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Ms. Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0650

January 15, 1998

Re: Docket No. [REDACTED]  
Joint Petition of Robert A. Butterworth, Attorney General, and the Citizens of the State of Florida, by and through the Office of Public Counsel, for initiation of formal proceedings pursuant to Section 120.57(1), Florida Statutes to investigate the practice of "slamming," i.e. the unauthorized change of a customer's presubscribed carrier, and to determine the appropriate remedial measures

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of GTE Florida Incorporated's Prehearing Statement for filing in the above matter. Also enclosed are an original and fifteen copies of the Rebuttal Testimony of Charles M. Scobie on behalf of GTE Florida Incorporated. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at (813) 483-2617.

Very truly yours,

*Kimberly Caswell*  
Kimberly Caswell

KC:tas  
Enclosures

A part of GTE Corporation

PH Statement  
DOCUMENT NUMBER - DATE  
[REDACTED] 15 8  
FPSC-RECORDS/REPORTING

testimony  
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**GTE FLORIDA INCORPORATED**  
**REBUTTAL TESTIMONY OF CHARLES M. SCOBIE**  
**DOCKET NO. 970882-TI**

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

**A. My name is Charles Michael Scobie. My business address is One Tampa City Center, Tampa, Florida.**

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A. I am employed by GTE Service Corporation (GTEFL) as Regional Manager-Regulatory Affairs and Tariffs.**

**Q. WILL YOU BRIEFLY STATE YOUR EXPERIENCE WITH THE COMPANY?**

**A. I have been employed by GTEFL for over twenty-seven years. For the past nine and one-half years I have been employed in the regulatory and governmental affairs area of GTE Florida and GTE Service Corporation. Prior to my present assignment, I held the positions of South Area Regulatory Affairs Manager, Tariff Administrator and Service Cost Coordinator in the same department. During my career, I have also held positions in Sales, Market Planning, and Forecasting with GTE Florida and positions in Market Planning with GTE Service Corporation.**

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

2 **A. The purpose of my testimony is to respond to the direct testimony of**  
3 **the other parties, principally Mr. Taylor of the PSC Staff, Mr. Poucher**  
4 **of the Office of Public Counsel and Ms. Buysse-Baker of Sprint**  
5 **Telecommunications Company.**

6  
7 **Q. WHAT IS YOUR OVERALL IMPRESSION OF THE OTHER**  
8 **PARTIES' TESTIMONY?**

9 **A. Before looking specifically at individual recommendations contained**  
10 **in the direct testimony, we should focus on what should be the**  
11 **outcome of this investigation. As Mr. Hendrix of BellSouth and Mr.**  
12 **Watts of AT&T observe in their testimony, the preponderance of**  
13 **slamming is caused by a relatively small number of carriers who**  
14 **willfully and repeatedly use slamming tactics. The primary goal of this**  
15 **Commission, as well as the industry, should be to minimize the**  
16 **incidence of slamming resulting from intentionally misleading and**  
17 **fraudulent marketing techniques. AT&T's Mr. Watts aptly notes that**  
18 **the enormous number of transactions and contacts by AT&T and**  
19 **other carriers makes it "unrealistic to expect this problem to be**  
20 **eliminated entirely." (Watts Direct Testimony (DT) at 7.) Mr. Taylor**  
21 **is thus correct that the Commission in this case needs to**  
22 **"balanc[e]...the benefits of full competition against the abuses that are**  
23 **occurring in the Florida market." (Taylor DT at 16.) While he seems**  
24 **to recognize the conceptual need for such balance, Mr. Taylor's**  
25 **recommendations do not, unfortunately, adhere to this principle. The**

1 substantial cost of his suggestions for the industry and, in turn,  
2 consumers is wholly unjustified and unreasonable.

3  
4 **Q. WHAT WOULD BE THE BEST WAY TO ACCOMPLISH THE GOAL**  
5 **OF REDUCING WILLFUL SLAMMING?**

6 **A. The most effective way, as Mr. Hendrix and others described, would**  
7 **be the application of significant financial penalties, suspension and**  
8 **withdrawal of certification for those carriers who willfully and**  
9 **repeatedly use slamming tactics.**

