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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

October 20, 1995

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, DC 20554

**EX PARTE  
PRESENTATION**

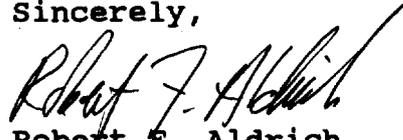
Re: Billed Party Preference for InterLATA 0+ Calls,  
CC Docket No. 92-77

Dear Mr. Caton:

Pursuant to the Commission's rules on ex parte presentations, 47 CFR §1.1206(a), we hereby submit information on behalf of the American Public Communications Council ("APCC") in the above-referenced docket.

On October 19, 1995, Albert Kramer and Robert Aldrich of this law firm and Vincent Sandusky, President of the American Public Communications Council, gave the attached presentation to the individuals on the attached list.

Sincerely,

  
Robert F. Aldrich

Enclosures

No. of Copies rec'd 0  
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**ATTENDEES**

FCC Meeting, October 19, 1995

<u>Name</u>	<u>Office/Division</u>
Anna Gomez	Office of Bureau Chief, CCB
Michael Carowitz	Enforcement Division, CCB
Kurt Schroeder	Enforcement Division, CCB
Anita Cheng	Enforcement Division, CCB
Robert Haga	Commissioner Chong
Todd Silbergeld	Commissioner Barrett
Mark Nadel	Policy, CCB
Brad Wimmer	NSD, CCB
Alan Thomas	NSD, CCB
Scott Shefferman	NSD, CCB
Michael Specht	NSD, CCB
Cathy Hsu	IAD, CCB
Susan McMaster	IAD, CCB
Linda Blake	IAD, CCB
John Nakahata	Chairman Hundt
Richard Welsh	Commissioner Chong

**OVERVIEW OF**

**PUBLIC COMMUNICATIONS POLICY**

**AFFECTING THE**

**PAYPHONE MARKETPLACE**

## **WHO IS APCC?**

- **NATIONAL TRADE ASSOCIATION OF INDEPENDENT PUBLIC PAY TELEPHONE MANUFACTURERS AND PROVIDERS**
- **FOUNDED IN 1988**
- **CURRENTLY MORE THAN 1000 MEMBERS**
- **CLOSE RELATIONSHIP WITH STATE PAYPHONE ASSOCIATIONS**
- **ACTIVE IN ALL FCC PROCEEDINGS AFFECTING PAYPHONES AND OPERATOR SERVICES**

