**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **FEBRUARY 3, 1994**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF COMMUNICATIONS [MARSH]**

 **DIVISION OF LEGAL SERVICES [MURPHY]**

**RE : DOCKET NO. 931233-TL - REQUEST FOR APPROVAL OF TARIFF TO ADD STAR INFORMATION PLUS TO CELLULAR DIRECTORY ASSISTANCE BY GTE FLORIDA INCORPORATED (T-93-701 FILED DECEMBER 1, 1993)**

**AGENDA: FEBRUARY 15, 1994 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: NONE - COMPANY WAIVED 60-DAY STATUTORY REQUIREMENT**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\931233.RCM**

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 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should GTEFL's tariff filing to add Star Information Plus and Contract Service Arrangement authority for its cellular directory assistance service be approved?

**RECOMMENDATION:** Yes. GTEFL's tariff filing to add Star Information Plus should be approved effective February 16, 1994. In addition to the tariffed rates, the Company should be granted Contract Service Arrangement authority for its cellular directory assistance services, including \*SIP. The Company should include cellular directory assistance services in its quarterly CSA Activity report to this Commission.

**STAFF ANALYSIS:** On December 1, 1993, GTE Florida, Inc., (GTEFL or the Company) filed a proposed tariff to add Star Information Plus (\*SIP). \*SIP will allow cellular company end-users requesting an intraLATA number from Directory Assistance to receive a mechanized announcement which will offer call completion to the requested number. The rate would be $.35 per completed call. In addition, the Company has requested Contract Service Arrangement (CSA) authority for its cellular directory assistance services, including \*SIP.

 GTEFL currently has a service for its wireline customers called Directory Assistance Call Completion (DACC). However, GTEFL contends that the provision of cellular directory assistance differs from DACC in several ways: 1) There are differences driven by the needs of the cellular end-user; 2) The rate structure of the current cellular directory assistance tariff does not allow the Company to effectively compete in the cellular marketplace; and 3) there are technical differences between wireline directory assistance and cellular directory assistance. These differences are further discussed below.

 Cellular Mobile Carrier (CMC) customers provide a unique market for \*SIP, as well as other directory assistance services, because they may find it inconvenient to use a printed directory and to write down the requested listing when using their cellular phones. This translates to a potentially high volume of usage of this service to be provided to the CMCs by GTEFL. GTEFL's charges are billed to the CMC. Furthermore, the serving area covered by cellular directory assistance is different from that of landline directory assistance in that the calling area for cellular may include multiple LATAs. A cellular user may request directory assistance from a different LATA. Per the Commission's rule, as long as the request for directory assistance is within the same area code, it may be provided by GTEFL.

 The present directory assistance tariff, for both landline and cellular directory assistance, does not contain a provision allowing a tariffed service at contract rates. GTEFL states that it needs to use Contract Service Arrangements for its cellular directory assistance services to position itself effectively in a competitive environment, due to the pressures from other companies to provide this service to the CMCs. Current tariffed rates are not customer-specific, and thus, may not appear as attractive to the CMCs. Non-regulated competitors can offer directory assistance service on a customer-specific basis. GTEFL bills the CMC for directory assistance. GTEFL believes the use of CSAs will result in guaranteed volumes from the CMCs and guaranteed lengths of contract, removing some of its risks in doing business. This will allow the Company to offer more aggressive pricing to the CMCs for this service. Pricing will be determined on a case-by-case basis, and will be based on the carrier-specific cost to provide directory assistance service to the CMC.

 GTEFL states that its tariff pricing, absent Contract Service Arrangement authority, creates a situation where the competitor knows the Company's pricing and could conceivably undercut that price to gain market share. GTEFL believes, for example, that Metro One Direct Information Services, Inc., is currently a competitive threat, and that other competitors are quickly emerging in the national market place who may also present a threat to GTEFL. Metro is believed to have a national contract with US West to provide Cellular Directory Assistance with Call Completion. GTEFL believes that the potential lost revenue due to competition for cellular directory assistance service could be $2.6 million for 1994, $2.8 million for 1995, and $3.1 million for 1996, totalling $8.5 million over three years.

 In Docket No. 840228-TL, Order No. 13603, issued August 20, 1984, the Commission approved a Southern Bell Telephone and Telegraph Company tariff which allowed customer specific contract pricing for certain services. In that docket, the Commission found it appropriate that economically practicable, customer-specific contract service arrangements may be furnished in lieu of existing tariff offerings provided there is reasonable potential for uneconomic bypass of the Company's services. Uneconomic bypass occurs when an alternative service arrangement is utilized, in lieu of Company services, at prices below the Company's rates but above the Company's incremental costs. Based on the information provided by GTEFL, staff believes that the potential for uneconomic bypass of its cellular directory assistance service exists in GTEFL's service territory.

 The Company should include cellular directory assistance services in its quarterly CSA Activity report to this Commission, as required by Order No. 15317, issued October 31, 1985.

 Staff believes that Star Information Service provides added convenience that ultimately benefits end users. It is a complementary product offering, is an expansion of Directory Assistance service, and it provides time savings to the end-user. \*SIP may eliminate frustration for the existing end-users who are in a vehicle or other location where it is inconvenient to record and then dial the requested telephone number. Further, due to competitive pressures, staff believes that it is appropriate to grant Contract Service Agreement authority to GTEFL for cellular directory assistance services. Therefore, staff recommends that the tariff be approved effective February 16, 1994. The Company should include cellular directory assistance services in its quarterly CSA Activity report to this Commission.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, with the adoption of staff's recommendation in Issue 1, this tariff should become effective on February 16, 1994. If a timely protest is filed, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed.