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BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF JOHN A. RUSCILLI
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010740-TP
AUGUST 20, 2001

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is John A. Ruscilli. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I attended the University of Alabama in Birmingham where I earned a Bachelor of Science Degree in 1979, and a Master of Business Administration in 1982. After graduation I began employment with South Central Bell as an Account Executive in Marketing, transferring to AT&T in 1983. I joined BellSouth in late 1984 as an analyst in Market Research, and in late 1985 moved into the Pricing and Economics organization with various responsibilities for business case analysis, tariffing, demand analysis and price regulation. I served as a subject matter expert on ISDN tariffing in various Commission and Public Service

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1 Commission (“PSC”) staff meetings in Tennessee, Florida, North Carolina and
2 Georgia. I later moved into the State Regulatory and External Affairs
3 organization with responsibility for implementing both state price regulation
4 requirements and the provisions of the Telecommunications Act of 1996 (the
5 “Act”), through arbitration and 271 hearing support. In July 1997, I became
6 Director of Regulatory and Legislative Affairs for BellSouth Long Distance, Inc.,
7 with responsibilities that included obtaining the necessary certificates of public
8 convenience and necessity, testifying, Federal Communications Commission
9 (“FCC”) and state regulatory support, federal and state compliance reporting and
10 tariffing for all 50 states and the FCC. I assumed my current position in July
11 2000.

12
13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14
15 A. The purpose of my testimony is to explain BellSouth’s position on issues 2-5 of
16 the Complaint filed with the Florida Public Service Commission (the
17 “Commission”) by IDS Long Distance, Inc. N/K/A IDS Telcom, LLC (“IDS”) *against*
18 BellSouth on May 11, 2001. My testimony addresses only the policy
19 portions of these issues. Other BellSouth witnesses address operational issues.

20
21 Further, my testimony specifically addresses the following:

- 22 • BellSouth has not breached its Interconnection Agreement with IDS with
23 respect to the provision of Unbundled Network Elements (“UNEs”) and
24 the UNE-Platform (“UNE-P”). Although BellSouth admits that there have
25 been some problems in the provisioning of UNEs for IDS, BellSouth

1 submits that it is in compliance with the requirements of the FCC and the
2 Florida Public Service Commission (the “Commission”) with regard to the
3 rates, terms and conditions that it offers for UNEs, including the UNE-P.
4 BellSouth also is in compliance with the requirements of this Commission
5 and the FCC with regard to providing xDSL service over UNE loops when
6 BellSouth is not the voice provider.

- 7
- 8 • BellSouth has negotiated in good faith with IDS and has never
9 fraudulently misled IDS into signing an agreement or an amendment to an
10 agreement between the parties. IDS has presented no evidence to the
11 contrary, and therefore, IDS’ allegations should be rejected.
- 12
- 13 • BellSouth has not engaged in anticompetitive activities in violation of the
14 Telecommunications Act of 1996 (“the Act”) and Chapter 364 of the
15 Florida Statutes, nor has BellSouth inappropriately used IDS’ CPNI data
16 in violation of the Act. BellSouth should not be ordered to cease and
17 desist from any promotional or win back activities, and has done nothing
18 to warrant sanctioning as requested by IDS.
- 19

20 **ISSUE TWO: *Has BellSouth breached its Interconnection Agreement with IDS by***
21 ***failing to provide IDS Unbundled Network Elements (“UNEs”) and***
22 ***Unbundled Network Element-Platforms (“UNE-Ps”) at parity?***

23

24 Q. WHAT DOES THE ACT REQUIRE OF INCUMBENT LOCAL EXCHANGE
25 CARRIERS (“ILECs”) WITH REGARD TO UNES?

1 A. Section 251(c)(3) of the Act states that an ILEC such as BellSouth has:
2 [t]he duty to provide, to any requesting telecommunications carrier for the
3 provision of a telecommunications service, nondiscriminatory access to
4 network elements on an unbundled basis at any technically feasible point
5 on rates, terms, and conditions that are just, reasonable and
6 nondiscriminatory in accordance with the terms and conditions of the
7 agreement and the requirements of this section and Section 252. An
8 incumbent local exchange carrier shall provide such unbundled network
9 elements in a manner that allows requesting carriers to combine such
10 elements in order to provide such telecommunications service.

11
12 Q. WHAT IS BELLSOUTH REQUIRED TO PROVIDE TO ALTERNATIVE
13 LOCAL EXCHANGE CARRIERS (“ALECs”) WITH REGARD TO UNE-P?
14

15 A. BellSouth is only required to provide UNE combinations, including the UNE-P,
16 to ALECs such as IDS at cost-based prices if the elements are, in fact, combined
17 and capable of providing service at a particular location. BellSouth makes
18 combinations of UNEs available to IDS consistent with BellSouth’s obligations
19 under the Act and applicable FCC rules.
20

21 Q. HAS THIS COMMISSION RECENTLY ADDRESSED BELLSOUTH’S
22 OBLIGATION TO COMBINE UNES?
23

24 A. Yes. In its Final Order on Arbitration, *In re: Petition of Sprint Communications*
25 *Company Limited Partnership for arbitration of certain unresolved terms and*

1 *conditions of a proposed renewal of current interconnection agreement with*
2 *BellSouth Telecommunications, Inc.*, Order No. PSC-01-1095-FOF-TP in Docket
3 No. 000828-TP (hereinafter referred to as the “Sprint Arbitration Order”) at page
4 23 (Fla. PSC May 8, 2001), this Commission ruled:

5 [w]e find that it is not the duty of BellSouth to “perform the functions
6 necessary to combine unbundled network elements in any manner.” Rule
7 51.315(b) only requires BellSouth to make available at TELRIC rates
8 those combinations that are, in fact, already combined and physically
9 connected in its network at the time a requesting carrier places an order.
10 Accordingly, BellSouth shall not be required to provide combinations of
11 unbundled network elements that it ordinarily or typically combines in its
12 network for Sprint at TELRIC rates.

13
14 Q. PLEASE DISCUSS THE AMENDMENT TO THE PARTIES’
15 INTERCONNECTION AGREEMENT, DATED NOVEMBER 2, 1999,
16 MENTIONED IN THE IDS COMPLAINT AT PARAGRAPH 14.