## TECHNOLOGY

### LEC PUBLIC PAYPHONES

#### TECHNOLOGY

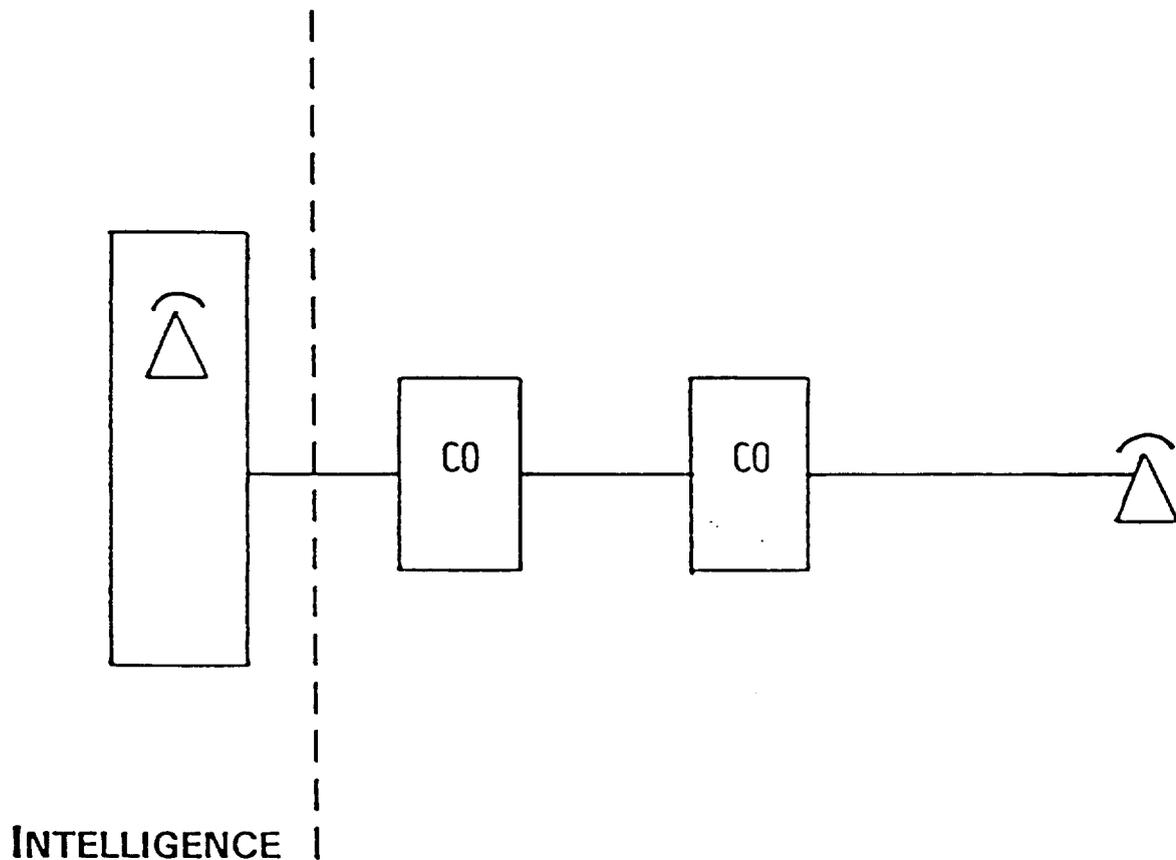
- A. GENERALLY "DUMB" PAYPHONE THAT INTERCONNECTS VIA "COIN LINE" FOR CENTRAL OFFICE CONTROL
1. CALL RATING
  2. COIN COUNTING
  3. ANSWER SUPERVISION
  4. COIN SUPERVISION
  5. ROUTING
    - OPERATOR TRUNKS ONLY ON INTERLATA AND INTERNATIONAL; TO OPERATOR STATION ONLY
    - NO FRAUD EXPENSE

### INDEPENDENT PUBLIC PAYPHONES

#### TECHNOLOGY

- A. "SMART" PAYPHONE DRIVEN BY ON-BOARD MICRO PROCESSOR - INTERCONNECTED VIA BASIC TELEPHONE LINE
1. CALL RATING
  2. COIN COUNTING
  3. CALL PROGRESS LINE TRACKING
  4. COIN SUPERVISION
  5. ROUTING
    - FG TRUNK ROUTING
    - FRAUD PROTECTION PURCHASED

