

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Telecommunications BranchRESOLUTION T-15186  
December 16, 1992

## R E S O L U T I O N

RESOLUTION T-15186. PACIFIC BELL (U-1001-C). REQUEST TO MODIFY THE AUTHORIZED SALES REPRESENTATIVES NETWORK SERVICES MARKETING AGREEMENT TO PROVIDE SALES AGENCY PROGRAM ENHANCEMENTS.

BY ADVICE LETTER NO. 16361, FILED ON OCTOBER 23, 1992.

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SUMMARY

This Resolution grants Pacific Bell's (Pacific) request to modify the Authorized Sales Representatives Network Services Marketing Agreement to provide Sales Agency program enhancements. Specifically, it grants representatives the option to receive additional compensation and additional program support from Pacific in return for their agreement to perform increased customer service and sales as well as support functions for Pacific. This Resolution also allows Pacific to pay its representatives residual payments that reward customer retention and increased work functions. Pacific's request to eliminate the Sales Agency annual monitoring report is denied.

BACKGROUND

Resolution T-13032 authorized Pacific to offer a Sales Agency Program to customer premises equipment (CPE) vendors. Originally, Pacific initiated its Sales Agency Programs in response to a Federal Communications Commission (FCC) requirement which was designed to ensure a level playing field for CPE vendors in competition with Pacific's own sales of CPE. Vendors in Pacific's Sales Agency Programs are called Authorized Sales Representatives (ASRs). These vendors are allowed to sell Pacific's network services in combination with or in place of CPE. The customer places the order for network services with the ASRs, and Pacific is responsible for installation, maintenance, and billing of the network service. The customer has the same remedial rights against Pacific as if Pacific had directly sold the network service to the customer. The ASR is paid a commission for the sale of the network services, which must stay in service for a minimum of six months or the commission will be subtracted from the ASR's future commissions.

Resolution T-14223 authorized the Sales Agency Program on a permanent basis. According to that resolution the commissions paid to the ASRs by Pacific may not be more than 50% of the annual recurring revenue for the service sold, nor may they exceed Pacific's own costs to sell the service.

Advice Letter (AL) No. 16361 requests authority to modify the Sales Agency Network Services Marketing Agreements to give ASRs the option to receive additional compensation. In return, ASRs agree to perform increased customer service, sales and support functions for Pacific. In addition, this advice letter would allow Pacific to pay ASRs residual payments that reward customer retention and to add work functions that do not currently exist in the ASR contract. Finally, Pacific requests that the requirement for an annual monitoring report be eliminated from the Sales Agency Program.

#### PROTESTS

Notice of this advice letter was published in the Commission Calendar on October 28, 1992. The Commission Advisory and Compliance Division (CACD) has received no protests to Pacific's AL No. 16361.

#### DISCUSSION

Compensating ASRs for long-term retention of customers to whom they sell network services would enhance ASRs' incentives to increase marketing of these services to customers. The same mechanism also discourages ASRs from any marketing practices that could lead to customers discontinuing service in the short-run. This combination of incentives and safeguards serves to ensure properly marketed services will reach customers which will benefit both the ASRs and Pacific.

Likewise, allowing ASRs to perform customer service and support for those services which they market through the Sales Agency program will add benefit for customers. The ability of ASRs to provide sales, services, and support will spare customers the confusion that may occur from obtaining services from one entity, then having to contact another for follow-up service or support. The ASRs willing to provide such service and support to their customers should be compensated by Pacific for these functions. By the terms of the Network Services Agreement, ASRs that choose, through the Sales Agency program, to provide service or support functions on behalf of Pacific must abide by the same customer practices and procedures as do Pacific's own customer-service employees.

Pacific's request to eliminate the annual monitoring report from the Sales Agency program by way of advice letter is inappropriate. The Sales Agency report is part of the monitoring report scheme in the NRF Monitoring Decision (D.91-07-056). Requests to discontinue any of these monitoring reports should be directed to the CACD LEC Monitoring Coordinator as specified in the decision.

After review of Pacific's AL No. 16361, CACD recommends approval of Pacific's requests to modify the Sales Agency Network Services Marketing Agreements. CACD recommends Pacific's request to eliminate the Sales Agency annual monitoring report be denied.

#### FINDINGS

1. Resolution T-13032 authorized Pacific, on a provisional basis, to offer a Sales Agency Program to CPE vendors.
2. Resolution T-14223 granted permanent authority to the Sales Agency program and placed limits on the commission that Pacific pays to ASRs under the program.
3. The ability of ASRs to obtain compensation for long-term retention of customers provides the proper marketing incentives to increase sales of network services through the Sales Agency program.
4. Enabling ASRs to provide service and support functions on behalf of Pacific will allow customers to receive sales, service and support functions from one entity and hence relieve them from having to obtain some functions from the ASR and others from Pacific directly.
5. When ASRs provide service and support functions on behalf of Pacific, they must follow, according to the terms of the Network Services Agreement, the same practices and procedures that Pacific's representatives must follow when providing these functions.
6. NRF monitoring reports may be eliminated only by following the procedures set for in the NRF Monitoring Decision (D.91-07-056) review, and cannot be approved through the advice letter process.

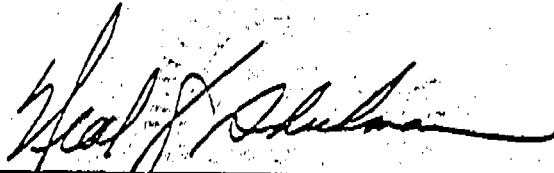
December, 16, 1992

THEREFORE, IT IS ORDERED that:

1. Pacific Bell's request to modify the Authorized Sales Representatives Network Services Marketing Agreement to provide Sales Agency program enhancements is granted.
2. Pacific Bell's request to eliminate the Sales Agency annual monitoring report is denied.
3. The commissions and sales agency program enhancements paid by Pacific to Authorized Sales Representatives may not exceed Pacific's own costs for doing the work internally.
4. The Advice Letter and its associated tariff sheets shall be marked to show that they were authorized by Commission Resolution T-15186.

The effective date of this Resolution is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1992. The following Commissioners approved it:

  
NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners