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September 17, 1996

HAND DELIVERED

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

Re: Docket Nos. ~~960658-TP~~ and 930330-TP

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of Rebuttal Testimony of Sandra Seay in the above dockets.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,



Joseph A. McGlothlin

JAM/jei

Enclosure

09921-96

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY OF SANDRA SEAY**

3 **ON BEHALF OF MCI, AT&T, AND FIXCA**

4 **DOCKET NOS. 930330-TP & 960658-TL**

5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 **A. My name is Sandra Seay. My business address is 780 Johnson Ferry**
7 **Road, Suite 700, Atlanta, Georgia 30342.**

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET ON BEHALF OF**
9 **THE JOINT COMPLAINANTS?**

10 **A. Yes.**

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 **A. To a considerable extent, the matters discussed in the testimony of**
13 **BellSouth witnesses Ed L. Honeycutt, Jr. and Hilda Geer were addressed**
14 **in my direct testimony. However, I wish to respond to certain specific**
15 **justifications offered by the witnesses, as well as the significance of one**
16 **omission on their part.**

17 **Q. IN HER PREFILED TESTIMONY, MS. GEER STATES THAT BELL SOUTH'S**
18 **PRACTICE REGARDING THE PROVIDING OF INFORMATION TO NEW**
19 **CUSTOMERS IS BASED ON "GUIDING PRINCIPLES" (PAGE 2) DESIGNED**
20 **TO PROVIDE A "BALANCED APPROACH" (PAGE 2). DO YOU AGREE?**

21 **A. No. The many fine sounding phrases used by BellSouth to describe its**
22 **practice cannot disguise the clear bias involved. In reality, BellSouth's**

1 "guiding principles" are these:

- 2 1. Mention BellSouth's intraLATA service whether the customer asks
3 for it or not; and
- 4 2. Mention the name of any other intraLATA provider only if the
5 customer specifically requests it.

6 There is nothing balanced about this approach. For an example of
7 a fair and nondiscriminatory practice, BellSouth should look to the
8 procedure it follows on the interLATA side. That procedure, developed
9 in a market in which BellSouth was not a competitor, places all providers
10 on the same footing.

11 **Q. AT PAGE 6, MS. GEER SAYS BELLSOUTH DOES NOT FAVOR ITS**
12 **INTRALATA OFFERING OVER THOSE OF OTHERS BECAUSE IT DOES**
13 **NOT DISPARAGE THE SERVICES OF ANY CARRIER. DO YOU AGREE**
14 **WITH HER ASSESSMENT?**

15 **A.** No. It should be obvious that a neutral presentation requires more than
16 a commitment not to make derogatory remarks about BellSouth's
17 competitors. The practice of positioning BellSouth's intraLATA service
18 advantageously relative to the services of others in the course of the
19 presentation makes the procedure discriminatory and objectionable.

20 **Q. AT PAGES 5 AND 7, MS. GEER SAYS BELLSOUTH SHOULD BE**
21 **PERMITTED TO INITIATE MARKETING MESSAGES CONCERNING ITS**
22 **INTRALATA SERVICE TO CUSTOMERS WHO CONTACT BELLSOUTH**

1 FOR UNRELATED REASONS BECAUSE TO DO SO WOULD BE
2 "EFFICIENT" AND BECAUSE BELLSOUTH "STRIVES TO BE
3 RESPONSIVE" (PAGE 8) TO CUSTOMERS WHO "PRO-ACTIVELY
4 CONTACT" (PAGE 7) BELLSOUTH. DO YOU AGREE?

- 5 A. No. The idea that customers who call BellSouth to inquire about a bill
6 or to arrange a service call "expect" BellSouth to pitch its intraLATA
7 service, and that BellSouth is somehow being "responsive" to the
8 customer when it does so, is disingenuous. Clearly, BellSouth is simply
9 capitalizing on the opportunity to exploit its role as the dominant,
10 incumbent LEC to turn a routine LEC-related transaction into an
11 intraLATA marketing opportunity. By definition, the only occasion in
12 which a message would be "responsive" to a customer contact is when
13 the customer first asks for the information. MCI, AT&T and FIXCA have
14 never objected to that form of marketing.