INDEPENDENT PUBLIC PAYPHONE }  
CUSTOMER OWNED PAY TELEPHONE }  
COMPETITIVE PAY TELEPHONE }  
PRIVATE PAY TELEPHONE }

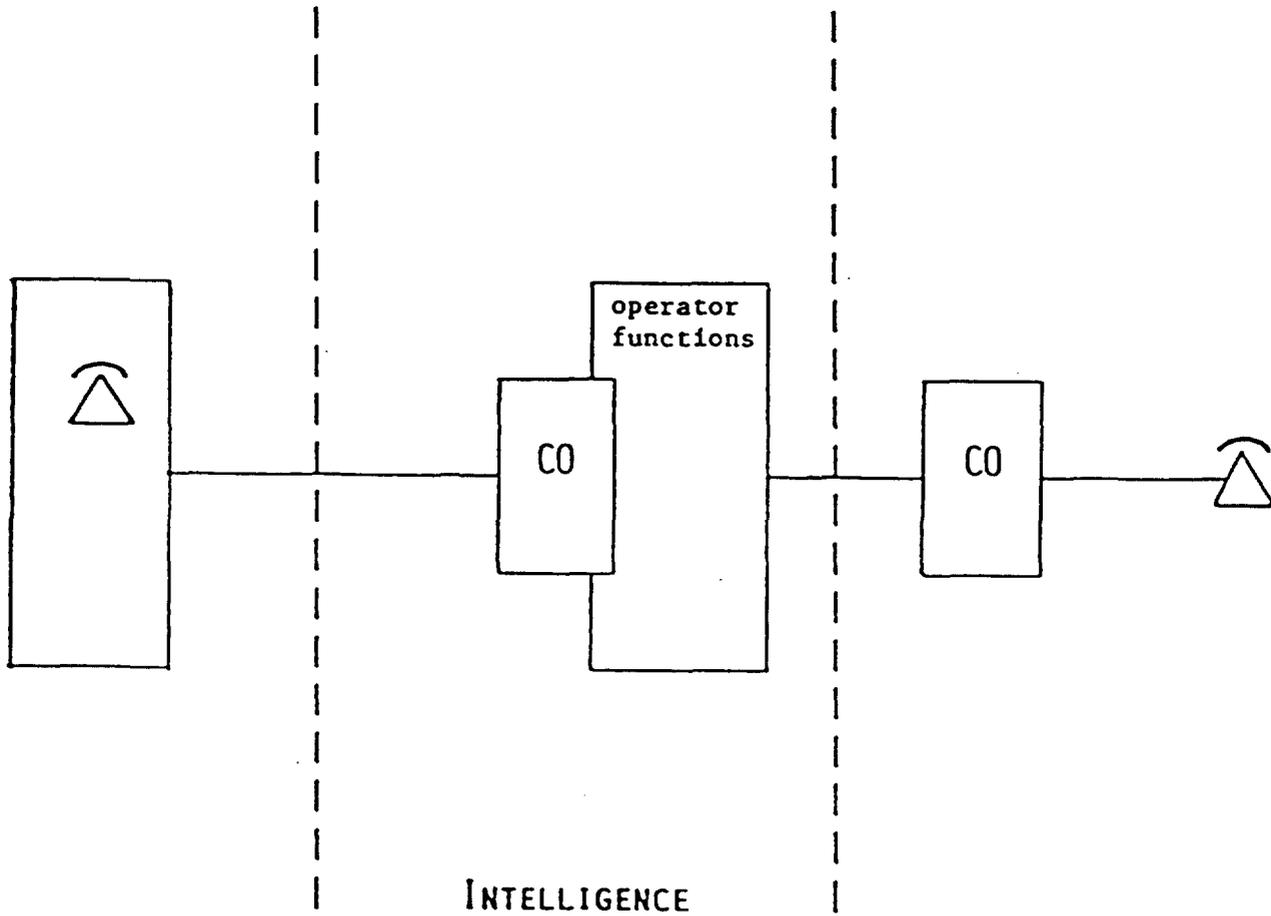


**"SMARTS" RESIDE IN THE PAY TELEPHONE ITSELF, OR IN DISTRIBUTED TECHNOLOGY. THEY DO NOT RESIDE IN THE NETWORK.**

**SERVICES PROVIDED ARE SET-BASED NOT NETWORK-BASED.**

*Courtesy of Intellicall.*

LEC



FUNCTIONALITY OF PAY TELEPHONE RESIDES IN THE NETWORK.

SERVICES ARE ALL NETWORK-BASED.