17
18 A. In the November 2, 1999 amendment referred to by IDS, entitled “Professional
19 Services and Combinations,” BellSouth agreed to provide combinations of UNEs
20 to IDS at market-based rates, whether or not such UNEs were already combined
21 in BellSouth’s network. It should be noted that this amendment was replaced
22 with the March 27, 2000 amendment, as discussed in the direct testimony of
23 BellSouth witness Ms. Shiroishi.

1 Prior to the FCC's UNE Remand Order¹, BellSouth had no obligation to provide
2 combinations to ALECs at cost-based rates. Therefore, the negotiations
3 surrounding the agreement were outside the scope of the requirements of Section
4 251, and the rates for combining elements were not subject to the pricing
5 standards in Section 252 of the Act. The professional services agreement,
6 therefore, was not subject to Commission jurisdiction or approval.
7

8 Q. PLEASE ADDRESS THE REFERENCE IN THE ABOVE-MENTIONED
9 NOVEMBER, 1999 AMENDMENT THAT THE ATTACHMENT BECOMES
10 VOID IF IDS OR A REGULATORY BODY ASSERTS THAT THE
11 REGULATORY BODY HAS JURISDICTION OVER THE AMENDMENT.
12

13 A. As I explained above, the services covered by the 1999 amendment were not
14 subject to the requirements of Section 251 or 252 of the Act. Both BellSouth and
15 IDS, therefore, were voluntarily entering into the arrangement. The following
16 language memorializes that fact:

17 The Parties further acknowledge and agree that BellSouth's duties and
18 obligations as set out in this Attachment 15 require BellSouth to combine
19 network elements that, but for the Parties' agreement herein, BellSouth
20 would not be required to provide or combine for any telecommunications
21 carrier. Accordingly, the Parties agree that, to the extent this Attachment
22 15 requires BellSouth to undertake duties and obligations that it is not
23 otherwise required to perform pursuant to any section of the Act nor
24 pursuant to any current or future order of the Federal Communications

¹ See Third Report and Order and Fourth Further Notice of Proposed Rulemaking, FCC 99-238, released November 5, 1999 ("UNE Remand Order").

1 Commission ("FCC") or of any state public service commission, such
2 duties and obligations are not subject to the jurisdiction of the FCC or of
3 any state public service commission, including but not limited to any
4 authority to arbitrate the rates, terms and conditions for the offering of
5 such combinations of network elements. To the extent IDS Long
6 Distance, the FCC, or any state commission asserts that any such rates,
7 terms and conditions of the Attachment 15 are subject to the jurisdiction of
8 the FCC or any state public service commission for the purpose of
9 changing said rates, terms and conditions, or are subject to arbitration
10 except for commercial arbitration pursuant to Section 13 of this
11 Attachment 15, then such rates, terms and conditions shall immediately
12 become null and void and of no effect whatsoever as between the parties
13 affected.

14
15 Thus, the amendment language that IDS' Mr. Kramer "found strange," was
16 perfectly appropriate. BellSouth negotiated a set of rates, terms and conditions
17 for a service that IDS wanted, and these rates, terms, and conditions were not
18 subject to the standards set forth in Section 252 of the Act.

19
20 Attached to my testimony as Exhibit JAR-1, is a letter from Shelley Walls of
21 BellSouth to Michael Noshay, President of IDS Long Distance, dated October 28,
22 1999. The letter, receipt of which was acknowledged by both initial (10/29/99)
23 and signature of Mr. Noshay, leaves no question as to whether IDS was aware of
24 the meaning of the wording in question before it signed the amendment on

1 November 2, 1999. BellSouth, therefore, clearly did not mislead IDS into signing
2 the agreement.

3

4 Q. HAS BELLSOUTH REACHED AGREEMENT WITH OTHER ALECs TO
5 COMBINE UNES FOR THE ALEC?

6

7 A. Yes. Certain ALECs have requested that BellSouth provide the service of
8 combining elements on the ALEC's behalf, and these ALECs have entered into
9 amendments to their interconnection agreements with BellSouth. The rates these
10 ALECs pay BellSouth to combine UNEs are market-based, and appropriately
11 compensate BellSouth for the service it is providing.

12

13 Q WHAT IS BELLSOUTH'S POSITION WITH REGARD TO IDS'
14 ALLEGATION, IN PARAGRAPH 37 OF THE COMPLAINT, THAT "MANY
15 CUSTOMERS WHO WANT ADSL OR WHO ALREADY HAVE THIS TYPE
16 OF DATA SERVICE, BUT UTILIZE IDS FOR VOICE ON UNE-P, ARE NOW
17 BEING FORCED TO RETURN TO BELLSOUTH"?

18

19 A. BellSouth assumes this is a reference to the fact that BellSouth does not provide
20 ADSL service over a UNE loop that an ALEC such as IDS is using to provide
21 voice service to an end user. IDS is free to provide its own xDSL service over the
22 UNE-P loops it purchases from BellSouth. It is clear, however, that BellSouth is
23 not required to provide its ADSL service over a loop if BellSouth is not providing
24 voice service over that loop.

25

1 In a recent order, the FCC stated, “[w]e deny, however, AT&T’s request that the
2 Commission clarify that incumbent LECs must continue to provide xDSL service
3 in the event customers choose to obtain service from a competing carrier on the
4 same line because we find that the *Line Sharing Order* contained no such
5 requirement.” See *In Re: Deployment of Wireline Services Offering Advanced*
6 *Telecommunications Capability*, Order No. FCC 01-26 in CC Docket Nos. 98-
7 147, 96-98 (Released January 19, 2001) at ¶26. The FCC then expressly stated
8 that its *Line Sharing Order* “does not require that [LECs] provide xDSL service
9 when they are no longer the voice provider.” *Id.*

10
11 The FCC further stated, “in the event that the customer terminates its incumbent
12 LEC provided voice service, for whatever reason, the competitive data LEC is
13 required to purchase the full stand-alone loop network element if it wishes to
14 continue providing xDSL service.” *Id.* at ¶72.

15
16 Similarly, in Order No. PSC-01-0824-FOF-TP that was entered in the
17 BellSouth/MCI WorldCom Arbitration (Docket No. 000649-TP), the Florida
18 Public Service Commission stated:

19 [t]he FCC requires BellSouth to provide line sharing only over loops where
20 BellSouth is the voice provider. If WorldCom purchases the UNE-P,
21 WorldCom becomes the voice provider over that loop/port combination.
22 Therefore, BellSouth is no longer required to provide line sharing over that
23 loop/port combination.

24 (Order at page 51).

25

1 Q. HAS ANY OTHER STATE COMMISSION IN BELLSOUTH'S REGION
2 RULED ON THE xDSL ISSUE?

3
4 A. Yes. In an arbitration proceeding before the Public Service Commission of South
5 Carolina, IDS alleged that it was anticompetitive for BellSouth not to provide
6 xDSL service over a loop that an ALEC is using to provide voice service. The
7 South Carolina Commission summarily rejected IDS' allegations, stating:

8 IDS's allegation is without merit. The FCC recently stated that "we deny
9 AT&T's request for clarification that under the Line Sharing Order,
10 incumbent LECs are not permitted to deny their xDSL [data] services to
11 customers who obtain voice service from a competing carrier where the
12 competing carrier agrees to the use of its loop for that purpose." After
13 denying AT&T's request, the FCC reiterated that "[a]lthough the Line
14 Sharing Order obligated incumbent LECs to make the high frequency
15 portion of the loop separately available to competing carriers on loops
16 where the incumbent LEC provides voice service, it does not require that
17 they provide xDSL service when they are no longer the voice provider."
18 Clearly, the FCC has not required an incumbent LEC to provide xDSL
19 service to a particular end user when the incumbent LEC is no longer
20 providing voice service to that end user. IDS' contention that this practice
21 is anticompetitive is therefore not persuasive when BellSouth is acting in
22 accordance with the express language of the FCC's most recent Order on
23 the subject.

24 *See Order on Arbitration, In re Petition of IDS Telcom, LLC for Arbitration of a*
25 *Proposed Interconnection Agreement with BellSouth Telecommunications, Inc.*

1 Pursuant to 47 U.S.C. Section 252(b), Order No. 2001-286 in Docket No. 2001-
2 19-C at 28-29 (April 3, 2001)(emphasis added).

3

4 Q. IS BELL SOUTH IN COMPLIANCE WITH BOTH THIS COMMISSION'S
5 AND THE FCC'S REQUIREMENTS WITH REGARD TO PROVIDING ADSL
6 TO IDS UNDER THE CIRCUMSTANCES PRESENTED IN THE
7 COMPLAINT?

8

9 A. Yes. As the FCC made clear, BellSouth is not required to provide ADSL service
10 to IDS when BellSouth is no longer the voice provider. The Commission,
11 therefore, should deny IDS' request on this issue.

12

13 **ISSUE THREE:** *Has BellSouth engaged in anticompetitive activities against IDS in*
14 *violation of Chapter 364, Florida Statutes, and the Telecommunications*
15 *Act?*

16

17 **ISSUE FOUR:** *Has BellSouth inappropriately utilized IDS' CPNI data in violation of*
18 *the Telecommunications Act of 1996?*

19

20 Q. WHAT ASPECT OF THESE ISSUES WILL YOU ADDRESS?

21

22 A. As in the previous discussion, I will address the policy portions of these
23 allegations. Specifically, I will respond to the following allegations in the IDS
24 Complaint:

25

- 1 • BellSouth is “guilty of blatantly anticompetitive behavior against IDS”
2 (¶63.)
- 3 • BellSouth has “actively sought to destroy IDS’ reputation as a successful,
4 reliable telecommunications provider. . .” (¶65.)
- 5 ▪ BellSouth’s “Full Circle Program and other similar win back programs are
6 barriers to competition. . .” (¶72.)

7

8 I will also respond to the allegations in paragraphs 77 and 78 of the Complaint
9 that:

- 10 • BellSouth has violated the Telecommunications Act of 1996 by providing
11 the names of IDS’ customers obtained from orders submitted to
12 BellSouth’s wholesale division to BellSouth’s retail division and
13 permitting the retail division to contact these customers prior to the
14 wholesale division’s completion of their conversion to IDS’ services; and
- 15 • It is impossible for BellSouth to act so expeditiously unless there is
16 internal sharing of Customer Proprietary Network Information (“CPNI”)
17 between its retail and wholesale divisions to win back the ALEC
18 customer.

19

20 Q. WHAT IS BELLSOUTH’S GENERAL RESPONSE TO THESE
21 ALLEGATIONS?

22

23 A. Contrary to the allegations made by IDS, BellSouth has not, and is not, engaging
24 in anticompetitive activities against IDS, and BellSouth is not improperly using
25 IDS’ CPNI. I will address each of the sub-issues below.

1 Q. IS BELLSOUTH'S OPERATIONS SUPPORT SYSTEMS ("OSS")
2 "DESIGNED TO FUNCTION POORLY TO BE UTILIZED PURPOSELY AS A
3 WIN BACK STRATEGY" AS ALLEGED BY MR. KRAMER IN HIS
4 AFFIDAVIT AT ¶6?

5
6 A. No. To the contrary, BellSouth has significant incentive to cooperate with IDS
7 and provide IDS with OSS at parity with BellSouth. If BellSouth fails to meet its
8 obligations under the Act, BellSouth could be subject to significant regulatory
9 penalties. This Commission, in Docket No. 000121-TP, is developing a
10 comprehensive plan of performance measurements that, by its very nature, should
11 demonstrate BellSouth's cooperation in the local competition process. Further,
12 BellSouth's entry into the interLATA long distance market is dependent upon
13 BellSouth meeting its legal and regulatory obligations. Finally, the FCC, as well
14 as the State of Florida, has processes in place for investigating alleged violations
15 and the ability to impose substantial fines upon BellSouth should BellSouth be
16 found to be in non-compliance with the FCC's rules.

17
18 Q. DOES BELLSOUTH HAVE PROCESSES IN PLACE TO AID IDS, AS WELL
19 AS OTHER ALECs, IN THEIR BUSINESS ENDEAVORS?

20
21 A. Yes. BellSouth's Interconnection Services ("ICS") organization is focused solely
22 on supporting the needs of the wholesale carrier segment, which includes IDS.
23 The ICS organization has an account team established to specifically support IDS
24 in its efforts to provide local service throughout BellSouth's region. Through
25 direct and often daily contact with its customer, the ICS Account Team provides

1 IDS a single point of contact within BellSouth that fully supports and focuses on
2 the needs of IDS.

3
4 Because there are many issues that touch many different functional areas within
5 both BellSouth and IDS, there are bound to be instances where problems arise, and
6 some problems may take longer to resolve than others. BellSouth is committed to
7 working with IDS, as well as with all other ALECs, to handle concerns in as
8 timely a manner as possible. BellSouth handles many requests from ALEC
9 customers and has appropriately established processes and procedures that
10 facilitate the communication between both companies, allowing for an efficient
11 and expedient resolution to issues. Depending on the scope of the issue, the
12 Account Team may or may not be involved with the prescribed resolution decision
13 chain. Contrary to IDS' claims, however, BellSouth is working with IDS in a true
14 supplier/customer relationship, and is striving to develop systems and processes
15 that work to the benefit of both companies.

