

is being marketed and implementation can begin during 1992. Even though the architecture and the PGP are unique, the component (hardware) parts of the PGP are constructed with "off the shelf" parts and final programming and assembly could be finished in 60-90 days. The BPP function will require only a minor software upgrade. It is conceivable that, if implementation does begin this year, BPP could be available on the majority of RBOC pay telephones before the end of the calendar year 1993.<sup>44</sup>

C. Other Services Can Be Offered With The Line-Side Technology.

The PGP and line-side architecture can offer myriad basic, maintenance and enhanced services:

- Automatic Message Delivery
- Sent-Paid Equal Access
- IXC Least Cost Routing
- Universal Card Conversion
- Answer Detection
- Coin Handling
- Coin in Box Accounting
- Metered Calls
- Dial Around (10XXX) Fraud Prevention
- Chain Dialing
- Coin Activity Line Monitoring
- 0+ to 1+ Conversion
- 0- to 1+ Conversion
- Billed Party Preference
- Accounting for Per Call Compensation
- Change Card Interface
- American Express/Visa/MasterCard at the BONG

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<sup>44</sup> The "store & forward" capability, available in many customer-owned pay telephones ("COPTs"), potentially could allow COPT providers to perform BPP routing in competition with LECs. These providers should receive a percentage of revenue premiums (typically \$1 to \$2.50 for an 8 minute interstate call) for performing BPP functions.

- 900/540/976 unblocking
- Diagnostic Monitor and Maintenance
- Instant Information To Live Operator
- Least-Cost Routing
- Gateway Access to Alternate Carriers

These services are designed either to save LECs from burdensome expenses or to generate significant new revenues. Obviously, there is uncertainty whether the RBOCs currently can offer all these services. Implementation of some of the services by RBOCs actually have been debated in other Commission dockets (e.g., Dial Around Fraud Prevention, Sent-Paid Equal Access, and Accounting for Per Call Compensation).<sup>45</sup> Once the architecture is installed, however, these additional services can be added with inexpensive software upgrades.

#### IV. USING LINE-SIDE INTELLIGENT ARCHITECTURE FOR BPP IS COST EFFECTIVE

One critical issue identified by the Commission in the NPRM

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<sup>45</sup> For example, whether the RBOCs should be required to implement dial around fraud protection was debated in CC Docket No. 91-35 at para. 15, In the Matter of Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation. The Commission concluded that the cost of LEC-provided blocking and screening services was prohibitive and would not be required:

[t]he estimated costs associated with universally implementing such services vary widely: BellSouth, \$16 million; Ameritech, \$45 million; U.S. West, \$100 million. LEC commenters have also indicated that implementation of certain services would take eighteen to twenty-four months. Report and Order and Further Notice of Proposed Rulemaking (FCC 91-214)(July 11, 1991) at para. 15.

When implemented as part of the line-side architecture described herein, the cost for this particular service can be reduced considerably.

is the cost to implement BPP:

First and foremost, we request additional information about the costs of a billed party preference system, and how those costs are affected by the scope of billed party preference. The cost data provided thus far vary considerably.<sup>46</sup>

Implementation of BPP with the line-side architecture is cost-effective, especially when implemented in conjunction with other applications and services available with the PGP. Furthermore, the line-side intelligent architecture produces significant returns on investment, regardless of whether LECs use it to offer one or all the possible services.<sup>47</sup>

A. Line-Side Intelligent Architecture Costs Are Reasonable.

MessagePhone estimates that the basic hardware, software and installation costs (excluding software costs for the specific applications) for all elements of the line-side intelligent architecture are approximately \$450 per pay telephone line (public and private). The specific application software for just BPP could cost as much as \$100 per telephone line. If several application upgrades were included with the original architecture installation, the cost of the BPP software could be reduced

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<sup>46</sup> NPRM, 7 FCC Rcd at 3031.

