

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center @ 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

August 23, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (RAYO)

FROM: DIVISION OF COMMUNICATIONS (STRONG, MOSES, DREW) *MT*
DIVISION OF LEGAL SERVICES (LUGO, BROWN) *NCB for SL*

RE: DOCKET NO. ~~XXXXXXXXXX~~ - ESTABLISHMENT OF
APPROPRIATE REGULATORY POLICY FOR
INTEREXCHANGE COMPANIES WHICH ISSUE PREPAID
DEBIT CARDS.

AGENDA: SEPTEMBER 3, 1996 - REGULAR AGENDA - INTERESTED PERSONS
MAY PARTICIPATE - PROPOSED AGENCY ACTION.

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\MP\██████████

CASE BACKGROUND

As the market for prepaid debit cards (PDCs) sold in Florida has grown so have the number of complaints against and inquiries into prepaid debit card companies. Since the beginning of 1996, the Division of Consumer Affairs (CAF) and the Division of Communications (CMU) have received an estimated 150 to 200 complaints and inquiries regarding PDC providers.

In Order Number PSC-96-0560-POF-TI (the Order), the Florida Public Service Commission (the Commission) directed staff to hold a workshop for the purpose of developing policy regarding PDCs. The Order called for the continued enforcement of existing rules both as to certification of carriers issuing PDCs as well as enforcement for unlawful behavior. The Commission also called for further exploration of the merits of developing an education program to aid public awareness of both the positive and negative aspects of prepaid debit cards. Finally, the Commission called for further investigation into the concept of a Service Assurance Fund (SAF), having found that there was an appearance that this mechanism may be the most appropriate means of protecting consumers when problems arise from non-working PDCs.

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PSC-RECORDS/REPORTING

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As a result of a workshop held June 3, 1996, staff has taken several steps to address the problems posed by uncertificated PDC providers. For example, staff compiled a list of companies who are certificated and tarified to issue PDCs (See Attachment 1). As of June 1, 1996, 104 of 400 certificated IXC's offered PDC services. Copies of the list of companies certificated and tarified to issue PDCs have been distributed to CAF. Upon request, individuals and organizations are provided copies of this list. Representatives of certificated PDC providers are using this list to help them find uncertificated PDC providers and file complaints against them. In addition, staff sent correspondence to each certificated interexchange company in Florida requesting that they provide to Commission staff a list of interexchange company customers that resell interexchange services.

While the Commission staff remains very supportive of trade association efforts to impose standards and a code of ethics on their members, the PDC marketplace has not progressed to the point of being self-regulating. The associations do not appear to have the ability to implement and enforce standards and consumer protection measures industry-wide. At the workshop, Todd Stone of the Office of the Attorney General expressed the view that the Commission should not transfer its enforcement powers to PDC trade associations. The trade associations also recognized the benefits of state regulation in helping to eliminate disreputable PDC providers.

Although trade association efforts are not a panacea, the Commission staff remains committed to working with the industry on cooperative programs such as consumer and retailer education. The Commission's Consumer Affairs Division is currently working with the International Telecard Association (ITA) to develop information booklets for consumers and retailers. Staff plans to have such booklets completed and available to the public before January 1, 1997. Staff also believes the trade associations can be helpful in informing their members of the regulatory actions taken by the Commission in this and other proceedings.

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ISSUE 1: What is the proper definition of a prepaid debit card provider?

RECOMMENDATION: A prepaid debit card provider is any entity that does one or both of the following activities:

(a) buys bulk time from an underlying interexchange company and repackages and resells the time as telephone prepaid cards.

(b) specifies the initial volume of usage in the telephone prepaid card account, expressed in terms of minutes or units of time.

Such entities typically authorize placement of their name and their 800 customer service number on the prepaid card and typically rely on the facilities of an underlying IKC. (Drew)

STAFF ANALYSIS:

Staff believes that PDC providers comprise a category of interexchange companies just like multi-location discount aggregators and resellers. As interexchange companies, PDC providers should comply with Commission rules regarding the provision of interexchange service. Any entity that does either one or both of the activities described in staff's recommendation statement meets the definition of a PDC provider.

Companies that provide a retail venue for PDCs should not be required to obtain an interexchange company certificate, however. Examples of such entities are Gayfers, Target, Eckerd's, K-Mart, and Food Lion. These companies buy and sell the cards issued by the PDC provider but act strictly as marketing agents. These companies will sometimes have their names appearing on the front of the card but do not present themselves as responsible for handling consumer complaints regarding the calls.