16
17 Q. DOES BELLSOUTH HAVE FORUMS IN PLACE THAT DEAL WITH
18 CONCERNS OF THE ALEC COMMUNITY AS A WHOLE?

19
20 A. Yes. BellSouth has in place several collaboratives to address ALECs' issues and
21 concerns. BellSouth established these collaboratives to allow BellSouth and the
22 ALEC community to meet, identify, discuss, and resolve various substantive
23 issues that BellSouth and the ALEC community face in a competitive market.
24 Importantly, these collaboratives are region-wide, thereby providing the ALEC
25 community with a single forum to address any BellSouth-specific issues or

1 concerns they may have from any state in BellSouth's service territory. To date,
2 more than 80 companies have participated in these collaboratives and numerous
3 issues that may otherwise have resulted in proceedings before this Commission
4 have been resolved. A summary of the collaboratives currently offered by
5 BellSouth follows:

- 6
- 7 a. BellSouth User Groups - This collaborative consists of four groups,
8 (UNE-P, Collocation, Resale, and Facilities Based), each of which has
9 its own separate collaborative. The purpose of these groups is to bring
10 BellSouth and ALECs together to resolve potential issues relating to
11 each group prior to legal or regulatory intervention. The groups meet
12 once a quarter, except for the UNE-P group, which meets every two
13 months. Over 76 companies have participated in these collaboratives,
14 and several meetings are scheduled in the next couple of months.
- 15
- 16 b. CLEC Inforum - In this collaborative, BellSouth, in a convention-like
17 setting, informs ALECs of the latest information on BellSouth's
18 products, BellSouth's OSS, sales and marketing initiatives, and
19 operational issues. In addition, this collaborative provides educational
20 workshops and sessions, opportunities to meet and discuss issues with
21 BellSouth Subject Matter Experts ("SMEs"), and allows ALECs to
22 network with their BellSouth account executives and other ALECs.
23 This collaborative is generally held on an annual basis with the most
24 recent meeting being July 15-17, 2001 in Atlanta. Over 225
25 representatives from 86 companies registered for this collaborative,

1 which included educational workshops and sessions offered by
2 BellSouth addressing: (1) Local Number Portability; (2) Tariffs; (3)
3 LENS; (4) “How to Improve Operational Efficiency” Sessions; (5)
4 “Mergers and Acquisitions – Your Responsibilities”; (6) “How to
5 Provide Magical Customer Service”; (7) a UNE-P User Group
6 Session; and (8) a Loop Make-up User Group Session.

7
8 c. Line Sharing/Line Splitting Collaborative – These industry
9 collaborative meetings consist of four distinct groups, each of which
10 has its own collaborative: (1) Central Office Based Line Sharing –
11 BellSouth Owned Splitter; (2) Central Office Based Line Sharing –
12 DLEC Owned Splitter; (3) Remote Splitter Based – BellSouth Owned;
13 and (4) Line Splitting. These collaboratives provide ALECs with an
14 opportunity to meet with BellSouth on a regularly scheduled basis to
15 develop by mutual agreement the processes and procedures required to
16 implement Line Sharing and Line Splitting. In 2000 alone, the
17 Central Office Based groups met over 70 times, and in 2001, the
18 groups have met approximately 25 times. To date, approximately 12
19 ALECs have participated in this collaborative.

20
21 Q. DOES BELL SOUTH HAVE PROCEDURES THAT ADDRESS SPECIFIC
22 CONCERNS OF INDIVIDUAL ALECS?

23
24 A. Yes. BellSouth offers various avenues for dealing with individual ALEC
25 concerns. In addition to individual Account Teams, numerous ALEC centers, and

1 other processes that are tailored specifically for ALECs, BellSouth has established
2 an External Response Team (“ERT”) for handling inquiries and responding to
3 issues raised by the ALECs. Between 1998 through mid-2001, BellSouth has
4 processed over 3000 individual ALEC ERT letters. These letters have dealt with
5 a variety of subjects from requests for specific data to root cause analyses.

6
7 Q. IS IT APPROPRIATE FOR BELLSOUTH, AS WELL AS OTHER
8 TELECOMMUNICATIONS SERVICE PROVIDERS, TO OFFER WIN BACK
9 PROMOTIONS IN FLORIDA?

10
11 A. Yes, it is appropriate for BellSouth, as well as other telecommunications service
12 providers, to offer win back promotions. Win back promotions are a reasonable
13 response to the high level of local service competition in Florida. Given that
14 Florida customers can choose from a growing array of telecommunications
15 services offered by numerous providers, each provider needs maximum flexibility
16 to offer new services and competitive rates as quickly as possible. This flexibility
17 allows Florida consumers to receive the maximum benefits of competition as
18 quickly as possible.

19
20 Furthermore, from a public policy standpoint, win back promotions are a natural
21 outgrowth of the market development contemplated by the Act and supported by
22 both this Commission’s and the FCC’s rules and requirements. Specifically, the
23 FCC discussed win back efforts by ILECs in its September 3, 1999 Order on
24 Reconsideration and Petitions for Forbearance, CC Docket No. 96-149 (Order 99-
25 223) (“Order on Forbearance”). In its Order, the FCC noted that restrictions on

1 win back activities “may deprive customers of the benefits of a competitive
2 market,” explaining that:

3
4 Win back facilitates direct competition on price and other terms, for
5 example, by encouraging carriers to “out bid” each other for a customer’s
6 business, enabling the customer to select the carrier that best suits the
7 customer’s needs. (§69).

8
9 Some commenters argue that ILECs should be restricted from engaging in
10 win back campaigns, as a matter of policy, because of the ILEC’s unique
11 historic position as regulated monopolies. Several commenters are
12 concerned that the vast stores of CPNI gathered by the ILECs will chill
13 potential local entrants and thwart competition in the local exchange. We
14 believe that such action by an ILEC is a significant concern during the
15 time subsequent to the customer’s placement of an order to change carriers
16 and prior to the change actually taking place. Therefore, we have
17 addressed that situation in Part V.C.3, *infra*. However, once a customer is
18 no longer obtaining service from the ILEC, the ILEC must compete with
19 the new service provider to obtain the customer’s business. We believe
20 that such competition is in the best interest of the customer and see no
21 reason to prohibit ILECs from taking part in this practice. (§70).