<sup>47</sup> The actual cost of the architecture quoted by Unisys to potential customers is considered confidential. MessagePhone does not have access to that information. Therefore, the costs quoted herein are estimated retail prices.

significantly.<sup>48</sup> Therefore, the estimated maximum cost for BPP alone would be \$550 per pay telephone line. Assuming that a LEC has 150,000 pay telephones, the complete cost for BPP, if it were the only service offered by the architecture, would be \$82.5 million.<sup>49</sup>

This figure, however, overstates the likely actual cost for BPP. Unlike the technology involving alteration of the OSS, MessagePhone's line-side technology provides twenty-two (22) different services, including BPP. The incremental cost to add applications software for all twenty-two of the services, including BPP, is approximately \$450 per line. The cost of the entire architecture and applications software package, including installation at \$450 per line, then would be approximately \$900 per line, or \$135 million total. According to this method of allocation, the actual cost of BPP would be reduced dramatically.<sup>50</sup>

The total cost of \$135 million for 150,000 pay telephones still is a significant expense. However, the number of new services available to the pay telephone would be staggering. The existing base of pay telephones would have four times the

<sup>48</sup> It is MessagePhone's understanding that the cost for applications software grows incrementally to \$450 for the first five applications and remains at \$450 for additional applications above the first five.

<sup>49</sup> In the past, estimates for the cost of BPP have varied from \$50 million (SWBT) to \$200 million (Pacific Telesis) per LEC. NPRM, 7 FCC Rcd at 3031.

<sup>50</sup> The difference in applications software cost -- \$100 for one application and \$450 for twenty-two applications -- certainly is worth noting.

capability of state-of-the-art "smart" telephones that cost \$1500-2500 per unit. In addition, Unisys estimates that the new revenues generated by all the line-side services would be in excess of \$100 million annually per RBOC. Additional savings from the maintenance and diagnostic capabilities are not included in that estimate. Complete return on investment could take less than two years; e.g., the attached brochure (Exhibit B), describing the PGP, demonstrates that the addition of just one service, AMD, can generate an additional \$322 annually per pay telephone. Assuming 150,000 telephones would be equipped, AMD would generate \$48 million annually in new revenues. Of course, this revenue would be divided between the operating company (for the basic service) and the enhanced service provider (messaging center).

#### B. Use Of Line-Side Architecture Results In Significant Cost Recovery.

##### 1. Cost recovery for BPP

Provision of BPP services will provide new revenue opportunities for the LECs. Many of the operator service functions currently performed by the presubscribed IXC will be performed instead by the LEC in order to determine the BPP carrier. For example, with BPP, these functions now would be performed by the LEC on calling card or credit card calls:

- playing the BONG tone and collection billing information
- determining the BPP carrier based on the format of the billing information
- making the LIDB query if necessary
- routing the call to the BPP carrier

- forwarding billing data to the BPP carrier.

All these new services will generate revenue heretofore unavailable to the LECs.

To illustrate how this revenue stream will develop, MessagePhone analyzed how an interLATA interexchange 0+ call that costs \$3.85 per minute is allocated. Currently, the \$3.85 in revenue is divided among: (1) transport, (2) the operator function listed above, (3) any additional operator functions (e.g., call rating), and (4) billing. Based on industry practice, \$1.00 could be allocated for the BONG tone and information collection, \$.12 for a LIDB query, and \$.15 for routing and forwarding the call and billing data. With BPP, the majority, if not all of these revenues, should be paid to the LEC or the business entity performing these services instead of being paid to the IXC, which no longer would provide such services.

## 2. Cost Recovery for BPP and additional operator services

It is conceivable that many IXCs would contract with the LEC to complete the operator transaction with the line-side intelligent architecture. In this case, the call would enter the IXC network as a 1+ telephone call. In the case of a 0+ calling card call (illustrated above), the LEC would not forward the billing data, but would process it for the IXC. In the case of a collect call, the PGP can record the caller's name, call the destination (using the destination's presubscribed IXC), and ask the destination if it accepts billing responsibility.

With this scenario, the IXC saves the expense of processing "0" calls, collects transport revenues, and, according to the

terms of its contract with the LEC, collects an additional premium based on the operator revenues. Clearly, this type of business arrangement would be beneficial to both parties (and to the consumer).

### 3. Cost Recovery From Revenues Generated By Other Services

Because of the nature of large corporations, MessagePhone acknowledges it is inconceivable that any LEC in the United States could possibly decide to install the line-side architecture initially with all twenty-two (22) services -- despite the substantial revenue opportunities and potential savings. The diverse nature of the services and applications would require the approval of too many departments and divisions within the corporation. However, it is conceivable that LECs could approve the installation of at least several of these services. MessagePhone, Unisys, Cordell and Quadrum currently are bidding on diverse service offerings using the same architecture. It is possible that, for some LECs, this architecture could be in place before the Commission completes this docket.

As demonstrated herein and in Exhibit B, the other services and applications offer significant return on investment. This fact certainly should be considered by the Commission when reviewing the cost of initiating BPP. MessagePhone strongly recommends that cost, because the possibility of returns on investment are so great, should not be a stumbling block to implementing such a beneficial technology for consumers as BPP.