10  
11 **Q. WHY DO YOU THINK THIS IS THE BEST APPROACH, GIVEN MR.**  
12 **TAYLOR'S TESTIMONY TO THE CONTRARY?**

13 **A. It is far better, from a policy and competitive efficiency perspective, to**  
14 **use existing measures, rather than apply complex and costly new**  
15 **regulations. The Commission already has the ultimate power of**  
16 **canceling certificates and applying heavy fines, that, when utilized,**  
17 **will remove the financial incentive to engage in marketing practices**  
18 **that result in slamming. Mr. Taylor appears to admit on Page 7 of his**  
19 **testimony that the slowness of the regulatory process is a problem in**  
20 **dealing with this issue. However, rather than imposing a number of**  
21 **costly and potentially confusing administrative requirements, the Staff**  
22 **should focus on streamlining the regulatory process to ensure swift**  
23 **justice to the companies willfully and repeatedly slamming.**

1       **Q. CAN YOU CITE A SPECIFIC EXAMPLE OF A POTENTIALLY**  
2       **CONFUSING REQUIREMENT SUGGESTED BY MR. TAYLOR?**

3       **A. Yes. Mr. Taylor states that requiring the certificate number to be on**  
4       **the bill will help reduce customer confusion. (Taylor DT at 5.) But**  
5       **the certificate number means nothing to the typical customer, as**  
6       **parties have pointed out in their Direct Testimony, and as GTEFL and**  
7       **many others agreed at the workshops in this case. A close reading**  
8       **of Mr. Taylor's testimony confirms that likely reason for this proposal**  
9       **is to make it easier for Staff to investigate carrier-related complaints.**  
10       **(Id. at 5.) While this objective is, in itself, not objectionable, it would,**  
11       **in this case, compromise the pro-consumer goal of simplifying end**  
12       **user bills. Only information that is meaningful to the customer should**  
13       **appear on the bill. GTEFL already requires the certificate number of**  
14       **carriers for which it provides network access. Those carriers, in turn,**  
15       **are required to ask for the certificate number of any companies to**  
16       **which they provide service. I would submit that it would be a**  
17       **relatively easy matter for Staff to develop an internal list of certificated**  
18       **carrier names and carrier numbers. Conversely, it would be a very**  
19       **difficult and costly matter to require printing of all certificate numbers**  
20       **on bills, since the billing system is not currently designed to perform**  
21       **such a function. Mr. Hendrix describes this problem in more detail**  
22       **in his Direct Testimony.**

23

24       **Q. WHAT ABOUT THE CONSUMER'S RESPONSIBILITIES IN THE**  
25       **CURRENT MARKET ENVIRONMENT?**



1       **A.**    In a competitive, open-market environment, consumers must be  
2            expected to take some responsibility for knowing their service choices  
3            and providers. GTEFL believes that it currently provides sufficient  
4            information to customers—on the bill and in inserts—to inform the  
5            customer who his providers are for local, local toll, and toll service, if  
6            the customer would only take the time to read it.

7

8        **Q.**    **ON PAGE 8 OF HIS TESTIMONY, MR. TAYLOR PROPOSES A**  
9            **FREE BILLING BLOCK OPTION MECHANISM TO COMBAT THE**  
10           **PRACTICE KNOWN AS "CRAMMING." DOES GTEFL HAVE ANY**  
11           **CONCERNS WITH THIS PROPOSAL?**

12       **A.**    Yes. Beyond the obvious potential costs of setting up, assigning and  
13            maintaining a PIN system for our over 1.5 million customers, the  
14            proposal would not stop cramming if the same unscrupulous  
15            providers gain access to the customer's PIN. At that point when  
16            charges appear on the bill, would the ILEC be expected to  
17            automatically sustain the charges since the PIN was transmitted? If  
18            not, we're back to the same point we are now but with the addition of  
19            a costly administrative mechanism.

20

21       **Q.**    **DO YOU HAVE OTHER CONCERNS ABOUT MR. TAYLOR'S**  
22            **RECOMMENDATIONS?**

23       **A.**    Yes. Mr. Taylor states that he is not a design engineer, and neither  
24            am I, but if billing information is coming to the LEC in an electronic  
25            form using the national Exchange Message Record (EMR) format,

1           there might not be fields available in that format to accommodate a  
2           multi-digit PIN. Modification of that format is a national billing issue.