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ISSUE 2: What method of enforcement action should the Commission use to achieve compliance with the rules and policies of the Commission in regard to debit cards?

PRIMARY RECOMMENDATION: Enforcement of the Commission's policies has been effectively done through the show cause process, and staff does not recommend making a change in this policy at this time. Staff does not believe PDC providers require a different method of achieving compliance with the rules than any other type of telecommunications company the Commission regulates. PDC service provided by certificated interexchange companies should be included in each company's tariff. Any discrepancies in the tariff can be handled by filing a recommendation to the Commission for resolution. (Noses)

ALTERNATIVE RECOMMENDATION: The Commission should issue fines of not less than \$1,000 to uncertificated PDC providers whose cards are sold in Florida and who have not filed for certification who are in willful violation of the requirement that they be certificated. The effective date for this change in policy shall be November 1, 1996. Additionally, as of November 1, 1996, the staff will provide the names of any such uncertificated PDC providers to the Florida Department of Revenue. (Strong)

PRIMARY STAFF ANALYSIS:

For those companies that appear to be violating the Commission's policies, the show cause process is the proper method of achieving compliance. This method gives the Commission complete flexibility in evaluating the circumstances of each situation. The show cause process has been a longstanding policy of the Commission because it allows the company its due process, while reserving the ability of the Commission to assess fines or penalties it determines are appropriate considering the severity of the violations. For example, the Commission may elect to cancel a company's certificate if forgery has been involved, but may elect to assess a fine if some other violation has occurred such as the company making a programming error encoding the cards resulting in consumer complaints.

The show cause method is not a penalty against the company in question, but simply the requirement that the company demonstrate why it believes it is not in violation of the rules. It is not until the resolution of the show cause, and a final order is issued, that penalties are imposed or other ordered action takes place.

The purpose of the show cause is to achieve compliance, not to impose unwarranted penalties. When penalties are imposed it is for

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the purpose of creating an incentive for the company not to violate the rules repeatedly. Without this incentive, multiple violations probably would occur. Many show cause dockets are resolved without penalties becoming necessary to achieve compliance.

Therefore, staff recommends that the Commission continue to use the show cause process for achieving compliance with the rules. This is consistent with current procedure.

ALTERNATIVE STAFF ANALYSIS: We recognize that we are requesting changing a long standing Commission policy. However, we believe such a policy must be re-examined in light of the uncertificated PDC problem existing in Florida.

Several PDC magazines have estimated the number of PDC providers to be approximately 500. However, only 104 IXCs were certificated and tarified to provide PDC service in Florida as of June 1, 1996. While we concede that not all of the approximately 500 PDC providers sell their cards in Florida, we believe the large disparity between the number of estimated PDC providers versus the smaller number certificated and tarified in Florida suggests there is a major problem with uncertificated PDC providers in Florida that has not adequately been resolved under existing Commission policies.

The Commission staff has upon finding an uncertificated IXC operating in Florida, warned such entities that they should seek certification and failure to do so could result in a show cause why they should not be fined. Typically, the PDC providers upon receiving such a warning apply for certification. As a result, no fines have ever been imposed upon a PDC provider selling their cards in Florida without a certificate. The only uncertificated PDC provider the staff has show caused for providing telecommunications services without a certificate is Telecuba, Inc., and this proceeding is pending. Telecuba, Inc. delayed in filing a application for certification after being requested to do so by staff.

However, staff believes the current policy provides incentives for PDC providers to remain uncertificated until staff becomes aware that the entity exists and is conducting business without an IXC certificate. If such entities risked penalties for operating without a certificate, we believe they would be more inclined to voluntarily seek certification before being instructed to do so by staff.

The Office of the Attorney General(OAG) vigorously supports fining all PDC providers found operating in Florida without a certificate. The OAG is concerned that the Commission's rule

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requiring certification may become an empty one without stronger enforcement policies.

The adequacy of staff's policy toward uncertificated PDC providers was also questioned by the participants of the June 3, 1996 workshop. PDC providers told staff that the Commission should levy fines against PDC providers found operating without a certificate.

At the workshop PDC providers argued that unless fines were imposed upon "renegade" companies ("renegade" companies may be defined as PDC providers who avoid regulations and taxes), there existed an incentive to avoid regulatory costs by remaining uncertificated until pressured into doing so by the Commission. We agree.