V. THE NPRM SHOULD ADDRESS CONSUMER ALTERNATIVES SUCH AS GATEWAYS TO MULTIPLE CARRIERS

MessagePhone agrees with the Commission that optimizing consumer choice is a laudable goal. Accordingly, MessagePhone recommends that, as the issue of BPP routing is being considered, other related issues must be studied concurrently.

Foremost, the consumer's choices must not be limited only to presubscribed carriers. Rather than being limited to using the same pre-selected OSP for all calls, consumers must be able to access whatever carrier they wish to use for any individual call, preferably with a method that is easier to use than dialing the carrier's access code.

Competition in various telecommunications markets, including the long distance market, has produced many benefits for consumers. Among these benefits are discounted rates for special dates and certain locations and routes. Increasingly, consumers will want instant access to carriers offering discounts. Many consumers will gladly forego the convenience of being automatically routed to their presubscribed carrier in order to take advantage of additional ad hoc savings opportunities. Currently, consumers have to know the access code in order to "dial around" a presubscribed carrier and be routed to another.<sup>51</sup>

Technology exists that will allow the consumer to choose

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<sup>51</sup> In the future, consumers also could have the option of carrying numerous calling and credit cards in order to directly access carriers and service providers of choice.

entrance to a gateway in order to explore competing rates and discount plans. Conceivably, callers could even be given the option of least-cost routing.

A gateway to alternate long distance carriers can be offered with a voice prompt while the call set-up is in process (e.g., "press one on your keypad to check the rates and discounts of competing carriers"). In this manner, services can be offered without inconvenience to the consumer. The caller then can choose the gateway by pressing a single key on the telephone keypad or with a spoken word (where voice response technology is available). Optionally, the caller does nothing (choosing not to enter the gateway) and the call automatically is routed to his or her presubscribed carrier. In this manner, an alternate carrier can be selected without the caller being required to know or dial access codes. The consumer actually chooses the convenience of being routed automatically to a familiar carrier or chooses to shop for a better rate.

Clearly, information gateways are consistent with the MFJ and with the Commission's goals in that they promote competition and consumer choice without jeopardizing consumer convenience. For that reason, the Commission must include rules that do not limit the consumer's choice only to a presubscribed carrier or that unnecessarily burden consumers who desire to shop for the least expensive service provider.

## VI. BPP SHOULD APPLY TO ALL BILLING MECHANISMS

The exact same standards and reasoning used to conclude that BPP is in the public interest compel providing the billed party with access to the billing mechanism of choice. The paradigm of billed party choice naturally extends beyond choice of IXCs and OSPs and should include the billed party's choice of billing mechanisms:

BPP should apply to all billing mechanisms. Collect, bill-to-third, and LEC calling cards should use LIDB-based carrier ID. IXC and Commercial Credit Card Users should have the option of choosing either card ID or data base carrier determination.<sup>52</sup>

Technologically, it is equally possible to give consumers the choice of multiple calling cards and credit cards as it is to determine and route a call automatically to the consumers' selected IXC and OSP. With the PGP technology described herein, at the BONG tone, the caller has the option of dialing a bank card (e.g., VISA or American Express) or debit card (e.g., PULSE, NYCE or some other ATM card) number instead of a calling card number.<sup>53</sup> Alternatively, on some pay telephones, consumers have the convenience of a "card swipe" and can supply billing information by pulling the credit or calling card through a magnetic card reader. Already this type of technology is being used by competitive pay telephone vendors:

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<sup>52</sup> Comments of SWBT at 10, In the Matter of the Bell Atlantic Telephone Companies Petition for Rulemaking to Establish Uniform Dialing Plan from Pay Telephones, RM-6723.

<sup>53</sup> The holder of the credit card would need the consumer's presubscribed carrier information in its data base.

Competitive payphone vendors also have been pioneers in the acceptance of commercial credit cards (e.g., VISA, MasterCard, American Express, etc.) at pay telephones. This service is especially valuable to tourists and visitors from other countries, who may not have access to telephone company "calling cards." In addition, the use of credit cards for long distance calls can offer consumers significant savings over telephone company calling card rates."<sup>54</sup>

As with BPP, billed party choice of a billing mechanism is consistent with the goals of the MFJ and the Commission. It promotes customer choice and competition, while not inconveniencing the caller. The technology exists so this service can be implemented at the same time as BPP. For these reasons, the Commission should include rules mandating the billed party choice of billing mechanism.