22
23 Q. ARE BELLSOUTH’S PROMOTIONAL OFFERINGS CONSISTENT WITH
24 THE FCC’S TREATMENT OF PROMOTIONS IN THE AUGUST 8, 1996-

1 FIRST REPORT AND ORDER IN CC DOCKET NO. 96-98 (THE "FIRST
2 REPORT AND ORDER")?

3
4 A. Yes. The FCC clearly recognized in the First Report and Order that incumbents
5 like BellSouth may offer either short-term or long-term promotions, and that
6 short-term promotions are not subject to the resale discount requirements of the
7 Act.

8
9 Q. DOES BELLSOUTH COMPLY WITH THE RULES OF BOTH THIS
10 COMMISSION AND THE FCC WITH REGARD TO PROMOTIONAL
11 OFFERINGS?

12
13 A. Yes. For example, BellSouth began offering its "Full Circle" Promotion in
14 Florida on January 15, 2001, pursuant to tariff, as required by this Commission.
15 BellSouth offered its Full Circle Promotion to all similarly situated customers, as
16 required by the FCC. One of the eligibility criteria for the Full Circle Promotion
17 was that the subscriber be a former BellSouth customer. All former BellSouth
18 customers that met the eligibility criteria had an equal opportunity to participate in
19 the promotion. Therefore, targeting a promotion to such customers is authorized
20 by BellSouth's tariff. In a similar fashion, there was no discrimination because
21 the promotion was offered to all similarly situated customers, i.e., former
22 BellSouth customers who met the promotion's eligibility requirements.

23
24 Q. PLEASE DESCRIBE BELLSOUTH'S RECENT PROMOTIONAL
25 OFFERINGS.

- 1 A. In the past year, BellSouth has had three major promotional offerings:
- 2 • Competitive Response Program – Filed with the Commission on July
- 3 10, 2000 with an effective date of July 24, 2000 through September
- 4 21, 2000. The tariffed offering was available to all new business
- 5 customers.
- 6 • Full Circle Program – Filed with the Commission on December 21,
- 7 2000, with an effective date of January 15, 2001 through July 13,
- 8 2001. The tariffed offering was available to former BellSouth
- 9 business customers who changed to another local service provider
- 10 within the two years prior to January 2001, and met certain other
- 11 criteria.
- 12 • Basic Service Advantage Program – This tariffed offering is effective
- 13 July 6, 2001 through January 6, 2002. The offering is available to
- 14 new and existing business customers that meet certain criteria. The
- 15 promotion is targeted primarily at large business customers in certain
- 16 Metropolitan Statistical Areas (“MSAs”).

17 Clearly, the “Basic Service Advantage Program” promotion and the “Full Circle

18 2001” promotion are not the same program, as the two offerings target

19 fundamentally different groups of business customers.

20

21 Q. WAS BELL SOUTH'S FULL CIRCLE PROMOTION IN FLORIDA

22 AVAILABLE FOR RESALE AT THE WHOLESALE DISCOUNT BY ALECS?

23

24 A. Yes. As with any promotion that lasts longer than 90 days, BellSouth's Full

25 Circle Promotion was available for resale at the wholesale discount established by

1 the Commission. Also, according to the terms of the interconnection agreement
2 entered into between BellSouth and IDS, such promotions are available for resale.
3 IDS could have resold the Full Circle Promotion to any customer that met the
4 eligibility requirements of the promotion. Specifically, if the particular customer
5 had been a customer of IDS during the two years prior to January 2001, was
6 currently receiving service from a provider other than IDS, and met all other
7 eligibility requirements applicable to the promotions, then IDS could have resold
8 the promotion to that customer.

9
10 Q. ARE TERM CONTRACTS APPROPRIATE AS CONDITIONS OF
11 BELLSOUTH'S WIN BACK PROMOTIONAL OFFERINGS?

12
13 A. Yes. Term contracts are not new. BellSouth's promotional offerings are
14 consistent with promotional offerings in the telecommunications industry as well
15 as many unregulated industries.

16
17 Q. DID BELLSOUTH RAISE BUSINESS RATES IN FLORIDA
18 SIMULTANEOUSLY WITH THE INITIAL FILING OF ITS FULL CIRCLE
19 TARIFF? IF SO, DID BELLSOUTH RAISE SUCH RATES TO MISLEAD
20 CUSTOMERS TO WHOM IT WAS OFFERING A WIN BACK PROMOTION?

21
22 A. BellSouth raised its business rates on February 1, 2001. This rate increase,
23 however, had nothing to do with BellSouth's Full Circle Promotion. BellSouth's
24 Full Circle Promotion was not restricted to Florida. Instead, BellSouth's Full
25 Circle Promotion became effective January 15, 2001, simultaneously in several of

1 BellSouth's states. As provided for in BellSouth's Price Regulation Plan in
2 Florida, rates for BellSouth's business customers were frozen and had not
3 increased in five years. This freeze period expired December 31, 2000, after
4 which BellSouth filed for a rate increase for its business customers on January 2,
5 2001. This was done as a prudent business decision, and it was not related to
6 BellSouth's Full Circle Promotion.

7

8 Q. DID BELLSOUTH BASE ITS HIGHEST FULL CIRCLE PROMOTION
9 DISCOUNT OFFER (20%) ON THE RATES THAT IDS CAN OFFER ITS
10 CUSTOMERS?

11

12 A. No. BellSouth's Full Circle Promotion was available in several states, not just in
13 Florida. Based on input from various departments, BellSouth determined that
14 customers with the revenue levels set forth in the Full Circle Promotion were the
15 small business customers that are most aggressively targeted by ALECs
16 throughout BellSouth's region. The discount levels were determined based on
17 BellSouth's judgment as to what would provide a more competitive rate for
18 former customers while still providing a contribution to BellSouth. The discounts
19 offered depended on the volume and term elected by the customer. The range of
20 discounts offered under the Full Circle Promotion were set forth in the tariff.

