

AMDOCS WHITE PAPER

amdocs

AMDOCS' PERSPECTIVE: THE IMPACT OF  
CALIFORNIA PUBLIC UTILITIES COMMISSION  
(PUC) "BILL OF RIGHTS"

Friday, September 17, 2004

## AMDOCS' PERSPECTIVE: THE IMPACT OF CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC) "BILL OF RIGHTS"

Today, communications service providers (CSPs) are facing intense competitive pressure. Competition has fostered innovation with massive network investments and an explosion of new services and devices. Pressure from cable companies and other competitive providers has driven the price of voice communications to historically low levels. The industry has fundamentally shifted from growing top-line revenue and subscriber acquisition to retaining customers and providing maximum value. In order to support this strategy, CSPs are moving toward a more integrated approach to customer management with planned investments in modernized business support and customer relationship management systems, company-wide initiatives to improve customer service levels, and acceleration of service innovation. CSPs are working to simplify their business and place the customer at the center of everything they do.

More than ever, competitive differentiation among CSPs is rooted in their ability to create the best customer experience. Accordingly, CSPs have begun adapting rigorous standards for their dealings with customers – several wireless providers have voluntarily adopted the Consumer Code for Wireless Service, unveiled last year by the Cellular Telecommunications & Internet Association (CTIA). The voluntary Consumer Code for Wireless Service outlines the following industry principles, disclosures and practices:

- Disclose rates and terms of service to consumers
- Make available maps showing where service is generally available
- Provide contract terms to customers and confirm changes in service
- Allow a trial period for new services
- Provide specific disclosure in advertising
- Distinguish carrier charges from taxes on billing statements
- Provide customers the right to terminate service for certain changes to contract terms
- Provide ready access to customer service
- Promptly respond to consumer inquiries and complaints received from government agencies
- Abide by policies for protection of customer privacy

California is one of the most competitive markets in the world for CSPs. Consumers have unprecedented choice and enjoy an incredible array of services, devices and providers. With number portability a reality, switching CSPs is easier than ever. Despite this hyper-competition and CSPs' clear focus on their customers' best interests, on May 27, 2004, the California Public Utilities Commission (PUC) approved far-reaching rules governing landline and wireless phone marketing and sales practices, with a focus on the increased level of account information that CSPs must provide to their customers.

These new rules, the Telecommunications Consumer "Bill of Rights," apply to all telecommunications providers offering service in California, including several of Amdocs' customers. Compliance with these rules will mean increased costs to CSPs as many business processes, policies, and support systems will require significant changes. As the

telecommunications industry is extremely competitive, these additional costs and business processes could have a negative impact on launching new services and competitive pricing. Wireless CSPs are generally opposed to the new regulations, preferring the competitive market to drive service providers to provide the best value and service possible, not regulation.

## BROAD AND FUNDAMENTAL IMPACT TO CSPS

The rules apply to all forms of telecommunications service -- local and long-distance, wireline and wireless, and prepaid phone cards and services -- and the cost of compliance could be significant. California's Telecommunications Consumer Bill of Rights will impact virtually all customer-facing areas of a CSP's business, including those supported by Amdocs software systems, and many other internal business processes and financial policies.

The following is an overview of the rules and their financial impacts:

- Carrier disclosure regulations will require CSPs to modify existing content and collateral to comply with the formatting and inclusion/exclusion rules in any media where this information is currently maintained. CSPs will incur initial costs of changing print formats, print stock and web content. CSPs will also have to ensure that the new content is maintained and available in the appropriate media in their Sales Channels. Both print and online content will need to be kept current on all new products and pricing. Given the breadth and scope of the products and services available in today's competitive communications industry, this effort will not be trivial.
- Most CSPs currently provide toll-free numbers for customer service in their communications. Adding the number for the California PUC will require redesign of online content and printed material. Analysis will need to be done to determine if this information needs to be added to other communications channels.
- A description of customer privacy rights will also require content redesign when added to communications that do not include it today. This information will need to be kept current in all channels.
- Service authorization must be on a separate document. This regulation could have a similar impact as cited above, in that the CSP might need to redesign and maintain new communications material. Additionally the carrier must equip all point-of-sale locations with the ability to print customer-specific contract and product/service details.
- In cases where authorization for service is not face to face, CSPs will need to enable automatic generation of customer-specific contract details from their ordering and billing systems and mail them within the seven-day timeframe. This could have both development and operational costs.
- All face-to-face points of sale must be able to generate written confirmations of customer authorization for specific product and service subscriptions and the ability to mail these details when the authorization did not occur face-to-face. This requirement has similar process and system implications as listed above. Additionally, implied in the detail behind this rule, CSPs must develop and maintain the ability to capture, store and retrieve customer authorization for service initiation and service changes in whatever medium the authorization was received: physical signature, electronic (email, online) signature or voice. This will have significant costs to develop and maintain, particularly the ability to provide on demand retrieval of customer authorization in any customer touchpoint.