*Courtesy of Intellicall.*

**THE INDEPENDENT PUBLIC PAYPHONE INDUSTRY  
HAS BEEN FIRST IN:**

- **INTRODUCING NEW SERVICES:**

**STORE AND FORWARD PLATFORM**

**COMMERCIAL CREDIT CARD  
ACCEPTANCE**

**AUTOMATED COLLECT CALL CAPABILITY**

**VOICE MESSAGING SERVICES**

**VOICE RECOGNITION SERVICES**

**FOREIGN LANGUAGE OPERATORS**

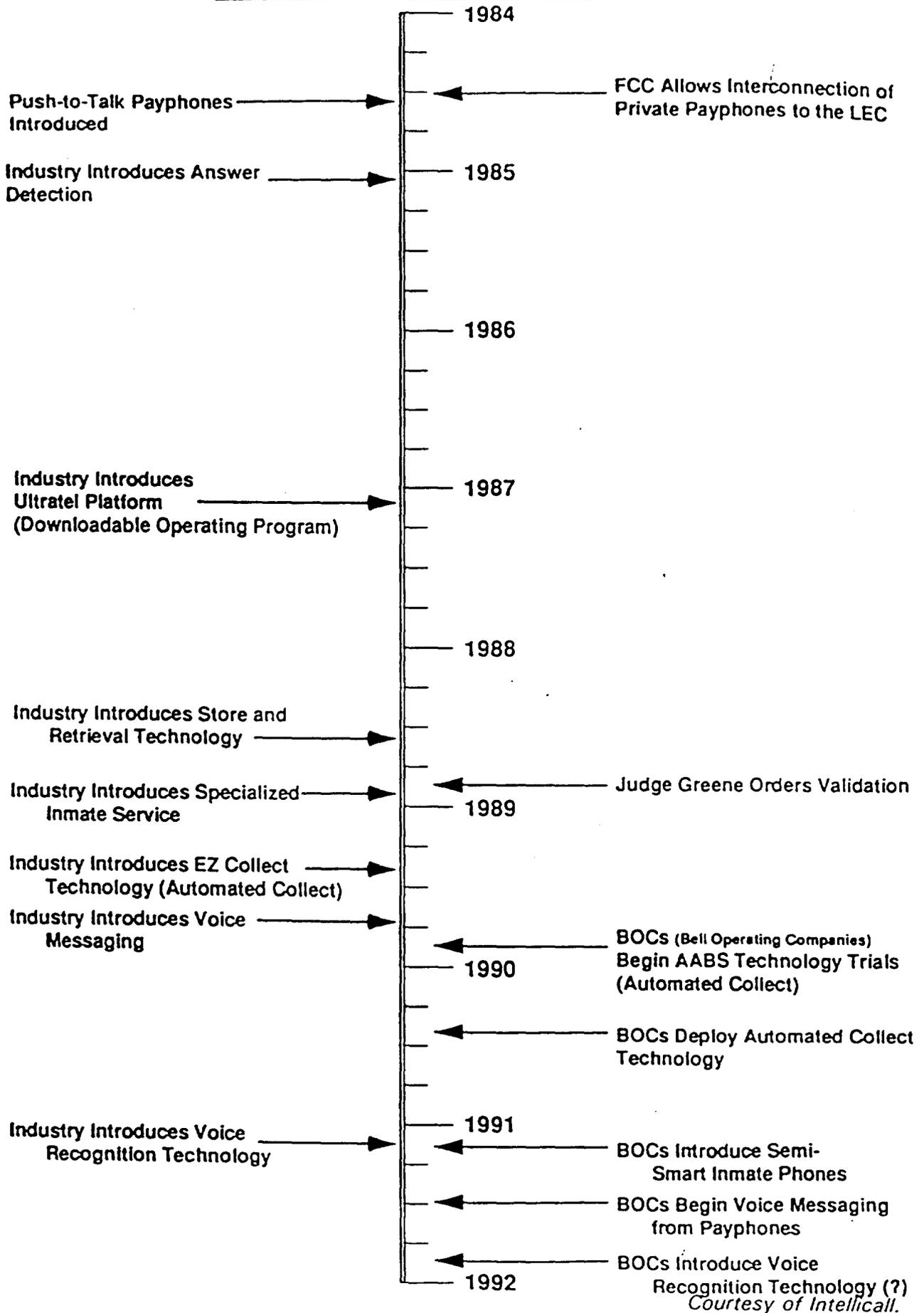
- **INTRODUCING MAINTENANCE AND REPAIR  
EFFICIENCIES:**

**POLLING CAPABILITY**

**COMPUTERIZED DIAGNOSTICS**

**IMPROVED COIN RETURN FUNCTIONS**

# Technology Timeline



## **DIFFERENT REGULATORY STATUS AND FORMS OF INTERCONNECTION RESULT IN DISCRIMINATION**

### **LEC PUBLIC PAYPHONES**

#### **REGULATORY TREATMENT**

- A. **TERMINAL EQUIPMENT (I.E., THE PAYPHONE STATION) IN "RATE BASE" "ABOVE THE LINE"**
  - 1. **PHONE BUNDLED WITH UNTARIFFED COIN LINE**
  - 2. **TERMINAL EQUIPMENT GOES INTO SEPARATIONS FOR RECOVERY THROUGH CCL CHARGE**
  - 3. **LOOP COST GOES INTO SEPARATIONS FOR RECOVERY THROUGH CCL CHARGE**
  - 4. **NO DEMARCATION POINT -- "NETWORK" WIRE TO PHONE**
  - 5. **DIRECTORY ASSISTANCE (DA) COST RECOVERED FROM OTHER RATE PAYERS**