Chapter 364.285, F.S., provides the authority for the Commission to issue fines upon entities found to "have refused to comply with or to have willfully violated any lawful rule or order of the commission or any provision of this chapter a penalty for each offense of not more than \$25,000". We therefore recommend that any PDC provider found to have refused to comply or willingly violated the requirement to be certificated to sell its cards in Florida be subject to a fine not less than \$1,000 effective November 1, 1996.

A certificated IXC must pay a minimum of \$50 per year in regulatory assessment fees. The State of Florida is out of pocket such regulatory assessment fees when a PDC provider avoids being certificated until requested to do so by staff. We believe imposing fines in excess of \$1,000 on uncertificated PDC providers may be warranted in some instances. However, in all instances, uncertificated PDC providers whose cards are sold in Florida and have willfully not filed for a certificate as of November 1, 1996 should be subject to fines of not less than \$1,000. Such fines would compensate the State of Florida for lost revenues from regulatory assessment fees which otherwise would have been paid had PDC providers sought certification before selling PDCs in Florida.

Additionally, we are concerned that uncertificated PDC providers may be providing telecommunications services without paying state taxes. Therefore, as of November 1, 1996, the name of any PDC provider selling its cards in Florida without a certificate or not having filed for a certificate shall be forwarded to the Department of Revenue.

We recognize there may be uncertainty within the industry regarding which entities need to become certificated.

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Additionally, some PDC providers may be currently unaware they may be subject to a fine for operating without a certificate.

We intend to provide ample notice of this policy before it becomes effective. Before November 1, 1996, the staff intends to inform the industry of its decision to fine uncertificated PDC providers selling their services in Florida through (1.) informing the industry trade associations of its decision so that these associations can inform their membership, and (2.) through attempting to notify PDC providers by publishing articles on this subject for publication in trade magazines, and (3.) by speaking at a major upcoming trade association conference in September, 1996.

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ISSUE 3: What action should the Commission take to protect customers from abuses in the prepaid debit card industry?

PRIMARY RECOMMENDATION: The Commission should take an educational approach in protecting customers from abuses in the prepaid debit card industry. First, the Commission should require that all prepaid debit card providers include the following consumer information along with the debit card:

1. Unless the card is given away as part of a promotion (for example, buy a cordless telephone and get a free prepaid debit card, or rent a car and get a free prepaid debit card), the face value of the prepaid debit card must be printed on the card or the individual enclosure containing the prepaid debit card.
2. The name of the certificated entity responsible for the prepaid debit card and its mailing address must be made clear on the card or the individual enclosure containing the card.
3. If a prepaid debit card has an expiration date, that date must be clearly indicated on the card. If an expiration date is not disclosed, the card will be considered active as long as time remains on the card.
4. A prepaid debit card must have a clearly defined procedure for refunding the consumer's money or re-issuing a new prepaid debit card should a prepaid debit card become unusable. This information must be available from the card provider either through its toll-free 1-800 customer service number or have its refund and reissue policy printed on the card.
5. Each card must include a toll-free Customer Service number. Customer complaints must be responded to within 24 hours of the FDC provider receiving the complaint.
6. At the time of sale a FDC's customers must have information which allows them to know or compute the price per minute of intrastate calls for the FDC. (i.e., either the price per minute or the price of the card and the number of minutes provided on the card.)
7. End users shall only be charged for "conversation time" or time when 2-way communication is possible. End users shall not be charged for ring time and uncompleted calls. Billing for a call shall end when either the calling or called party hangs up.

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8. If the card is a sample (a sample card is one with no time allocated to it) there must be clear information either on the card or on the individual enclosure containing the card that indicates that the card is a sample with no time assigned to it. (Lugo)

Staff also recommends that the Commission strongly suggest that underlying carriers obtain advance payment from debit card providers. (Drew)

ALTERNATIVE RECOMMENDATION: In addition to the actions specified in the primary recommendation, the toll-free number shall, at a minimum, be manned by a live operator for 8 hours a day, 5 days a week. (Strong)

PRIMARY STAFF ANALYSIS: The primary problem facing PDC consumers is the deactivation of the card before the consumer has made the allotted number of minutes. The problem stems from the relationship between the underlying carrier, the PDC provider, and the sales agents. Some established local exchange companies and interexchange companies such as AT&T, MCI Telecommunications Corp. (MCI), GTE and Ameritech issue their own prepaid debit cards. Some PDC issuers, however, purchase time from underlying carriers, such as AT&T or MCI, and resell long distance service in the form of a debit card. The relationship becomes more confusing when an interexchange service reseller sells service to another reseller who sells the service in the form of a prepaid debit card. In order to increase sales, some issuers sell the cards at very low per minute rates which may prove inadequate to cover their costs. At times these issuers will not pay the underlying carriers for the use of the underlying carriers' networks. The underlying carrier is left with unpaid usage of its network and sees no other option but to disconnect long distance service, thereby leaving the prepaid card customer with a deactivated card.

