Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of Billed Party Preference for 0+ InterLATA Calls	CC Docket No. 92-77

COMMENTS

ORIGINAL FILE

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COMMENTS

American Telemanagement, Inc. ("ATI"), by its attorneys, hereby respectfully submits its comments in connection with the Commission's Notice of Proposed Rulemaking ("Notice"), released May 8, 1992, in the above-referenced matter.

I. BACKGROUND

The Commission has tentatively concluded that Billed Party Preference ("BPP") routing of all 0+ interLATA calls is in the public interest, but has sought comment on the cost and benefits of BPP and how such a system should be implemented. The Commission believes that more information is needed before the Commission can mandate implementation of BPP, and, in particular, notes the widely varying cost data provided to the Commission to date.[1]

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1 See Notice at 11.

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II. INTEREST OF ATI

ATI provides pay phone management services to site-owners, acting as the exclusive agent on all matters associated with the public telephones located on their premises. On behalf of its clients, ATI acts as the single point of interface with local and interexchange carriers and other vendors of services provided through the payphones. ATI negotiates commissions and service contracts with the service providers and passes on these commissions to its client base.

All commissions received by ATI's clients are based upon the volume of calls made to the primary service providers at the pay phone. There is a considerable incentive for site-owners to utilize the services that ATI and similar companies provide because of the opportunity to earn commissions which are significantly higher than the commissions they would be able to negotiate acting on their own.

The primary 0+ interLATA carrier for ATI's client payphones is selected by ATI as the agent for the site-owner, through the pre-subscription process. As a general matter, the local exchange/intraLATA service provided to ATI site-owners is provided by the local exchange carrier.

III. ATI BELIEVES THAT IMPLEMENTATION OF BPP WILL VIRTUALLY ELIMINATE INTERLATA COMMISSIONS FOR SITE-OWNERS ON PAY TELEPHONES, DRAMATICALLY REDUCING THE AVAILABILITY OF PAY-PHONES AND DECREASING COMPETITION FOR PAYPHONE SERVICE.

BPP will radically reduce, or perhaps even eliminate, the economic significance of pre-subscription of the primary

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interexchange carrier at the pay phone. Where intraLATA competition is permitted by law, BPP will clearly have the same impact.

As a result, interLATA (and quite possibly intraLATA) commissions for the site-owners will be dramatically reduced, since the primary carrier traffic will not be significant enough to sustain substantial commissions. Without this source of compensation, site-owners have little incentive to continue to allow LECs to provide payphones on premises, except to the extent these payphones are viewed as a necessary amenity for their patrons. As a result, the maintenance of payphones will simply become another element in the premise owner's cost of doing business. Economic reality dictates that the number of payphones will shrink, perhaps dramatically.

Moreover, customer-owned, customer-operated telephones ("COCOTs"), which are subsidized by commissions earned from the primary 0+ interLATA carrier, will no longer be financially self-sustaining. Without commissions from the primary carrier, COCOTs will generally become a revenue-consumer, rather than a revenue-producer.

If COCOTs are to receive compensation for 0+ interLATA calls as they do for 10XXX and other "dialed-around" calls, COCOTs will have a significant advantage over the LECs in that they will be able to offer commissions to the site-owner on a source of revenue not available to the site-owner from a LEC payphone. The site-owner will have every incentive to remove the LEC payphone and install a COCOT phone, provided that the

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COCOTs are economically-viable under this new compensation system.

If no compensation is offered to operators of COCOTs or the LECs, as stated above, site-owners en masse, including those managed by ATI, will be forced to remove many payphones which simply cannot be sustained purely as an amenity for the site-owners' customers. An even more dramatic impact can be anticipated through the inevitable reduction in new payphone installations.

Some will argue that the possibility exists, at least in theory, that the interexchange carriers, who benefit the most from BPP, will create their own installed-base of phones, reducing or eliminating altogether the need for COCOTs and LEC-operated phones. However, because in practice as well as in theory, BPP will inevitably <u>not</u> favor one carrier over another, the benefits of the phone installation will be dispersed among numerous interexchange carriers -- greatly diminishing the incentive for the installation of the payphone by a single interexchange carrier.

IV. <u>CONCLUSION</u>

As stated above, ATI believes that BPP will inevitably decrease the level of competition within the payphone industry.

In ATI's view, if BPP is implemented, payphones will only be available where the most dominant carrier will benefit or where the site-owners offer the service as a value-added

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feature or amenity in connection with the operation of their primary business.

The objectives of consumer choice and a competitive marketplace for telecommunication services will not be served by this result. The cost to the public cannot be measured merely in terms of long-distance charges. The diminished availability of payphones is clearly a substantial public cost which would be incurred as a result of BPP and which must be accounted for in the Commission's analysis of the economic impact of this system.

In sum, BPP should only be implemented if a mechanism is available which will properly compensate all site-owners for calls made from payphones, while maintaining a competitive environment for the provision of payphone service. In ATI's view, the Commission's proposals do not address this concern.

Therefore, in ATI's view, there is no question that BPP will have a detrimental impact on the Commission's objectives of competition and consumer choice. ATI respectfully submits that the Commission should re-evaluate its tentative conclusions regarding the desirability and impact of BPP in light of the concerns expressed in these Comments.

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Respectfully submitted,

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