### **INDEPENDENT PUBLIC PAYPHONES**

#### **REGULATORY TREATMENT**

- A. **TERMINAL EQUIPMENT IS DEREGULATED CPE**
  - 1. **INTERCONNECT TO BASIC SERVICE LINE AT TARIFFED RATE**
  - 2. **NO RATEPAYER COST**
  - 3. **IPP PROVIDER PAYS EUCL**
  - 4. **IPP PROVIDER PROVIDES INSIDE WIRE FROM DEMARCATION POINT TO IPP**
  - 5. **IPP PROVIDER USUALLY PAYS CHARGE FOR DA BUT CANNOT CHARGE END USER**

## **LEC PUBLIC PAYPHONES**

### **REGULATORY TREATMENT (CONT'D)**

- A. TERMINAL EQUIPMENT IN "RATE BASE" "ABOVE THE LINE" (CONT'D)
  - 5. ALL COSTS GO INTO SEPARATIONS FOR CCL RECOVERY
    - COMMISSIONS
    - ADVERTISING
    - SALES AND MARKETING
    - INSTALLATION
    - MAINTENANCE
    - COIN COLLECTION
    - BOOTHS, PEDESTALS, ETC.

## **INDEPENDENT PUBLIC PAYPHONES**

### **REGULATORY TREATMENT (CONT'D)**

- A. TERMINAL EQUIPMENT IS DEREGULATED CPE (CONT'D)
  - 5. IPP PROVIDER PAYS ALL COSTS
    - COMMISSIONS
    - ADVERTISING
    - SALES AND MARKETING
    - INSTALLATION
    - MAINTENANCE
    - COIN COLLECTION
    - BOOTHS, PEDESTALS, ETC.

## **LEC PUBLIC PAYPHONES**

### **REGULATORY TREATMENT (CONT'D)**

**B. GENERALLY A "SUBSIDIZED" AS OPPOSED TO A "CONTRIBUTING" SERVICE**

1. "ALWAYS" SUBSIDIZED IF INPUTS (I.E., DIALTONE, ETC.) ARE PRICED AT "IMPUTED" TARIFFED, CONTRIBUTING RATES
  
2. PART OF SUBSIDY IS EXTRACTED FROM IPP PROVIDER COMPETITORS
  
3. SUBSIDIZED "BY DEFINITION" AT FEDERAL LEVEL

**C. INSTALLED AT LEC'S DISCRETION**

## **INDEPENDENT PUBLIC PAYPHONES**

### **REGULATORY TREATMENT (CONT'D)**

**B. ALWAYS A CONTRIBUTING SERVICE**

1. "INPUTS" TARIFFED AT PREMIUM-PRICED "CONTRIBUTING" RATE
  - DIALTONE
  - USAGE
  - OTHER
    - DTMF (TOUCH-TONE)
    - SCREENING SERVICES
    - BLOCKING SERVICES
    - NON-RECURRING
  
2. "CONTRIBUTING" TO SUBSIDIZE LEC COMPETITION

**C. INSTALLED AT IPP PROVIDER'S DISCRETION**

**IPP PROVIDERS OFTEN DEPRIVED OF OPPORTUNITY TO  
EARN REVENUE FROM 0+ CALLS**

**LEC PUBLIC PAYPHONES**

**0+ CALLS**

**A. INTRALATA TOLL: CARRIED BY LEC**

- 1. LEC GETS REVENUE FROM OPERATOR CHARGES AND CARRIAGE CHARGES**
- 2. LEC PAYS COMMISSIONS TO LOCATION OWNER FOR THIS TRAFFIC**

**INDEPENDENT PUBLIC PAYPHONES**

**0+ CALLS**

**A. INTRALATA TOLL: OFTEN REQUIRED BY REGULATION TO GO TO LEC**

- 1. LEC GETS REVENUE BUT INCURS NO COSTS**
- 2. IN MOST STATES LEC PAYS NO COMMISSION TO LOCATION OWNER OR IPP PROVIDER FOR THIS TRAFFIC**
- 3. IPP PROVIDER RECEIVES NO REVENUE**