## VII. CONCLUSION

It is time that consumers, who use public pay telephones, are allowed to reap the fruits of the MFJ, i.e., direct dial access, consumer choice, and consumer convenience. Consumers should have automatic access to their IXC and OSP of choice. They should not be burdened by having to dial extra codes and numbers in order to access their preferred service provider. The Commission must not hesitate in implementing BPP on all calling and credit card, collect and third party calls from public telephones.

Herein, MessagePhone describes a line-side architecture, currently available to the LECs, that offers a plethora of new

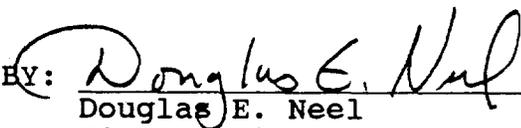
<sup>54</sup> The Comments of APCC at 3, In the Matter of Policies and Rules Concerning Operator Service Providers, CC Docket No. 90-313.

services, including BPP. The presence of this architecture in the market place demonstrates that the Commission should not delay adopting BPP. The costs involved in implementing BPP with this architecture are far outweighed by the benefits to consumers, including lower and competitive prices for operator services.

For the reasons discussed herein, the Commission promptly must adopt rules implementing BPP.

Respectfully submitted,

MESSAGEPHONE, INC.

BY:   
Douglas E. Neel  
Vice President, Regulatory Affairs  
MessagePhone, Inc.  
5910 N. Central Expressway  
Dallas, Texas 75206  
(214)987-8130

July 6, 1992

**EXHIBIT "A"**

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# OSP's Fight Industry Turmoil

by Lanet Gaddy, Editor

**S**INCE ITS INCEPTION, THE OPERATOR SERVICES PROVIDER (OSP) industry has experienced a tumultuous existence, both from within and without.

At the forefront of the turmoil in which the OSP industry finds itself embroiled is the ongoing controversy over the high rates often charged by some OSPs. And the rates continue to climb. Karen Robinson, vice president of marketing and sales for AMNEX, reported that rates charged by OSPs was the key issue discussed at Comptel, the OSPA convention, Key Biscayne, Fla., in December. At press time, the FCC had cited 12 OSPs for charging excessive rates, and word was out that the commission was getting ready to cite 20 or 30 more companies. "Payphone providers, OSPs, and aggregators have to work together to set reasonable rates," Robinson emphasizes.

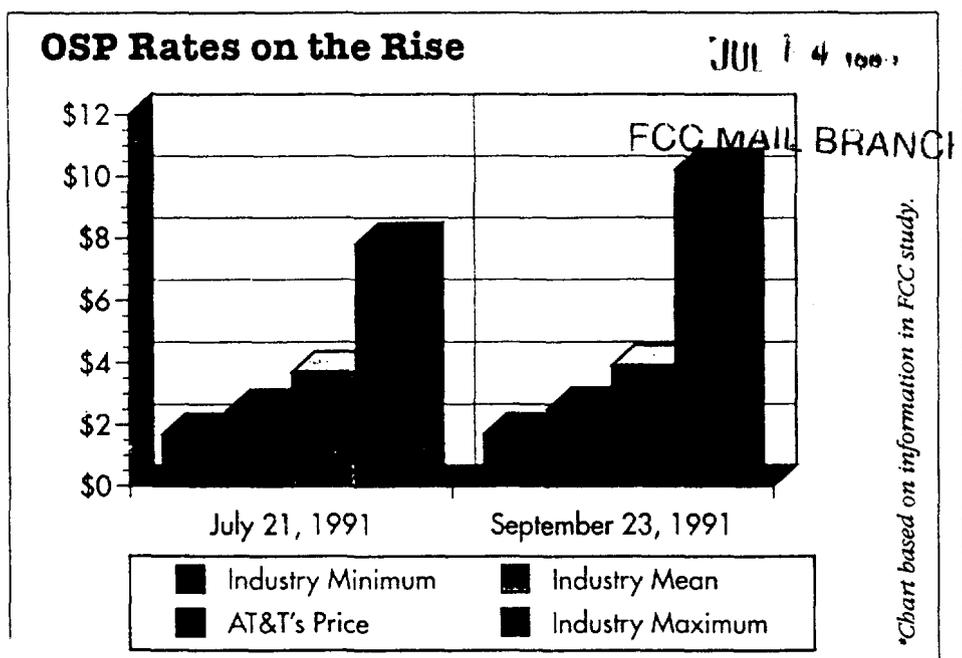
**W**hat kind of commissions are paid by OSPs? Anton Bily, vice president of marketing, US Long Distance (USLD) explains that the commissions have two components: (1) a premise imposed fee (PIF) or surcharge, which typically ranges from \$1.00 to \$1.50 (Some payphone owners do not collect any surcharge.) and (2) percentage of revenue generated by the call.