15 The claim that such marketing is "efficient" is only a "spin" on the
16 fact that BellSouth's role as the incumbent, dominant LEC places it in
17 constant contact with customers for reasons unrelated to intraLATA
18 service. Properly viewed, the practice represents unfair leverage, not
19 efficiency. When it decided to require 1 + intraLATA presubscription, the
20 Commission intended the resulting competition among intraLATA
21 providers to be fair. This can happen only if BellSouth is precluded from
22 exploiting its role as dominant LEC to influence the outcome of the

1 competition.

2 Q. DOES THE FACT THAT THE COMMISSION ADOPTED A "CARRIER
3 MARKETING APPROACH" MEAN THAT BELLSOUTH SHOULD BE
4 PERMITTED TO USE ITS MONOPOLY POSITION TO MARKET ITS
5 INTRALATA SERVICES TO CAPTIVE CUSTOMERS IN A FASHION
6 WHICH IS UNAVAILABLE TO OTHER CARRIERS IN THE INTRALATA
7 MARKET?

8 A. No. Both Ms. Geer (at pp. 6 - 7) and Mr. Honeycutt (at p. 3) note that
9 the parties in Docket 930330-TP agreed to a carrier marketing approach
10 as the method by which carriers will obtain new customers in the
11 intraLATA market, as opposed to the approach based on balloting and
12 the allocation of customers that was used during the implementation of
13 interLATA equal access. They then attempt to link this concept to
14 BellSouth's plans to market its intraLATA services to customers who
15 contact BellSouth for reasons other than selecting their intraLATA carrier,
16 saying that this plan is nothing more than the carrier marketing to which
17 the parties agreed.

18 This position misconstrues the concern expressed by MCI, AT&T
19 and FIXCA. We agree with the Commission's choice of a fair carrier
20 marketing approach, and believe it was intended to be carried out on a
21 level playing field. Our concern is with BellSouth's marketing plans,
22 which include requiring customer service representatives to make sales

1 pitches for BellSouth to new customers or existing customers who call
2 the BellSouth business office for any reason -- as well as attempting to
3 dissuade an existing customer who calls BellSouth to change his
4 intraLATA carrier from making the change. Our point is that BellSouth
5 should market its services in the same manner in which MCI, AT&T, and
6 other carriers market their services. This can be done through print
7 advertisements, television commercials, promotions at public events,
8 direct mail, etc. These avenues are equally available to all competitors.

9 BellSouth should not be allowed to market its services through an
10 avenue available only to itself due to its status as the monopoly provider
11 of local exchange service. This is precisely what its marketing plans
12 include, and that is why MCI, AT&T, and FIXCA object to the proposed
13 practices so vigorously. When customers call BellSouth for reasons
14 pertaining to their local service, BellSouth should be prohibited from
15 taking advantage of that prime opportunity to advance itself over other
16 carriers. No other company is in a position to do that, so BellSouth
17 should be barred from that approach.

18 Q. IN RESPONSE TO THE POINT THAT BELLSOUTH ENJOYS A
19 "GATEWAY" STATUS, MS. GEER CLAIMS AT PAGE 8 THAT THE
20 COMPLAINANTS ARE ASKING FOR AN UNFOUNDED "INFANT
21 PREFERENCE." SIMILARLY, MR. HONEYCUTT CONTENDS AT PAGE 4
22 THAT BELLSOUTH MUST BE PERMITTED TO MARKET ITS INTRALATA

1 SERVICE TO CUSTOMERS WHO CONTACT BELL SOUTH FOR
2 UNRELATED REASONS IN ORDER TO COMPLY WITH THE
3 COMMISSION'S DESIRE THAT CHOICES BE "MARKET-DRIVEN." HOW
4 DO YOU RESPOND?