21

22 Q. DID BELLSOUTH SPECIFICALLY TELEMARKET IDS' CUSTOMER DATA
23 BASE?

24

1 A. No, BellSouth did not specifically telemarket IDS' customer database. Using
2 retail information, BellSouth developed a list of all former customers who were
3 potentially eligible for the Full Circle Promotion, and this list was used by
4 BellSouth and by third parties who telemarketed the Full Circle Promotion.
5

6 Q. HAS BELLSOUTH RECEIVED ALLEGATIONS THAT TELEMARKETERS
7 WERE TELLING CUSTOMERS THAT COMPETITORS WERE GOING
8 BANKRUPT?
9

10 A. Yes.
11

12 Q. WHAT DID BELLSOUTH DO IN RESPONSE TO THOSE ALLEGATIONS?
13

14 A. It is against BellSouth policy for any employee or authorized representative of
15 BellSouth to criticize a competitor to a customer or to interfere with any contract
16 between a competitor and its customers. When BellSouth received such
17 allegations, therefore, BellSouth took immediate action to investigate them. In
18 particular, BellSouth suspended its outbound win back efforts pending an internal
19 review into those processes and programs. The review addressed ALECs'
20 concerns regarding disparagement of competitors and possible misuse of
21 wholesale information by BellSouth's retail units. This review revealed that some
22 remarks of this nature might have been made in relation to efforts to sell the Full
23 Circle Promotion. BellSouth, therefore, has implemented steps to ensure
24 compliance with all BellSouth internal policies regarding sales and marketing
25 practices as well as applicable statutory and regulatory requirements. Attached as

1 Exhibit JAR-2 is a summary of BellSouth's review and the resulting actions
2 taken.

3
4 BellSouth takes very seriously any allegations of impropriety and takes all
5 appropriate action to investigate such matters and to ensure that in the isolated
6 instances where an indiscretion may occur, it is ceased immediately. BellSouth's
7 policies apply not only to its own employees, but also to all of its sales
8 representatives. As stated in the abovementioned summary, BellSouth has
9 adopted a uniform approach to training, managing, and monitoring all third party
10 sales representatives involved in telesales and telemarketing activity on behalf of
11 BellSouth. This uniform approach ensures that all third party sales
12 representatives are informed of and are contractually bound to conform their sales
13 practices to BellSouth's positive sales policy. It is BellSouth's policy to compete
14 in the marketplace solely on the merits of BellSouth's products and services, on
15 the prices it charges and on the customer loyalty it earns. BellSouth does not, and
16 will not, condone the disparagement of its competitors.

17
18 Q. PLEASE COMMENT ON THE AFFIDAVITS ATTACHED TO THE
19 COMPLAINT.

20
21 A. My comments deal with only those affidavits addressing BellSouth's win back
22 policies. The affidavits involved are those of Mason Tolman, Alvaro Lozano,
23 Laura Tirse, Suki York, Gregg McGrady, Jennifer Cleaver, Ennette Auter, Joseph
24 Neves and Robert Eury. Two things should be noted with regard to these
25 affidavits. First, each of the customers has been a customer of IDS for over six

1 months, and all but one converted to IDS' local service in 2000. The dates when
2 these customers were approached about returning to BellSouth were generally
3 between 3 months and 9 months from the time each customer converted its
4 service to IDS. The length of the timeframe between the customer's conversion
5 of service to IDS and BellSouth's attempt to win back the customer certainly does
6 not suggest an inappropriate use of CPNI, as alleged by IDS. Rather, these
7 timeframes reflect legitimate win back efforts that one would expect in a
8 competitive marketplace. Second, the allegations of disparaging remarks cover a
9 timeframe prior to BellSouth's review of its win back policies and programs.
10 BellSouth has reinforced with its sales representatives that such conduct is
11 inappropriate and will not be tolerated.

12
13 Additionally, the affidavit of Alvaro Lozano mentions specifically that he
14 received several calls from "a company by the name of Telechoice." Several of
15 the other affidavits also reference telephone numbers that can be attributed to
16 TelChoice. In these cases, the persons who allegedly made the disparaging
17 remarks would have been employed by TelChoice, and not by BellSouth.
18 BellSouth has made several requests to TelChoice to provide information
19 regarding the telemarketing activities referenced in IDS' complaint, and
20 TelChoice has declined to cooperate in BellSouth's investigation. BellSouth
21 terminated its contract with TelChoice pursuant to a letter dated July 9, 2001, and
22 TelChoice is no longer marketing BellSouth's services.

23
24 With regard to the affidavit of Joseph Neves, the person making the alleged
25 disparaging remarks also was not a BellSouth employee. Given that the telephone

1 number referenced in the affidavit is that of Atlantic Business Communications,
2 Inc., the person who allegedly made these statements most likely was employed
3 by Atlantic Business Communications. Atlantic Business Communications has
4 informed BellSouth that it had an employee named Carol at the time the statement
5 set forth in Mr. Neves' affidavit allegedly was made. Between the date that
6 statement allegedly was made and the date BellSouth spoke with Atlantic
7 Business Communications, Carol was terminated by Atlantic Business
8 Communications for reasons unrelated to the alleged statement.

9
10 Q. DOES BELLSOUTH IMPROPERLY USE CPNI TO WIN BACK
11 CUSTOMERS WHO HAVE CONVERTED TO IDS' SERVICE?

12
13 A. No. BellSouth is in compliance with the FCC's rules with regard to its win back
14 programs for customers who have converted to a competitor. In its Order on
15 Forbearance, the FCC found:

16 On reconsideration, we conclude that all carriers should be able to use
17 CPNI to engage in winback marketing campaigns to target valued former
18 customers that have switched to other carriers. After reviewing the fuller
19 record on this issue developed on reconsideration, we are persuaded that
20 winback campaigns are consistent with section 222(c)(1) and in most
21 instances facilitate and foster competition among carriers, benefiting
22 customers without unduly impinging upon their privacy rights. *Id.* ¶66.

23
24 Continuing its discussion, the FCC stated:

1 On reconsideration, we believe that section 222(c)(1)(A) is properly
2 construed to allow carriers to use CPNI to regain customers who have
3 switched to another carrier. While section 222(c)(1) is susceptible to
4 different interpretations, we now think that the better reading of this
5 language permits use of CPNI of former customers to market the same
6 category of service from which CPNI was obtained to that former
7 customer. We agree with those petitioners who argue that the use of CPNI
8 in this manner is consistent with both the language and the goals of the
9 statute. . . . While we recognize that this discussion in the CPNI Order also
10 referred to the customer's "existing" service, we now conclude upon
11 further reflection that our focus should not be so limited. *Id.* 67

12
13 Q. PLEASE COMMENT ON IDS' ALLEGATIONS THAT BELLSOUTH USES
14 SERVICE DISRUPTION AS AN OPPORTUNITY FOR WIN BACK.

