1, 1992.]

5. Southern Bell will develop a self-inspection program to be conducted annually for each sales office in Florida, which program will cover the following matters:

   a. sales personnel compliance with operational procedures;

   b. the transmission of letters confirming sales to subscribers;

   c. proper inputting of information regarding the ordering, termination, or change in service requested by subscribers; and

   d. the level of sales activities of individual employees (to identify potential problems). [Implementation: October 1, 1992.]

6. Southern Bell will develop an enhanced internal auditing program to audit the following activities:

   a. the communication between sales personnel and customers of the services offered by the Company and the rate charged for such services;

   b. the transmission of letters confirming the sale of new service to customers and the rate for such service;

   c. the proper inputting of sales information into the company's billing system;

   d. the level of sales by sales personnel to identify any employees whose sales may exceed reasonable limits (in an effort to identify improper sales practices);

   e. compliance with self-inspection programs;

   f. consideration of findings and recommendations made by Staff Review Teams following staff reviews; and

g. the conduct and administration of sales incentive-programs. [Implementation: October 1, 1992.]

7. Southern Bell will not charge its customers for cancellation of any optional service without fully disclosing any cancellation charge before the customer enrolls. [Implementation: October 1, 1992.]

8. If Southern Bell changes the name of one or more of its Inside Wire Maintenance Plans or other optional services covered by this Settlement Agreement, or includes one or more of them in a revised service, plan or package, the renamed, revised or packaged service shall be subject to all of the provisions of this Review Program. Likewise, conversions from one service, plan or package, to another shall be subject to all of the provisions of this Review Program governing sales.

9. Southern Bell will undertake to develop a means of maintaining sufficient information regarding optional services on subscriber telephones for reasonable periods of time so that such information will be available to make refunds, legally required, to subscribers. Southern Bell also will undertake to develop a means of training personnel who are responsible for making customer refunds as to the proper procedures for processing refunds legally required to be made.

D. System Changes

1. Southern Bell will control access to the LMOS system. Employees will be assigned personal identification numbers and passwords. Access to the system will be allowed only with the inputting of a valid access number and password. [Implementation: October 1, 1992.]

2. Southern Bell will standardize MLT VER codes. System changes will be implemented to prohibit changes to the MLT VER field. [Implementation: October 1, 1992.]

3. Southern Bell will limit the creation of Customer Direct and Subsequent Reports to a specific identified group of employees. [Implementation: October 1, 1992.]

4. Southern Bell will develop system edit processes to prohibit closing of trouble reports where disposition and cause codes are inconsistent. [Implementation: October 1, 1992.]

5. Southern Bell will standardize the administration of the Autoscreen rules. Southern Bell centrally will limit and control access to the system. [Implementation: October 1, 1992.]

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6. Southern Bell will develop a method to block multiple billing of a new optional service (or package of services) if a customer already is being provided and billed for the same service either alone or as part of a package. [Implementation: January 1, 1993.]

E. PSC Reporting

1. Southern Bell will develop procedures to audit information reported to the PSC regarding trouble report processing times. [Implemented previously.]

2. Southern Bell will use receipt and final status time to determine compliance with the PSC twenty-four (24) hour interruption repair rule. [Implemented previously.]

3. Southern Bell will institute new management reports to identify instances where a receipt time, different from real time, is entered in the LMOS system. [Implementation: October 1, 1992.]

4. Southern Bell will eliminate the use of the CON Intermediate Status Code. [Implemented previously.]

5. Southern Bell will implement periodic reports that identify invalid cause codes and that contain random samples of excluded trouble, so that they may be reviewed by local offices. [Implemented previously.]

6. Southern Bell will allow troubles to be statused as 00S only during manual or automated testing or initial screening. [Implementation: December 31, 1992.]

7. Southern Bell will review and standardize its Staff Review process. Reviews will be conducted by headquarters management personnel. Findings and specific corrective action required as a result of a review will be made in writing and will be provided to Florida State Headquarters and company headquarters management. [Implemented previously.]