- 5 A. Ms. Geer does not deny that all customers must "come through
6 BellSouth." Instead, she asserts this constitutes no disadvantage
7 because BellSouth's competitors can and do engage in extensive
8 advertising campaigns.

9 Ms. Geer misses the point. With respect to marketing programs
10 independent of LEC-related contacts, Complainants are no different than
11 BellSouth, which also has large marketing resources. On that playing
12 field, the players are on an equal footing, in terms of the opportunities
13 available to them, and that is where the contest should take place.
14 However, the fact that my company and other competitors have
15 opportunities similar to BellSouth in other marketing areas does not
16 "compensate" for the tremendous unfair advantage BellSouth will have
17 if it is allowed to use its role as dominant LEC to initiate marketing
18 efforts. The test is not whether Complainants are infants in the
19 telecommunications industry, as Ms. Geer asserts, but whether they are
20 on a par with BellSouth in the LEC industry. If anything, Mr. Honeycutt's
21 references to the embryonic stage of ALEC development point out the
22 huge disparity in the relative abilities of BellSouth and its intraLATA

1 competition to use LEC-related contacts as intraLATA marketing
2 opportunities. Allowing BellSouth to engage in these marketing
3 initiatives when it is the incumbent, dominant LEC, and when it is likely
4 to remain so for a long time, is clearly unfair. To arrive at "market-
5 driven" intraLATA choices, the promotional practices of BellSouth must
6 recognize that the LEC and intraLATA businesses are different markets.

7 Q. AT PAGE 9 OF MS. GEER'S TESTIMONY AND PAGE 6 OF MR.
8 HONEYCUTT'S TESTIMONY, IT IS CLAIMED THAT REQUIRING
9 BELLSOUTH TO PROCESS INTRALATA PIC CHANGE ORDERS WOULD
10 STRAIN ITS RESOURCES AND IT WOULD NOT BE COMPENSATED FOR
11 THIS ACTIVITY. IS THAT CORRECT?

12 A. No. BellSouth is paid a PIC change fee of \$1.49 for processing the PIC
13 change requests of customers. This compensates BellSouth for its
14 effort.

15 Q. AT PAGES 8 AND 9 OF HER TESTIMONY, MS. GEER DEFENDS
16 BELLSOUTH'S PLAN TO ADVISE CUSTOMERS WHO CALL TO SWITCH
17 THEIR INTRALATA SERVICE FROM BELLSOUTH TO CALL THEIR NEW
18 CARRIER TO EFFECTUATE THE REQUEST ON THE GROUNDS THAT
19 THIS AVOIDS REDUNDANCY FOR THE CUSTOMER DURING THE
20 ORDERING PROCESS. WHY DO MCI, AT&T AND FIXCA DISAGREE
21 WITH THIS APPROACH?

22 A. BellSouth has a confusing approach for customers who call to change

1 their intraLATA carrier to a company other than BellSouth. The customer
2 will be told to contact the carrier directly; however, if the customer
3 insists, the customer service representative will make the change.

4 Not only is this confusing and irritating to customers: it rewards
5 customers who persist and penalizes those who give up. BellSouth
6 should instead follow the same approach it uses for the interLATA
7 market. There, Bell will effectuate the customer's change, as well as
8 suggest that he call his new carrier. If the latter is done, the customer
9 has the opportunity to find out about and enroll in any special calling
10 plans or services of his new carrier. However, if he never calls his new
11 carrier, he will nonetheless receive basic long distance service from the
12 carrier of his choice without having to take an extra, unnecessary step
13 to exercise that choice.

14 This method has worked well in the interLATA market, and there
15 is no need to change it for the intraLATA market. The reason proffered
16 by BellSouth - to minimize redundancy in the ordering process - is
17 transparent. The real reason BellSouth proposes this new approach is
18 that it would benefit BellSouth at its competitors' expense.