Percentage of revenue commission ranges from 5 percent to 50 percent, but a more typical range, according to Bily, is 15 percent to 35 percent. Mary Stephens, marketing coordinator for Capital Network System Inc., says the majority of the company's per call commissions consist of a percentage of revenue plus a surcharge. One hundred percent of the surcharge goes to the owner of the payphone. The percentage of revenue is also paid to the owner of the phone, who in turn, usually pays a percentage of that amount to the site owner. Robinson says that, in most instances, AMNEX pays a commission to the payphone provider, who will then pay the site owner. However, the company sometimes pays a commission directly to site owners and to aggregators.

## AT&T's CIID Card

Another factor in today's turmoil in the OSP industry is the issuance of millions of AT&T proprietary 0+ calling cards. These Card Issuer Identification (CIID) cards not only have the potential to deprive OSPs of substantial revenues, but also actually create out-of-pocket expenses for the OSP. Only AT&T can bill and collect for calls billed to their CIID card. Yet, according to Bily, such calls are still coming into the OSP firm. The calls tie up the network and cost the company money for processing — for a call for which it cannot bill. Bily estimates that five to eight percent of industry calls are CIID calls. In the Summer 1991 issue of ZPDI Quarterly, Alan Saltzman, senior vice president for Zero Plus Dialing Inc., highlighted four advantages that AT&T receives through its implemen-

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This chart illustrates the rise in OSP sample prices for daytime, 56-mile, 0+ Card Calls between July 21, 1991 and September 23, 1991.

## OSPs in Turmoil

tation of the CIID card that are not available to other interexchange carriers (IXCs) and OSPs:

- 1** Local exchange carrier (LEC) acceptance nationwide;
- 2** Since the billing calling card number is the last piece of data required to bill a long-distance telephone call, IXC and OSP telephones, networks, and systems are "tied up" while trying to place the call;
- 3** Only AT&T can bill and collect for calls charged to their CIID card; and
- 4** Even if we could bill and collect for calls billed to the AT&T CIID card, IXCs and OSPs are not provided access to the billing and validation database owned and maintained by AT&T for these CIID cards.

Saltzman says, "We believe that AT&T's implementation of the CIID card is the greatest threat the industry has seen since the supposed breakup of the AT&T/Bell monopoly. Truly, AT&T's implementation of the CIID card looks and smells like an attempt to re-monopolize a segment of the telecommunications industry."

At press time, the OSP industry was awaiting a determination from the Federal Communications Commission regarding the AT&T CIID card.

### Impact of TOCSIA Requirements

Questions concerning the impact of requirements of the Telephone Operator Consumer Services Improvement Act (TOCSIA) of 1990 elicited a variety of responses. Michelle Wesley, marketing communication manager, Cleartel Communications, and Robinson both reported no significant impact. OSPs in the penal market, such as Telequip Labs, are exempt from TOCSIA requirements. And Stephens pointed out that CNSI has always made its rates available — ever since the first phone call was processed in June of 1988. CNSI is branding all calls, and Stephens added that the posting

requirement had the largest impact on the company because of the complexity of keeping up with changes in state regulations on a day-to-day basis in the 16 states in which it does business. Bily echoed the sentiment, pointing out that USLD was required to keep up with federal regulations and state regulations in 35 states. He described compliance to the posting requirement as "complicated, time consuming, and costly."

Michael Bird, senior vice president of Fone America Inc., says the rate disclosure requirement "could be the death of the industry." When you have to announce what rates are available and what OSP you're using, he said, you might make the caller think, "Hey, something might be wrong."

### Billing and Collections: In-house or Outsource?

Most OSPs use an outside firm to handle their billing and collections. "It's more cost effective than handling it yourself," says Wesley. Stephens says, "We depend on the LEC to bill and collect for calls. They have all the records, so why reinvent the wheel?"

Robinson identifies two negative factors of OSPs handling their own billing and collections: high cost and resources needed to accomplish the task. To that, Bily adds the tax filing requirements in different states. "You'd just about have to have a full time CPA, plus it would require a complex management information system." From a positive aspect, "If you were large enough to handle your own billing and collections," says Bily, "You would now control another component of your business."