## **LEC PUBLIC PAYPHONES**

### **0 + CALLS (CONT'D)**

#### **B. INTERLATA, INTERNATIONAL**

- 1. GOES TO PRESUBSCRIBED OSP**
- 2. LEC GETS ACCESS REVENUE**
- 3. PRESUBSCRIBED OSP PAYS COMMISSION TO LOCATION OWNER**
- 4. LECs MAY PAY COMMISSION FOR THIS TRAFFIC EVEN THOUGH THEY DON'T HANDLE IT**
  - LEVEL OF COMMISSIONS GENERALLY EXCEED ACCESS CHARGE REVENUE**
  - COMMISSIONS CHARGED BACK THROUGH SEPARATIONS**

## **INDEPENDENT PUBLIC PAYPHONES**

### **0 + CALLS (CONT'D)**

#### **B. INTERLATA, INTERNATIONAL**

- 1. GOES TO PRESUBSCRIBED OSP**
- 2. LEC GETS ACCESS REVENUE, IPP GETS NO ACCESS REVENUE**
- 3. PRESUBSCRIBED OSP PAYS COMMISSION TO IPP PROVIDER, WHO PAYS COMMISSION TO LOCATION OWNER**
- 4. LEC PAYS NO COMMISSION TO IPP PROVIDER**

# IPP PROVIDERS USUALLY DEPRIVED OF OPPORTUNITY TO EARN REVENUE FROM 0- CALLS

## LEC PUBLIC PAYPHONES

### 0- CALLS

- A. ALWAYS GOES TO LEC
  - 1. INTRALATA TOLL
    - LEC GETS REVENUE
    - LEC GENERALLY PAYS COMMISSION TO LOCATION OWNER
  - 2. INTERLATA, INTERNATIONAL
    - TRANSFERRED TO AN OSP SUBSCRIBED TO OPERATOR TRANSFER SERVICE (OTS)
    - LEC RECEIVES TRANSFER FEE

## INDEPENDENT PUBLIC PAYPHONES

### 0- CALLS

- A. GENERALLY MUST GO TO LEC
  - 1. INTRALATA TOLL
    - LEC GETS REVENUE BUT INCURS NO COSTS
    - LEC PAYS NO COMMISSION TO LOCATION OWNER OR IPP PROVIDER
    - IPP PROVIDER GETS NO REVENUE
  - 2. INTERLATA, INTERNATIONAL
    - BECOMES DIAL-AROUND OR TRANSFERRED TO AN OSP SUBSCRIBED TO OTS (AND LEC RECEIVES TRANSFER FEE)
    - IPP PROVIDER GETS NO REVENUE
    - SOMETIMES CALLER MAY BE TOLD TO DIAL "00"
- B. 0- ROUTED TO PRESUBSCRIBED OSP
  - 1. MINORITY OF JURISDICTIONS

**ON A SIGNIFICANT AMOUNT OF INTERSTATE 0-  
THERE IS NO OPPORTUNITY FOR IPP PROVIDERS TO EARN REVENUE**

# FEDERAL ACCESS CODE DIAL-AROUND COMPENSATION PARTIALLY ADDRESSES A SMALL PORTION OF THE PROBLEM

## LEC PUBLIC PAYPHONES

### DIAL-AROUND COMPENSATION

- A. INTRALATA
  - 1. IN SOME JURISDICTIONS, MUST GO TO LEC; IN OTHERS, DIAL-AROUND ALLOWED
  - 2. ALL LEC PAYPHONE COSTS IN REGULATED REVENUE REQUIREMENT
  
- B. INTRASTATE INTERLATA
  - 1. ALL LEC PAYPHONE COSTS IN REGULATED REVENUE REQUIREMENT
  
- C. INTERSTATE AND INTERNATIONAL
  - 1. COMPENSATED BECAUSE LOOP COST GOES TO CCL
  - 2. OTHER COMPENSATION BECAUSE OTHER COSTS GENERALLY GO THROUGH SEPARATIONS

## INDEPENDENT PUBLIC PAYPHONES

### DIAL-AROUND COMPENSATION

- A. INTRALATA
  - 1. IN SOME JURISDICTIONS, MUST GO TO LEC; IN OTHERS, DIAL-AROUND ALLOWED
  - 2. CURRENTLY NOT COMPENSATED EXCEPT IN CA, IL
  - 3. AT&T HAS WITHDRAWN FROM AGREEMENT TO PAY 25¢ PER CALL
  