15
16 A. If a customer is disconnected during the process of switching to IDS and calls
17 BellSouth, it is not BellSouth's policy for a customer service representative to use
18 this opportunity to win back the customer. Given that such a call would involve
19 out of service issues, it is likely that a service representative would refer the call
20 to repair service. Even if that did not occur, however, BellSouth policy provides
21 that the service representative handling such a call should refer the customer to
22 IDS for any service questions.

23
24 Q. ARE BELLSOUTH'S RETAIL SALES PERSONNEL OR AGENTS
25 INFORMED OF A DISCONNECT PRIOR TO THE DISCONNECT BEING

1 COMPLETED?

2

3 A. No. BellSouth does not inform its retail sales personnel or third-party contractors
4 of a disconnect order before that order is completed. BellSouth's sales personnel
5 or third-party contractors, however, may learn of a customer's disconnect order
6 from external sources (i.e., from the customer itself). In addition, no consumer
7 win back letter is sent to a customer by BellSouth until after the service is
8 disconnected, and BellSouth develops its win back lists using retail information
9 consistent with applicable FCC rulings.

10

11 **ISSUE FIVE:** *What remedies, if any, should the Commission order BellSouth to*
12 *provide IDS in the event IDS proves that BellSouth has breached the*
13 *Interconnection Agreement or engaged in anticompetitive activities?*

14

15 Q. ARE THE REMEDIES BEING REQUESTED BY IDS REASONABLE?

16

17 A. No. BellSouth's actions have not been "grossly negligent, completely
18 irresponsible and lacking in standard business prudence" as Mr. Kramer would
19 have this Commission believe. BellSouth has dealt fairly with IDS. Moreover, as
20 I have discussed above, BellSouth has not, in any manner, actively attempted to
21 put IDS, or any ALEC, out of business.

22

23 Q. PLEASE RESPOND TO THE SPECIFIC REMEDIES THAT MR. KRAMER
24 REQUESTS ON PAGES 69 AND 70 OF HIS TESTIMONY.

25

1 A. I will respond to remedies 4-7. Remedies 1-3 will be addressed in the testimony
2 of other BellSouth witnesses.

3
4 With regard to requested remedy 4, which relates to promotional or win back
5 activities, BellSouth respectfully asks this Commission to deny IDS' request.
6 Promotions are normal and necessary activities in a competitive market, such as
7 the local telecommunications market in Florida. IDS' request that BellSouth be
8 required to cease and desist its promotional or win back activities is excessive for
9 any mistakes that BellSouth may have made. This Commission is establishing a
10 performance measures and remedy plan to compensate IDS should BellSouth fail
11 to provide OSS, UNEs and UNE-Ps at parity, which appears to be what IDS is
12 ultimately asking for in request 4. In addition, many of the allegations being
13 made by IDS would more appropriately be addressed in this Commission's
14 Anticompetitive Practices Docket, Docket No. 011077-TL.

15
16 Q. IS STRUCTURAL SEPARATION NECESSARY, AS PROPOSED BY MR.
17 KRAMER IN REQUEST FOR RELIEF NO. 5?

18
19 A. Absolutely not. Structural separation, which is not required of any of BellSouth's
20 competitors – other local phone companies, wireless providers or cable companies
21 – should not be forced on any Bell companies. Each company should be allowed
22 to organize in a manner it deems suitable to provide parity of service to all
23 competitors and to bring the benefits of competition to its customers. In fact,
24 Congress rejected the idea of structural separation during debate of the Act.
25 Moreover, for the reasons set forth in the record of Docket No. 010345-TP, the

1 Florida Public Service Commission does not have the authority to order the
2 structural separation of a telephone company such as BellSouth.

3

4 Q. PLEASE COMMENT ON IDS' REQUEST THAT BELLSOUTH BE
5 SANCTIONED "FOR ITS FRAUDULENT INDUCEMENT TO IDS TO
6 ENTER INTO AN AGREEMENT."

7

8 A. As I discussed above, this allegation is specious, and IDS' request should be
9 denied. IDS was fully aware of the contents, meaning and ramifications of the
10 agreement that it signed.

11

12 Q. SHOULD BELLSOUTH "BE SANCTIONED WITH SEVERE PENALTIES
13 FOR ITS ANTICOMPETITIVE ACTIVITIES AGAINST IDS" AS
14 REQUESTED BY MR. KRAMER IN ITEM 7 OF HIS REMEDY REQUEST?

15

16 A. Absolutely not. No action that BellSouth has taken can be construed as
17 intentional anticompetitive behavior warranting sanctioning "with severe
18 penalties."

19

20 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

21

22 A. Yes.

23

24

25 (406065)

BellSouth Telecommunications, Inc.

FPSC Docket No. 010740-TP

Exhibit JAR-1

August 20, 2001

BellSouth Interconnection Services

675 West Peachtree Street
Room 34591
Atlanta, Georgia 30375

Shelley P. Walls
(404) 927-8997
Fax: (404) 529-7839

October 28, 1999

VIA ELECTRONIC MAIL

Michael Noshay
President
IDS Long Distance, Inc.
1525 NW 167th Street
Miami, FL 33169

Dear Mr. Noshay:

Per your request that BellSouth clarify the intent behind two sentences contained in the second paragraph of the proposed Attachment 15 to the Interconnection Agreement between BellSouth and IDS, is the following:

The first sentence, which states,

To the extent that IDS Long Distance, the FCC, or any state commission asserts that any such rates, terms and conditions of this Attachment 15, are subject to the jurisdiction of the FCC or any state public service commission for the purpose of changing said rates, terms and conditions, or are subject to arbitration, except for commercial arbitration pursuant to Section 13 of this Attachment 15, then such rates, terms and conditions shall immediately become null and void and of no effect whatsoever as between the parties affected.

is intended to apply to a situation in which IDS, the FCC, or a state commission attempts to assert jurisdiction over Attachment 15 of the Interconnection Agreement between BellSouth and IDS for the purpose of changing the rates, etc., contained in that attachment. In that event, Attachment 15 between BellSouth and IDS would become null and void.