One firm large enough to handle its own billing and collection activities is International Telecharge Inc. (ITI). Barry Kitt, communications manager, ITI, explains that it is more cost effective for the company to offer its own billing and collection services than to go outside because there are more telephone instru-

ments in the field hooked up to its network than to any of its competitors' networks. With such a large base nationwide, there is more likelihood of a customer placing multiple calls using its service. This results in more calls per billing insert, bringing down the per call cost of billing.

Fone America is doing some direct billing in parts of the country where small LECs do not have the capability to handle multiple IXC/OSP billing. However, Bird says, it's really not as profitable as billing through the LEC.

Jim Burton, president of Telequip Labs, says the company offers its dealers the option of arranging for their own billing and collections or going through the company. However, Telequip Labs does not do the billing and collecting itself, but rather, uses a clearing house. "We usually aggregate data processing," says Burton.

### What's New?

In spite of the turmoil that has surrounded the OSP industry, OSPs continue to take strides to improve their services and the regulatory environment in which they operate.

"The trend," says Kitt, "is toward larger, full service providers." The merger with Telesphere combined the customer bases of the two largest OSPs as well as the technology platforms of the two companies. As a result, the company expects to offer a number of new products over the course of the year. Kitt says one of its best new offerings to date is its On-Line Route Management. The PC-based program shows number of attempts and completes. It will also show, not only that a phone has produced no calls for the last three days, but also how many calls the phone produced in the last 30 days. The program reflects the distribution of calls (number of local and number of long-distance) as well. The company announced plans to begin offering 1+ service in January.

CNSI recently introduced Eagle II, software provided free to all clients

## OSPs in Turmoil

that enables users to monitor their payphones on a daily basis. The program shows attempts and completes and reports revenue on a daily basis.

Telequip Labs has introduced two new products that Burton describes as the first of their kind. One is the ACP-3000, an automated operator that is customer premise equipment. It is a built-in concentrator/PBX that allows prisons to use more inmate phones than central office (CO) lines. This results in cost savings, and there is no loss of statistical reporting abilities. Specific calls can be traced to specific phones.

The second product is a circuit board that allows dealers to route a call to a T1 interface or local loop, depending upon whether the inmate has dialed a 10- or 7-digit number. The result is that a local collect call does not have to go to the long-distance carrier's point-of-presence. It keeps a local call from turning into a long-distance call that can only be billed as a local call.

<b>O+ Card Calls</b>		June 21, 1991					
Charges	Day		Evening		Nite/Weekend		
Public Traffic	56 Mile	1910 Mile	56 Mile	1910 Mile	56 Mile	1910 Mile	
<b>Industry Minimum</b>	\$1.70	\$2.00	\$1.70	\$1.88	\$1.67	\$1.68	
<b>AT&amp;T's Price</b>	\$2.48	\$2.78	\$1.79	\$2.00	\$1.78	\$1.86	
<b>Industry Mean</b>	\$3.70	\$4.63	\$3.50	\$4.35	\$3.38	\$4.23	
<b>Industry Maximum</b>	\$7.82	\$9.50	\$7.82	\$9.50	\$7.82	\$9.50	

<b>O+ Card Calls</b>		September 23, 1991					
Charges	Day		Evening		Nite/Weekend		
Public Traffic	56 Mile	1910 Mile	56 Mile	1910 Mile	56 Mile	1910 Mile	
<b>Industry Minimum</b>	\$1.70	\$2.00	\$1.65	\$1.69	\$1.34	\$1.51	
<b>AT&amp;T's Price</b>	\$2.52	\$2.80	\$1.98	\$2.06	\$1.76	\$1.84	
<b>Industry Mean</b>	\$3.90	\$5.57	\$3.67	\$5.27	\$3.55	\$5.15	
<b>Industry Maximum</b>	\$10.24	\$27.00	\$10.24	\$27.00	\$10.24	\$27.00	

*A recent study by the FCC revealed the above rates.*

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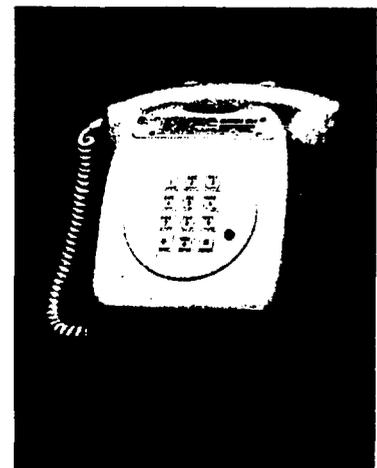
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**TY-006**