3  
4           **Q. MR. TAYLOR SEEMS TO SUGGEST THAT GTEFL AND OTHER**  
5           **ILECS DON'T SEEM TO WANT TO TAKE STEPS TO ADDRESS**  
6           **"CRAMMING." WHAT IS GTEFL'S RESPONSE TO THAT?**

7           **A. In GTEFL's case, it is absolutely untrue. GTEFL is certainly aware**  
8           **that "cramming" is a nationwide problem; because we operate in 28**  
9           **states nationally and bill and collect for 70 carriers, including long-**  
10           **distance companies, information providers, wireless service and**  
11           **Internet access providers, we have necessarily taken a system-wide**  
12           **approach to address the issue. In September of 1997, GTEFL**  
13           **instituted a program that it believes will significantly reduce**  
14           **"cramming" complaints.**

15  
16           **Q. WOULD YOU DESCRIBE THE PROGRAM?**

17           **A. Yes. The program is designed to work with carriers to improve the**  
18           **quality of their customer service. Although the root cause of the**  
19           **complaint may rest with the carrier, GTEFL is the interface with the**  
20           **customer and GTEFL has to deal with the majority of the customers'**  
21           **frustrations in trying to resolve these problems. The program**  
22           **establishes a complaint threshold for each carrier and if it's exceeded**  
23           **for three consecutive months, carriers are put on notice to take steps**  
24           **to reduce complaints below the threshold. If complaints continue to**  
25           **exceed the standard over time, GTEFL will have the option to**

1 terminate its billing service with that carrier. Although the program  
2 has been in place for only a few months, GTEFL has seen complaints  
3 drop by about half already. So this program is effective and is  
4 concrete proof that GTEFL is listening to the marketplace to develop  
5 solutions to slamming and cramming problems. GTEFL, moreover,  
6 adds that billing is a tariffed service in Florida, so GTEFL does not  
7 have the kind of discretion to pick and choose among entities for  
8 which it will bill, as Mr. Taylor's testimony seems to suggest.

9  
10 **Q. OPC'S MR. POUCHER ALSO PROPOSES A NUMBER OF**  
11 **REQUIREMENTS IN HIS TESTIMONY IN AN ATTEMPT TO DEAL**  
12 **WITH SLAMMING. THESE REQUIREMENTS HAVE NOW BEEN**  
13 **EMBODIED IN THE PROPOSED RULES. WHAT IS GTEFL'S**  
14 **POSITION ON THOSE?**

15 **A. I would like to specifically address Mr. Poucher's ninth and tenth**  
16 **proposals found on Pages 14 and 15 of his testimony. His ninth**  
17 **proposal is that the LEC would have to display prominently, within the**  
18 **first two pages of the bill, the name of the customer's local, local toll**  
19 **and toll provider. Mr. Poucher would also require a bill insert to**  
20 **reflect any carrier changes during the preceding billing period.**

21  
22 **Q. ARE THERE PROBLEMS WITH THIS PROPOSAL?**

23 **A. Yes. The requirement to place this information in a specific location**  
24 **that is different from where the information would normally be found**  
25 **on the bill would require billing system modifications. This proposal**



1 is unnecessary since adequate information about a customers'  
2 carriers is already on the bill. GTEFL believes placement is not  
3 critical, since it is reasonable to expect a customer to read the whole  
4 bill and be familiar it.

5  
6 **Q. WHAT ABOUT THE RECOMMENDATION TO PROVIDE BILL**  
7 **INSERTS WHEN A CARRIER HAS CHANGED?**

8 **A. GTEFL's current billing system cannot perform this function. Bill**  
9 **inserts are placed in a bill based on either a central office location**  
10 **code or a class of service (i.e., business or residence). They cannot**  
11 **be placed in individual subscribers' bills based on a specific**  
12 **telephone number, as Mr. Poucher's recommendation would require.**

13  
14 **Q. WHAT ABOUT MR. POUCHER'S PROPOSAL THAT NEW**  
15 **CUSTOMERS RECEIVE A BILL INSERT THAT EXPLAINS A "PIC**  
16 **FREEZE" IN THEIR FIRST BILL?**

17 **A. Again, this is currently not technically feasible for the reasons cited**  
18 **in my preceding answer.**

19  
20 **Q. THE SPRINT WITNESS, MS. SANDEE BUYSSE-BAKER,**  
21 **INDICATES THE INCUMBENT LECS MAY BE USING THE PIC**  
22 **CHANGE PROCESS TO SOMEHOW HARM THE**  
23 **INTEREXCHANGE CARRIERS (IXCS). CAN YOU COMMENT ON**  
24 **THESE ALLEGATIONS?**