There are documented cases of customers suffering the consequences of an issuer failing to pay its long distance bill. One incident involved Caribbean Telephone and Telegraph Inc. (CTT). After failing to recoup money from its distributors, CTT was unable to pay its underlying carrier, MCI. MCI disconnected service and thousands of customers were left with deactivated cards. In 1995, Telecuba, Inc. of Miami purchased interexchange service from another Miami reseller, World Access Communications Corp (World). Due to a billing dispute between the two resellers, World disconnected Telecuba's service. The disconnection left 30,000 debit cards issued by Telecuba useless.

Staff recommends that the Commission take an educational approach toward rectifying the problem of consumers holding prepaid

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debit cards that are deactivated prior to use of the card's allotted minutes. The Commission should require PDC issuers to provide consumers with the information enumerated in staff's primary recommendation statement. Staff's recommended requirements should provide consumers with information regarding the value of the card and where a consumer can turn in order to receive a refund or report a prematurely deactivated card.

At one time staff considered recommending that the Commission require prepaid debit card providers to set up a Service Assurance Fund (SAF) with each PDC provider contributing to such a fund. Staff has abandoned this approach at this time, although we might ask the FCC to consider a SAF. Besides the obvious issue of imposing additional regulatory costs on certificated PDC providers, many industry representatives in attendance at the workshop questioned the effectiveness and equity of such an approach. Mr. DeWitt of Quest Communications voiced the concerns of many of the workshop's participants saying the fund would encourage consumers to buy low priced cards of uncertificated companies since the SAF would protect the customer if the cards failed.

Staff also considered recommending that the Commission require prepaid debit card providers to set up an escrow account with each of their underlying carriers. Upon further analysis staff believes that such a requirement may pose a barrier to smaller, upstart PDC providers. Requiring that PDC providers place the revenues they collect in escrow so that those funds can be held solely to pay the underlying carrier would be very helpful; however, such an arrangement will reduce the PDC provider's cash flow and hence become an economic barrier to competition. Larger, established long distance companies that are financially sound would have an advantage. Staff does recommend that the Commission strongly suggest in the Order from this recommendation that interexchange carriers providing underlying carrier service to PDC providers receive some compensation in advance before providing service. Staff believes that if underlying carriers require some compensation in advance from PDC providers, this would reduce the incentive to disconnect service. Staff is aware, however, that the Commission cannot mandate such an arrangement.

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ALTERNATIVE STAFF ANALYSIS: We are in agreement with the primary recommendation, except that we believe the 1-800 customer information number should be supported by a live operator 5 days a week, 8 hours a day. The requirement of a live operator 5 days a week, 8 hours a day makes the FDC provider more accountable for the service it provides. It would also make it easier for the Commission's Consumer Affairs Division to reach a FDC provider to discuss a complaint the Commission may have received. This requirement is more modest than the ITA requirement that its members support their cards with live operators 7 days a week, 24 hours a day. (Strong)

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State of Florida

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Commissioners:

SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA

DIVISION OF COMMUNICATIONS
WALTER D'HABSELEER
DIRECTOR
(904) 413-6600

Public Service Commission

June 26, 1996

TO: Bev DeMello, Director, Division of Consumer Affairs
FROM: Jim Strong, Regulatory Analyst, Division of Communications

This is the list of IXCs who are certificated and tariffed for debit card services as of June 1, 1996 with the Florida Public Service Commission. The list will be updated in November, 1996.

1. Access Network Services, Inc.
2. Access World Communications, Inc.
3. Advantage Communications Group, Inc.
4. American Express Telecom
5. American International Telephone, Inc.
6. American Telecommunications Enterprise, Inc.
7. American Telephone Network, Inc.
8. Amerinet International, Inc.
9. Amer - I - Net Services, Corp.
10. Amtel Communications, Inc. (d/b/a ACT Amtel, Inc.)
11. ATCALL, Inc.
12. Atlas Audiotech
13. Automated Communications, Inc. (d/b/a AC America, Inc.)
14. BLT Technologies Inc.
15. Cable & Wireless
16. Call For Less, Inc.
17. Caribbean Telephone & Telegraph, Inc. (d/b/a the Long Distance Company)
18. Cash Card Systems
19. Cellular World, Inc.
20. Century Telecommunications, Inc.
21. Cleartel Communications, Inc.
22. COMDATA Network, Inc. (d/b/a Comdata Telecommunications Services)
23. EZ Call
24. Communications Gateway Network, Inc.
25. Computer Telephone Corp.