## OSPs in Turmoil

O+ Collect Calls		June 21, 1991					
Charges	Day		Evening		Nite/Weekend		
	56 Mile	1910 Mile	56 Mile	1910 Mile	56 Mile	1910 Mile	
Public Traffic							
Industry Minimum	\$1.80	\$2.20	\$1.80	\$2.20	\$1.80	\$2.20	
AT&T's Price	\$3.43	\$3.73	\$2.91	\$2.95	\$2.72	\$2.82	
Industry Mean	\$4.46	\$5.33	\$4.25	\$5.07	\$4.12	\$4.94	
Industry Maximum	\$9.05	\$10.25	\$9.05	\$10.25	\$9.05	\$10.25	

O+ Collect Calls		September 23, 1991					
Charges	Day		Evening		Nite/Weekend		
	56 Mile	1910 Mile	56 Mile	1910 Mile	56 Mile	1910 Mile	
Public Traffic							
Industry Minimum	\$2.57	\$3.15	\$2.17	\$2.74	\$1.99	\$2.53	
AT&T's Price	\$3.36	\$3.60	\$2.88	\$2.94	\$2.64	\$2.72	
Industry Mean	\$4.69	\$6.22	\$4.45	\$5.96	\$4.34	\$5.84	
Industry Maximum	\$11.24	\$27.00	\$11.24	\$27.00	\$11.24	\$27.00	

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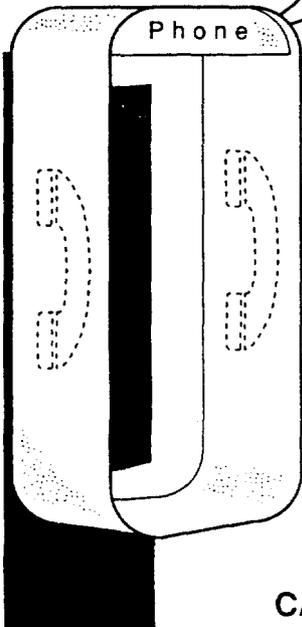
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30,000 PAYPHONES??**

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Management Information System for pay Telephones

**• FULLY FEATURED AND EASY TO USE •**

- Maintains Payphone Transactions •
- Calculates/Issues Checks for Location Commissions & Other Payable Items •
- Tracks Monthly/Year to Date Profitability •
- Transaction & Disbursement History • Collection/Maintenance Scheduling •
- Batch Entry Programs • Coin Counter Merges • S.T.A.R. Revenue Merges •
- Network Versions • General Ledger Interface • And Much, Much More •

**AMERICA'S BUSINESS SOFTWARE**

**(916) 483-7266**

**3317 Julliard Dr., Suite 123 • Sacramento, CA 95826**

Circle Reader Service No. 4

Planned for implementation this quarter, USLD will offer automated attendant and automated third party functions. The company recently acquired an interexchange carrier so it can now offer 1+ service.

AMNEX is concentrating on providing better on-line management reports and hopes to offer a feature-rich travel card during the first quarter. (The card was still in BETA test at press time.) Robinson says the company is continuing to move towards more automation, and says this is "probably the industry norm."

Fone America also plans to introduce a multifunctional travel card this quarter, says Bird. The card will serve as a gateway to informational services like voice messaging and voice delivery he says. The company also plans to eventually offer 1+ services.

Many OSP firms have actively worked with regulatory agencies at the federal and state levels to foster competition and consumer benefits.

Kit says his company is fighting the FCC on the issue of CIID cards and is currently developing a new plan of attack. "What many people don't realize," he says, "is that as CIID card traffic increases, line card traffic decreases — including Bell line card traffic." The Bells need to work with the privates to prohibit use of AT&T CIID cards, he stresses.