- B. INTRASTATE INTERLATA
  - 1. CURRENTLY NO PRESCRIBED COMPENSATION EXCEPT IN FL, GA, SC, IL
  - 2. AT&T AGREED TO PAY 25¢ PER CALL
  
- C. INTERSTATE AND INTERNATIONAL
  - 1. FCC-PRESCRIBED FLAT-RATE COMPENSATION IS CURRENTLY \$1.57/MONTH/IPP
  - 2. COMMISSION RECENTLY AUTHORIZED AT&T AND SPRINT TO COMPENSATE AT 25¢ PER CALL
  
- D. SUBSCRIBER 800 -- NO COMPENSATION EXCEPT INTRASTATE IN IL (30¢ PER CALL)
  
- E. NUMBER OF DIAL-AROUND CALLS CONTINUES TO INCREASE

## **IPP COSTS**

### **CAPITAL COSTS -- \$2,100 PER PAYPHONE:**

- INSTRUMENT AND SOFTWARE
- PEDESTAL AND ENCLOSURE
- INSTALLATION
- MARKETING

### **OPERATING COSTS:**

- LEC SERVICE CHARGES = 40-70% OF COIN REVENUE:
  - DIAL TONE LINE
  - LOCAL USAGE
  - NETWORK FRAUD PROTECTION (BLOCKING AND SCREENING)
  - END USER COMMON LINE
  - DIRECTORY ASSISTANCE
  - OTHER
- TOLL USAGE
- REPAIR AND MAINTENANCE
- COIN COLLECTION
- SPACE RENTAL (COMMISSIONS TO LOCATION OWNER)
- REGULATORY COMPLIANCE -- FEDERAL, STATE, LOCAL
- TAXES/PERMITS
- DEPRECIATION/AMORTIZATION
- OVERHEAD

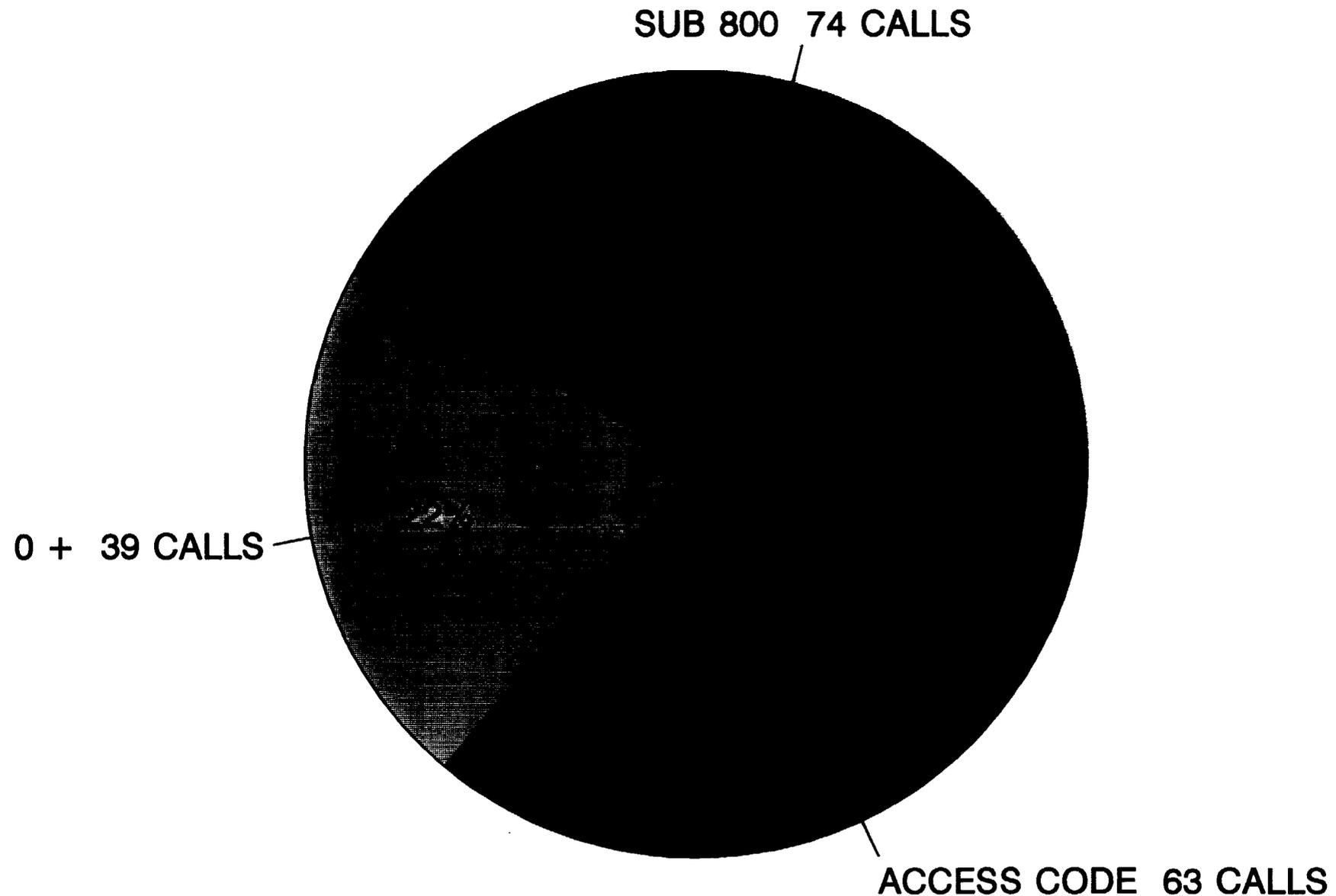
## **REVENUES OF INDEPENDENT PUBLIC PAYPHONE PROVIDERS FROM SERVICES ACCESSED AT PAYPHONE**