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26. Connect America Communications, Inc.
27. ConneC Tel Corporation
28. Conquest Operator Services Corp.
29. Datacomm International Company (d/b/a DCI Card, SOL Global Communications, World Place Communications, De Mar Communications)
30. Datalink Communications, Inc. (d/b/a Datalink International, Inc.)
31. Data & Electronic Services, Inc. (d/b/a DES Long Distance)
32. Deltacom, Inc. (d/b/a DeltaCom Long Distance Service, Incorporated)
33. Eastern Telecom, Inc. (d/b/a Interquest)
34. EQuality, INC.
35. Frontier Communications International Inc.
36. GTE Card Services Incorporated (d/b/a GTE Long Distance)
37. GTI Telecom, Inc.
38. Georgia Public Telephone Company, Inc.
39. Gulf Communications Services, Inc.
40. Gulf Long Distance, Inc.
41. IDB WorldCom Services, Inc. (d/b/a IDB WorldCom)
42. Idealial Corporation
43. Intellicall Operator Services, Inc.
44. Interlink Communications of Florida, Inc.
45. International Telecommunications Corporation
46. International Telecommunications Exchange Corporation
47. International Telemanagement Group, Inc.
48. International Telnet, Inc.
49. International Telecommunications Corporation
50. International Telecommunications Exchange Corporation
51. International Telnet, Inc.
52. LCI International Telecom Corp.
53. LCI Telemanagement Corp.
54. Latin American Enterprises, Inc.
55. Long Distance of Michigan, Inc.
56. MCI Telecommunications Corporation
57. National Telecommunications Mgmt., Inc.
58. NeTel, Inc.
59. New Century Telecommunications, Inc.
60. North American Telephone-TPA, Inc.
61. Overlook Communications International Corporation
62. PTT Telecommunications, Inc.
63. Phone One, Inc.
64. Preferred Carrier Services, Inc.
65. Primus Telecom, Inc.

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66. Public Communications Association Limited, Inc. (d/b/a Public Phone)
67. QCC, Inc. (d/b/a Qcc, Inc. of Kansas)
68. Quest Telecommunications, Inc.
69. QWest Communications (d/b/a QWest Communications: The Power of Communications, Inc.)
70. Robert Cefail & Associates American Inmates Communications, Inc.
71. Sharers Communications Group, Inc.
72. SmarTalk Tele Service, Inc.
73. SmartTel Communications, Inc.
74. SPRINT Communications Company LP, (d/b/a SPRINT)
75. Startec, Inc. d/b/a Maryland Startec, Inc.
76. Telecommunications Service Center
77. Teledebit Corporation
78. Tele-Pro Communications, Inc.
79. Teltrust Communication Service, Inc.
80. The XTEL Corporation (Hawaii) (d/b/a Phone Line USA)
81. TotalTel USA Communications, Inc.
82. Transcommunication, Incorporation
83. Transglobal Communications Enterprises
84. Treacom USA, Inc.
85. USA Calling, Inc.
86. USA Telephone Corporation
87. USX Consultants
88. US Long Distance
89. US South Communications, Inc. (d/b/a USSouth & d/b/a INCOMM)
90. Ursus Telecom Corporation
91. Vartec Telecom, Inc. (d/b/a VarTec Telecom & d/b/a US Republic Communications)
92. Vista-United Telecom (Reseller of telecommunications services - promotional items)
93. Voyager Networks, Inc.
94. West Coast Telecommunications, Inc. d/b/a World Call Telecommunications
95. Western Union Communications, Inc.
96. Westinghouse Electric Corporation d/b/a Westinghouse Communications
97. Working Assets Funding Service, Inc. d/b/a Working Assets Long Distance
98. WorldCom, Inc. d/b/a LDDS WorldCom #4
99. WorldCom Network Services, Inc. d/b/a WITel Network Services
100. World Link Communications, Incorporated
101. WorldTel Interactive Incorporation
102. World Telecom Group, Inc.
103. World Telecommunications Services, Inc.
104. XIEX Telecommunications, Inc.