Pat Bindrim, vice president of marketing and regulatory affairs for ClearTel, says, "At the state level, many public utility boards are responding to consumer complaints by moving toward intrastate rate regulation. While this is bad public policy and anti-competitive, ClearTel's position is to continue to put downward pressure on our costs so that we can compete at rates that the end user can live with. ClearTel has been active in several key states in working with regulatory agencies to provide the information necessary for them to fully understand the inherent inequities in using the Bell operating companies and AT&T as a price standard for other businesses." ☎

**EXHIBIT "B"**

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# **PAYPHONE GATEWAY PLATFORM**

**An Advanced Paystation Interface System**

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**MESSAGEPHONE, INC.**

**5910 North Central Expressway**

**Suite 1575**

**Dallas, Texas 75206**

**(214) 987-8130**

**Facsimile (214) 987-8142**

## I. Introduction

### *Summary of Bell Challenges ...*

- **Competition**
  - AT&T
  - COCOTs
  - OSPs
- **Regulatory Compliance**
- **New Revenue Sources**

### *Summary of Benefits-Payphone Gateway Platform*

- **Generate \$600M Over Five Years on a Capital Investment of \$155M**
- **Recapture Revenues From AT&T**
- **Provides Regulatory Solutions**
- **Turn COCOTs Into Bell Customers**

## II. Payphone Gateway Platform (PGP)

- **Technology Overview**
- **Twenty Basic, Enhanced & Gateway Services**

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### **III. Market Analysis**

- **Automatic Message Delivery (AMD) Revenues for Public Pay Telephones**
- **Business Case for Other Applications Services**

### **IV. Market Segments**

- **License Opportunities**

### **V. Regulatory**

- **Summary of Regulatory Alternatives to Offer Services**
  - MFJ
  - FCC
  - PUCs
- **Summary of Regulatory Filings for Implementation**
  - **Waivers**

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## .. Introduction

### ***Summary of Bell Challenges ...***

- AT&T Will Continue to Aggressively Pursue a Strategy of Bypass, Dial-A-Round & Point-of-Sale Bundling of Services at Bell's expense.

#### **-1-0-ATT**

"If you do not hear 'AT&T', hang up..." --AT&T Advertisement

"AT&T cheered another victory for consumers when the FCC....established the five-digit access code as the standard for reaching a preferred carrier"  
--AT&T 1991 Annual Report

The 5% Dial-A-Round (1991 estimate) at all Bell payphones represents a \$80.5M loss on Toll calls (See Calculation of Net Loss Page 3 of Summary).

#### **-AT&T's New CIID Calling Card**

"With about 12 million cards issued, the AT&T Universal Card is one of the most popular in the nation." --AT&T 1991 Annual Report

"...the new AT&T Calling Card is the only calling card that can be accepted for billing AT&T Message Service messages." --AT&T

"Your LEC Calling Card (the card with your home phone number) cannot be accepted, would you like to order a new AT&T Calling Card?"  
--AT&T Message Center Operator

#### **-AT&T's Public Communications Division**

"AT&T serves 7 out of 10 public phones, 19 of the 20 top lodging chains and 20 of the 25 largest airports in the U.S." --AT&T 1991 Annual Report

"Since divestiture, AT&T public phones have gone from zero to over 12% market share at U.S. airports."

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# Introduction, Cont.

## *Summary of Bell Challenges ...*

- **COCOTs are Utilizing Third Parties for Basic and Enhanced Service Provisioning, Resulting in Lost Revenues**

- **Operator Service Providers**

- Custom Branding, Rating & Billing**

- **Set-Based Manufacturers (Smart Phones)**

- Coin Handling Features**
    - Answer Supervision**
    - Operator in a Box**
    - Automatic Message Delivery**
    - Diagnostic/Maintenance**

- **COCOTs will become Bell customers when an equal or higher level of services can be provided at competitive prices.**

- **Regulatory Compliance**

- **Sent-Paid Equal Access**

- Equal access for IXCs on sent-paid calls.**

- **Public Access Lines**

- Provide Public Communication line equivalent features.**

- **ONA/CEI**

- **Billed Party Preference**

- **Per Call Compensation Accounting**

- **New Revenue Sources**

**"If we don't grow, we die." --I. Seidenberg, Vice Chairman, NYNEX,  
Congressional Testimony, 1992**

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# Introduction, Cont.

## Summary of Bell Challenges ...

- Calculation of Net Loss to a RBOC Due to 10XXX IntraLATA Dial-Around

Annual Service Billings	10 Billion
InterLATA Access Fees	(3) Billion
<hr/>	
IntraLATA Services	7 Billion
"0" Service and Transport	X 5%
<hr/>	
Revenues	350 Million
5% "IntraLATA Dial-Around	17.5 Million
35% IntraLATA Access Fees	6 Million
<hr/>	
Net Loss to a RBOC	11.5 Million

7 RBOCs X 5% Dial-Around = \$80.5 Million  
 7 RBOCs X 25% Dial-Around = \$40 Million

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