- A 30-day “trial period” in which customers can choose to terminate their contracts will be particularly costly to wireless CSPs where the customer acquisition cost is very high due to the practice of subsidizing the customer handset. When a wireless customer cancels his contract early, the termination fees help recover the cost of the subsidy. A customer terminating his contract without paying early termination fees could cost the carrier hundreds of dollars. This may cause CSPs to rethink their subsidization strategy which ultimately could increase the cost of handsets and raise the “barrier to entry” to wireless service that lower-income customers face.
- With respect to billing rules, major CSPs are already incented to create bills that are straightforward and easy to understand. Billing and questions about the bill are frequently identified as among the top drivers of calls to call centers. Calls to call centers are very expensive, and so to reduce those operational costs all major CSPs have already invested in human factors and usability expertise to design bills to be as easy to understand as possible
- Charges from different service providers must be separated on the bill requiring additional pages -- plus additional printing and postage expenses -- to regular billing processes.
- Regarding credit policy rules, CSPs are already incented to credit payments as soon as they are received in order to avoid costly collection process, and to avoid customer dissatisfaction. Customers who always pay on time and never require treatment are happier and more profitable. That said, the mandate to extend the due date to 22 days after the mailed date will have an impact on current profitability as the cash flow is delayed.
- As far as the specific requirements for late usage being billed at the rate effective at the time the charge was incurred, most CSPs do their best to accomplish this today. Customers who perceive they have been incorrectly billed become unhappy and call the carrier. The cost of the call would almost always significantly exceed the difference in the charge.
- Similar to other regulations, rules requiring notice for tariff changes will have a development and operational cost to automate the process of identifying impacted customers, creating the communication, printing and mailing the correspondence and accommodating the response. This communication will most certainly drive additional calls to call centers, leading to higher support costs.
- Additional regulations within the Bill of Rights include rules regarding deposits, service termination for non-payment policies and billing disputes. In each of these areas, CSPs will have to examine the impact of the rules on current business practices and policies. The impact of the rules could negatively impact customer profitability, and increase bad-debt and fraud.

The inherent flexibility of Amdocs systems means that these regulations can be accommodated with configuration and, in some instances, programmatic changes. However, these changes could take many months, considering the impact to the overall systems environment and the development lifecycle, including analysis and planning, system design, development, and testing.

## INCREASED BUSINESS COMPLEXITY MAY HURT THE CONSUMER

When national CSPs consider their ability and approach to implementing the changes necessary to comply with these regulations, they will need to determine whether to create unique business processes, communications materials (print and online) and system modifications for their California customers or to apply the changes to their entire customer base. This decision will require complex analysis and may vary across the business processes. The determining factors will be whether the cost savings of applying the changes only to California customer interactions (on-

line, face-to-face and call center) outweighs the increased training and maintenance cost of running different processes. For example, if the rules are only applied to California customers:

- Customer care representatives – who receive calls from all over the country -- would need to be trained in all of the new regulations, communications formats, bill formats, and support system differences for California customers.
- Billing operations personnel would need to be trained to maintain very different billing table data and bill content and format.
- All new products and services would need to be developed and tested for the California regulations in addition to the normal testing for the rest of customer base. This would delay time to market for new product launches and increase the cost of testing processes and environments.
- California printed materials would need to be designed, printed and distributed differently from material intended for the rest of the country.
- Financial policies would be enforced differently, and treatment and collections processes adjusted for the state
- Many carriers use independent outsourced collections centers that only focus on the collections process, most of their work is outbound with automatic dialers. The new regulations specific to California will cause all collections systems and training to respond differently to a California specific treatment – this will be expensive and confusing.

Clearly, these “one-off” business processes and systems would increase the complexity and cost of doing business. Costs that, ultimately, consumers will carry through higher rates or lower levels of service and innovation.

## CONCLUSIONS

As impacted CSPs make the significant investments necessary to accommodate the new regulations, they will have fewer resources to invest in new products and services. This massive distraction and additional complexity and cost may risk or delay the innovation that, in an unregulated environment, occurs naturally and provides better service and greater value to consumers.

With only months to contemplate, plan and implement these significant changes, CSPs face a great challenge. Amdocs will work closely with its customers to support their efforts and make the changes required. Amdocs’ continuing goal is to help its customers build stronger relationships with their customers.

## ABOUT AMDOCS

Amdocs combines innovative software products and services with deep business knowledge to deliver true integrated customer management to the world's leading services companies. Our best-in-class billing and CRM products seamlessly link all customer-facing business processes - marketing, sales, ordering, delivery, fulfillment, billing, settlement, service, support, and analytics - resulting in stronger, more profitable customer relationships. Amdocs enables its customers to implement their business strategy with rapid return on investment, lower total cost of ownership and improved operational efficiencies.

For more information, visit Amdocs at [www.amdocs.com](http://www.amdocs.com).

**AUSTRALIA**  
+61 2 8913 1500

**BRAZIL**  
+55 11 3040 4700

**CANADA**  
+1 416 355 4000

**CYPRUS**  
+357 25 886 000

**CZECH REPUBLIC**  
+420 2 6677 3222

**FRANCE**  
+33 1 4691 1145

**GERMANY**  
+49 2 131 3480

**HONG KONG**  
+852 2966 2118

**IRELAND**  
+353 1 402 9439

**ISRAEL**  
+972 9 776 2222

**ITALY**  
+39 02 58215 225

**JAPAN**  
+81 3 3514 1836

**MEXICO**  
+ 52 55 9171 1057

**POLAND**  
+48 22 630 7230

**RUSSIA**  
+7095 725 6571

**SPAIN**  
+34 91 572 6801

**SWEDEN**  
+46 8 50 52 1120

**THAILAND**  
+66 2617 7510

**THE NETHERLANDS**  
+31 40 2668633

**UNITED KINGDOM  
LONDON**  
+44 20 7343 2500

**READING**  
+44 11 8955 5200

**UNITED STATES  
ST. LOUIS**  
+1 314 212 7000

**SAN JOSE**  
+1 408 965 7000