PSC sets standards for phone debit cards

By Shelley Erdley
STAFF WRITER

The state Public Service Commission voted unanimously Tuesday to require telephone companies to clarify the values printed on telephone debit cards.

Telephone debit cards allow customers to make calls without using coins or a credit card. But the long-distance carriers currently offering the cards have different systems of establishing their value, and consumers have complained that they could not understand what they were buying, PSC officials said.

For example, some companies sell cards worth minutes of phone time, while others sell cards worth units of money.

Under guidelines adopted Tuesday, all debit cards must list the name of the provider, a toll-free customer service number and the value of the card in dollar amounts and/or minutes. Users must also be given a verbal warning one minute prior to depletion of the time remaining on the card.

Callers pay in advance

Consumers buy debit cards, then call a toll-free number, punch in the card number and place their call. The account is drawn down as they talk. When the time allotted on the card is used up, they can throw it away and buy a new one.

Southern Bell is considering issuing debit cards. MCI, Sprint and AT&T already offer them. The cards have grown in popularity in recent months; 7-Eleven convenience stores began selling them last month.

The PSC regulates Southern Bell and in-state services except for long-distance calls provided by long-distance carriers.

Prepaid debit cards are widely used outside the United States, and are almost the only means of operating a pay phone in France and Japan. The cards generated \$4 billion worldwide in 1993.

There is Never a Regulator When You Need One

by Jerry W. Mendicino

commission may agree that the company can operate as a telecom company in its jurisdiction.

There are cases where companies that have not been registered in a state, upon making application, are confronted with a hostile attitude as to prior business. If the company had done business in the state prior to the application, then there are potential penalties that are to be imposed on the company even as it steps forward, willing to subject itself to scrutiny and regulation. This is antithetical to proper regulation. These companies should be congratulated, not

condemned. Some may not have known that they were required to be in compliance. The point is, it is not the company that is seeking to be in compliance; that should be treated as the black sheep. It is the company that remains outside the fold, selling cards to the public without regard to any rules or regulations, that should be treated in a hostile manner not only by the regulatory agencies, but by the entire industry.

But is that happening? No! Why? Because we are a people that does not like to "squeal" on someone else. That has got to change. If we are to be considered a self-policing industry and profitable companies are paying for the misdeeds of the defaulting companies, then business practice dictates that the money-making companies take the renegeurs to task by asking for regulatory enforcement proceedings. This could well be the most important issue facing the telecom industry at the present time. If the renegeurs are not dealt with, the regulators will be approaching the industry from the standpoint that the good guys are indeed the bad guys. Additionally, they will impose unreasonable regulations on these "good guy" companies, further increasing their operating costs. Wake up people! It is the current lack of enforcement against non-complying companies that has brought about the the regulatory agencies' loss of credibility in the eyes of the public. Let's get this straight--go after the renegeur companies and quit applying their deficiencies to those that are trying to do the right thing.

When in the world are the regulators? Everyday, industry companies are seeking the cost of regulatory compliance—they are paying their taxes. They wonder what is going on in the regulatory arena when they see companies that have complied with the regulatory and tax laws go out of business. These law-shedding companies are writing large checks in payment of their tax and regulatory bills, and are wondering how they can continue to operate with companies that are selling cards at low rates which do not reflect the cost of compliance.

Recently I read about a Florida company that did not uphold the state's regulatory requirements. It sold cards to a large number of people and subsequently went out of business. The reaction of the Florida Public Service Commission (FPSC) was to require those companies that are in regulatory compliance—paying their taxes and are doing all things required by the commission—to post a bond. After a public hearing in March, the FPSC decided not to impose bonding requirements on the "complying" companies, but only after industry representatives testified that they would pay the cost of cards on other failed companies.

The question is, why isn't the FPSC and every other commission in the United States looking out for the public by requiring these renegeur companies to comply with regulations? It is amazing that there are actually companies that have decided to compete on the grounds that they will not pay regulatory fees, will not pay taxes, will not register to do business, and will not pay the fees necessary to become registered with the FCC and the states.

Keep in mind that the purpose of the state and federal regulatory bodies is to protect the public. They do that by requiring telecommunications companies that are operating in their respective jurisdictions to submit certain financial, business and management data for scrutiny. In all cases, the telecommunications company voluntarily comes forward to participate in the registration process. Once scrutinized, the public utilities

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Attachment 3
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