19 Q. IN THEIR PREFILED TESTIMONY, MS. GEER AND MR. HONEYCUTT
20 DESCRIBE AND ATTEMPT TO SUPPORT THE PROCEDURE BELLSOUTH
21 FOLLOWS WHEN AN EXISTING CUSTOMER CALLS BELLSOUTH FOR
22 THE PURPOSE OF CHANGING HIS INTRALATA CARRIER. BASED ON

1 YOUR KNOWLEDGE OF BELL SOUTH'S BUSINESS PRACTICES, SHOULD
2 THE COMMISSION FORM A CONCLUSION REGARDING THE
3 REASONABLENESS OF BELL SOUTH'S TREATMENT OF EXISTING
4 CUSTOMERS BASED ON THEIR DIRECT TESTIMONY?

5 A. No. The testimony of each is limited to BellSouth's practice of
6 attempting to refer the customer to the alternative carrier rather than
7 agreeing to process the order immediately. I have commented on the
8 anticompetitive and discriminatory aspects of this practice. To evaluate
9 BellSouth's treatment of existing customers, the Commission must also
10 review a practice that neither Ms. Geer nor Mr. Honeycutt mentioned. In
11 a recently prepared document, BellSouth instructed its customer service
12 representatives to take a step prior to the response which Ms. Geer and
13 Mr. Honeycutt describe that is designed to dissuade the customer from
14 changing carriers through what I consider a more serious abuse of
15 BellSouth's role as LEC. Specifically, BellSouth tells its customer
16 representatives to intercept the change order and attempt to "save the
17 service." As part of the marketing, the representatives are encouraged
18 to gain the customer's confidence as a "consultant" who is objectively
19 advising the customer. (See my Exhibit 7, pp. 21, 24-25 of 37) This
20 marketing ploy is particularly inappropriate, because the contact is made
21 by the customer after marketing efforts have convinced him to change
22 carriers. Instead of performing its role as scorekeeper, BellSouth intends

1 to take the field for extra innings after the game has been fairly won by
2 a competitor.

3 Perhaps more than any other single feature, this aspect of
4 BellSouth's business practices demonstrates the potential for abuse and
5 the need to segregate BellSouth's role as LEC from its marketing efforts
6 as provider of intraLATA toll services.

7 Q. AT PAGE 10 OF HIS PREFILED TESTIMONY, MR. HONEYCUTT STATES
8 THAT DEFAULTING AN UNDECIDED CUSTOMER TO BELLSOUTH'S
9 INTRALATA SERVICE IS CONSISTENT WITH THE COMMISSION'S
10 DECISION TO RELY ON MARKETING EFFORTS RATHER THAN BALLOT
11 AND ALLOCATION PROCESSES TO DECIDE CUSTOMER CHOICES. DO
12 YOU AGREE?

13 A. No. I disagree with Mr. Honeycutt's contention that the "default" to
14 BellSouth is an aspect of the requirement that customer relationships be
15 based on marketing efforts. Mr. Honeycutt implies that a new customer
16 must be "won away" from BellSouth. That is not the case. BellSouth
17 doesn't "own" a new customer's intraLATA service, any more than it
18 owns the intraLATA calling zone. An undecided new customer is as
19 undecided about BellSouth's service as any other. For this reason,
20 steering such customers to BellSouth's service under such circumstances
21 is not the result of marketing, but is rather a form of allocation. The only
22 way to obtain a marketing-based result in such a situation is to require

1 the customer to use an access code until the customer affirmatively
2 selects a carrier. If anything, "defaulting" the undecided customer to
3 BellSouth increases the possibility that no market-based decision will
4 ever be reached.

5 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

6 A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Sandra Seay has been furnished by U.S. Mail/hand delivery(*) to the following parties this 17th day of September, 1996:

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