On the other hand, the second sentence, which states,

If any person, entity or party exercising its rights under Section 252(i) of the Act (the "Adopting Party") or the FCC, any state public service commission, or any other person, entity or party asserts that any of the rates, terms and conditions of this Attachment 15 assumed by the Adopting Party are subject to the jurisdiction of the FCC or any state public service commission for the purpose of changing said rates, terms and conditions of this Attachment 15 or are subject to arbitration, except for commercial arbitration pursuant to Section 13 of this Attachment 15, then, to the extent that such assertion of jurisdiction purports to apply to rates, terms or conditions herein that BellSouth is not obligated under the law to provide, such rates, terms and conditions of any

M. Noshay
10/29/99

Michael Noshay
IDS Long Distance, Inc.
October 28, 1999

such contract or agreement based upon this Attachment 15 shall immediately become null and void and of no effect whatsoever as between the parties affected.

is intended to apply to a situation in which another company has, through Section 252(i) of the Telecommunications Act, adopted the language of Attachment 15 as its own. In the event that such other company, the FCC, or a state commission then attempts to assert jurisdiction over the terms, etc., of that other company's Attachment 15, the other company's Attachment 15 becomes null and void. In such a situation, IDS' Attachment 15 would not be affected.

I hope this addresses your concern. Please call me if you need anything else.

Sincerely,

Shelley P. Walls

Shelley P. Walls
Manager, Interconnection Services

IDS Long Distance, Inc.
Michael Noshay
President

11/10/29/99

BellSouth's Win Back Review and Implementation

During the early part of 2001, BellSouth received complaints from competitive carriers ("CLECs") that addressed certain aspects of BellSouth's win back and retention programs. The complaints can be placed in two basic categories: alleged disparagement of CLECs; and alleged misuse of wholesale information.

Following receipt of these complaints, BellSouth Senior Management took three related steps: (1) all outbound (telemarketing and direct mail) win back activities were temporarily suspended; (2) a review of these programs (the "Review") was commenced; and (3) a formal process was adopted for identifying and handling any subsequent CLEC complaints related to BellSouth's marketing and sales practices.

The Review revealed: (a) that there was no evidence of systematic wrongdoing; (b) no evidence of improper systems links; (c) that proper policies regarding use of information found in BellSouth's systems and sales and marketing were established; and (d) that these policies were generally understood in the field. The Review showed that isolated instances of disparagement of competitors by one of BellSouth's third party sales representatives and that one instance of the use of Wholesale Information that did not comply with BellSouth policy had occurred.

Following the Review, BellSouth adopted a plan to further address win back activities. The Plan included a modular yet integrated training program entitled the "Competitive Landscape Operating Requirements." The training, conducted, in two phases, will strengthen, enhance the understanding of, and reinforce the policies of the Company. The first phase included all BellSouth and third party personnel that will be engaged in outbound marketing of BellSouth's win back programs after training. The second phase will cover all other BellSouth customer contact personnel and employees that support these groups.

The modular training consists of sections covering BellSouth's Fair Competition Policy; CPNI and Wholesale Information; Access to BellSouth's IT Systems; and Dissemination and Use of Competitive Information. The substance of the training includes but is not limited to:

- Definition of BellSouth's positive selling approach and the prohibition on negative selling. Training and reinforcement of the requirement that customers who are also competitors must be treated fairly and not be disadvantaged.

- BellSouth's policy to protect all proprietary information belonging to or in the control of BellSouth, including without limitation, information about all of its customers, both carrier and end user.
- Instruction regarding the appropriate uses of individually identifiable Wholesale information and confirmation that Wholesale information cannot be accessed or used for any purpose related to the sale or promotion of any BellSouth product or service.
- The prohibition on BellSouth personnel accessing any BellSouth IT systems unless there is a legitimate and authorized business purpose for such access.
- Training regarding the dissemination and use of competitive information including circumstances under which it is appropriate and inappropriate to disseminate and use such information.
- Information regarding and the communication of the instructions and limitations of use that must accompany the dissemination of competitive information.
- Training regarding the handling and use of confidential information.

BellSouth has adopted a uniform approach to training, managing, and monitoring all third party sales representatives involved in telesales and telemarketing activity on behalf of BellSouth. The uniform approach ensures that all third party sales representatives will be informed of and be contractually bound to conform their sales practices to BellSouth's positive sales policy. The core components include a standardized training course for all BellSouth personnel responsible for the management of third party telesales and telemarketing vendors; a telesales checklist utilized in connection with both the orientation of new telesales and telemarketing vendors and in the roll out of any new product, service or program sold by such vendors; standard contract provisions addressing monitoring, training, and compliance obligations; and a certification process for use with new telesales and telemarketing vendors and with the roll out of any new product, service or program sold by such vendors. The certification process includes both product training and sales tactics training and will be used to reinforce BellSouth's policies concerning non-disparagement and positive selling.

BellSouth has adopted a process for monitoring and approving continued systems access for all newly hired employees and transferred and promoted employees. The process is designed to ensure that employees have access to only those systems that are required to execute their present job duties and functions. Each receiving manager of a new employee and transferred or promoted employee is required to conduct a review of the systems to which the new, transferred or promoted employee requires access in order to perform in the employee's new position. Access to only those systems will be provided and, if applicable, access to other systems will be removed. Longer term, BellSouth plans to institute an IT systems-based approach to managing and monitoring systems access.

BellSouth currently has a Compliance structure responsible for monitoring and managing BellSouth performance in distinct compliance areas. This structure includes personnel within each organization who have responsibility for proactively reviewing compliance with BellSouth's policies, processes and procedures.

The Customer Markets Compliance structure has been charged with ensuring that all business units and channels have approved Competitive Landscape Operating Requirements plans to address monitoring/observation of employee sales conduct; reinforcement of the Competitive Landscape Mandatory Guidelines and the Dissemination and Use of Competitive Information guidelines; identification of red flags or warning systems for purposes of quickly locating possible infractions or activities outside the parameters of BellSouth policies; and audit/investigation procedures for resolving compliance infractions in an expeditious manner with a uniform discipline approach.

The Compliance structure has engaged the services of BellSouth's Internal Audit group to conduct an "early entry" review of the Competitive Landscape Operating Requirements plans and the implementation effectiveness as well as an audit of systems access controls during the third quarter of 2001. After the "early entry review, the Customer Markets organization will be put on a regular schedule of internal audit review of the activities related to the Competitive Landscape Operating Requirements.