F. Remedies

1. A Special Master, mutually agreeable to Southern Bell and the Office, will be selected to assist in the Review Program and the Settlement Agreement. In addition to the remedies set forth in paragraph 18 of the Settlement Agreement, the Office may submit disputes regarding Southern Bell's compliance to the Special Master. If the Office elects to submit a dispute to the Special Master, the following procedures will be employed. A claim that Southern Bell is in noncompliance with the Review Program or the Settlement Agreement first should be discussed with Southern Bell and an attempt made

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to resolve it consensually. If a dispute regarding compliance cannot be resolved consensually, it then should be submitted by the Office in writing to the Special Master with a copy to Southern Bell. Southern Bell shall have twenty (20) business days to respond to the claim in writing, a copy of which will be sent to the Office. The Special Master may, upon request of the parties, allow the submission of any writing, evidence or argument in connection with any matter under consideration. The Special Master has the authority to establish procedures for the submission of additional documents, evidence and argument allowing each party sufficient time to respond to any submission by the other party. There shall be no ex parte communications. The Special Master's decision regarding compliance is binding and shall be rendered within thirty (30) days after submission of all matters for consideration.

2. In the event that the Special Master finds non-compliance by Southern Bell with any of its obligations under this Review Program, or any of its obligations under the Settlement Agreement, the Office may apply to the Special Master for specific performance. In addition, the Office may seek a monetary penalty. The Special Master shall determine whether a monetary penalty should be assessed and, if so, in what amount. The procedures for applying for specific performance or a penalty shall be the same as those set forth in paragraph 1 above. All fees and expenses payable to the Special Master for work performed in connection with the Review Program or the Settlement Agreement shall be paid by Southern Bell. Any opinion expressed by The Accounting Firm regarding whether the programs in the Review Program are accomplishing their purpose shall not be used as a basis for a claim of non-compliance provided the programs are being conducted as designed. If The Accounting Firm determines that one or more provisions of the Review Program are not accomplishing their purpose, Southern Bell will develop and implement a reasonable replacement program.

3. Neither the existence of this Review Program, nor this Settlement Agreement, shall preclude the Office from bringing any civil or criminal litigation based upon conduct occurring after the date of this Settlement Agreement except as may be limited by the Settlement Agreement.

4. For each month in which Southern Bell is in non-compliance with any of its obligations under this Review Program, the Special Master shall determine whether such non-compliance warrants that an additional month will be added to the Review Program. If the

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review period is extended for greater than six months, an additional audit will be conducted after each additional six-month period. If the period is enlarged for less than six months or for one or more six-month periods, plus a period of less than six-months, the final audit will be deferred until the end of the entire Review Program.

5. The Office may request that The Accounting Firm perform supplemental review work with respect to the Systems and Procedures. Such request shall be in writing and shall state the specific matter or matters of the Systems and Procedures to be reviewed during the proposed supplemental review. A copy of the supplemental review request shall be sent to Southern Bell, who shall have ten (10) business days to object to it by stating its objections in writing to the Special Master. A copy of the objection will be sent to the Office, which shall have ten (10) business days to respond. The Special Master shall decide if the supplemental review shall be performed and the scope of and procedures for the supplemental review. This decision will be in writing within thirty (30) days after submission of all matters for consideration. A copy of the decision shall be sent to the Office and Southern Bell. The Special Master's decision is binding. The cost of the supplemental review shall be borne by Southern Bell.

6. All notices required to be sent pursuant to this Review Program shall be by hand delivery (within the same city) or by an overnight express mail service (Saturday delivery, if applicable), addressed as follows:

To Southern Bell:

Mr. J. Robert Fitzgerald
Vice President and General Counsel
BellSouth Telecommunications, Inc.
Legal Department - Suite 4504
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375

Mr. William S. Duffey, Jr.
King & Spalding
191 Peachtree Street
Atlanta, Georgia 30303-1763

To the Office:

Ms. Melanie Ann Hines
Office of Statewide Prosecution
The Capitol
Tallahassee, Florida 32399-1050

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