25

1       **A. Yes. Ms. Buysse-Baker's remarks are wholly unsupported. She**  
2       **accuses the ILECs of "burying" their mistakes by "blaming other**  
3       **carriers," states that the ILECs are using the PIC change process "to**  
4       **damage the reputations of their competition," and blames at least**  
5       **some of the perceived slamming problem on "blatant**  
6       **misrepresentation by the ILECs." (Buysse-Baker DT at 6, 7, 8.)**  
7       **Significantly, Ms. Buysse-Baker provides no evidence to back up**  
8       **these claims, but simply remarks that it "is a reasonable presumption"**  
9       **that the ILECs are engaging in activities to intentionally harm the**  
10       **IXCs. (Id. at 6-7.) Aside from adding nothing meaningful to this**  
11       **inquiry into slamming remedies, Ms. Buysse-Baker's comments are**  
12       **simply untrue. Moreover, there is usually a very clear trail to the**  
13       **cause of the slamming in instances where GTEFL is asked to**  
14       **investigate a complaint. When there has been a human error in**  
15       **processing a PIC change involving GTEFL personnel, that fact has**  
16       **been reported back to the investigating regulatory body.**

17  
18       **Q. DO YOU THINK ASSIGNING THE PIC CHANGE ORDER PROCESS**  
19       **TO A THIRD PARTY, AS MS. BUYSSE-BAKER SUGGESTS,**  
20       **WOULD REDUCE SLAMMING?**

21       **A. No. This approach would do nothing to reduce the willful acts that**  
22       **are the chief cause of the slamming problem. As for those few**  
23       **instances in which human error plays a part in mistaken carrier**  
24       **changes, GTEFL doesn't believe the imposition of an additional party**  
25       **will have any effect in reducing those mistakes. On the contrary,**

1 injecting an additional entity into the process would tend to increase  
2 the opportunity for human error. Ms. Buysse-Baker's extreme  
3 solution seems to rest on her particularized view that the ILEC is  
4 engaging in anticompetitive activity. But unfounded suspicions are  
5 not enough to impose a potentially costly mechanism on the carriers,  
6 including the vast majority who do not slam.

7  
8 **Q. ARE THERE OTHER PROBLEMS WITH THIS PROPOSAL?**

9 **A.** Perhaps the major problem will be consumer frustration on calls to the  
10 ILEC to change a PIC or on calls to the ILEC establishing service.  
11 For a subscriber to be told that they have to make another call to their  
12 carrier or to the PIC change administrator would appear to increase  
13 the potential for customer frustration and confusion.

14  
15 **Q. MR. HENDRIX AND OTHERS HAVE STATED IN THEIR**  
16 **TESTIMONY THAT THERE SHOULD BE A CONSISTENT SET OF**  
17 **FEDERAL AND STATE RULES RELATIVE TO SLAMMING. WHAT**  
18 **IS GTEFL'S POSITION ON THAT PROPOSAL?**

19 **A.** GTEFL agrees. If states establish different requirements, consumers  
20 would face potentially confusing state-specific rules and national and  
21 regional carriers, including multi-state ILECs, would face costly  
22 administrative processes in dealing with different sets of state rules.  
23 The economic costs of these rules will ultimately be borne by  
24 consumers.

25

1       **Q.   HAVE MR. TAYLOR OR MR. FOUCHER CONSIDERED THE**  
2       **COSTS THEIR PROPOSALS WOULD HAVE FOR END USERS?**

3       **A.   No, it doesn't seem they have given this factor much, if any,**  
4       **consideration. As Mr. Hendrix's testimony demonstrates, BellSouth's**  
5       **costs associated with the proposals will run into the millions of**  
6       **dollars. While GTEFL has not done this kind of specific analysis, it**  
7       **believes its costs for billing system and other modifications would be**  
8       **of similar magnitude. These costs—and those of the IXCs—will**  
9       **ultimately be passed on to consumers. If the Commission is to act in**  
10      **the public interest in this case, it must balance these costs against**  
11      **the potential benefits of the recommendations. In this regard, while**  
12      **slamming has been a very prominent issue, the Commission should**  
13      **keep in perspective the fact that the number of slamming complaints**  
14      **as a percentage of total PIC changes is very small. In addition, as**  
15      **noted, most slamming is caused by a few bad actors. It is unrealistic**  
16      **to believe that slamming can be completely eradicated, and so it is**  
17      **unreasonable to craft regulations based on this assumption. The**  
18      **costs of such regulations will inevitably far exceed their benefits.**

19  
20  
21      **Q.   DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22      **A.   Yes, it does.**  
23  
24  
25

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Prehearing Statement and Rebuttal Testimony of Charles M. Scobie in Docket No. 970882-TI were sent via overnight delivery on January 14, 1998, to the parties on the attached list.

*Bar* Kimberly Caswell *Kimberly Caswell*



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for Kimberly Caswell

DW 00873-98

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