- |                                       |                                                                                                                                                                     |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>LOCAL COIN</b>                     | <ul style="list-style-type: none"><li>● RESOLD BY IPP PROVIDER</li><li>● GENERALLY CAPPED AT 25¢</li><li>● 60% OF IPP REVENUE</li></ul>                             |
| <b>"SENT-PAID"<br/>(COIN) TOLL</b>    | <ul style="list-style-type: none"><li>● RESOLD BY IPP PROVIDER</li><li>● INTRASTATE RATES OFTEN CAPPED</li><li>● INTERSTATE TRAFFIC VERY SMALL</li></ul>            |
| <b>"OPERATOR-ASSISTED"<br/>(0-)</b>   | <ul style="list-style-type: none"><li>● USUALLY MUST GO TO LEC</li><li>● LITTLE OR NO REVENUE OPPORTUNITY FOR IPP PROVIDER</li></ul>                                |
| <b>"OPERATOR-ASSISTED"<br/>(0 + )</b> | <ul style="list-style-type: none"><li>● MOSTLY CALLING CARD OR COLLECT</li><li>● IPP PROVIDER RECEIVES COMMISSION</li><li>● INTRASTATE RATES OFTEN CAPPED</li></ul> |
| <b>ACCESS CODE</b>                    | <ul style="list-style-type: none"><li>● INTERSTATE COMPENSATION PRESCRIBED BY FCC</li><li>● INTRASTATE COMPENSATION PRESCRIBED IN A FEW STATES</li></ul>            |
| <b>SUBSCRIBER 800</b>                 | <ul style="list-style-type: none"><li>● NO REVENUE EXCEPT IN IL</li><li>● INTRASTATE COMPENSATION AT 30¢/CALL IN IL, 10-95</li></ul>                                |

# EXAMPLE OF COINLESS CALL DISTRIBUTION

(160 IPPs, August 1995)

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## **"SUBSCRIBER 800" CALLS**

- **"SUBSCRIBER 800" = "RETAIL 800" = ANY 800 NUMBER THAT IS NOT A CARRIER ACCESS CODE (E.G., 800-FLOWERS)**
- **800 TRAFFIC ESTIMATED TO BE 40% OF ALL LONG DISTANCE**
- **PAYPHONE DATA INDICATE EQUAL OR HIGHER PERCENTAGE OF COINLESS PAYPHONE CALLS ARE SUBSCRIBER 800**
- **SUBSCRIBER 800 CALLING IS EXTREMELY CONVENIENT**
  - **NO CALL PROCESSING (COLLECT ACCEPTANCE OR CALLING CARD VALIDATION) REQUIRED**
  - **CALLER NEVER PAYS**
- **SUBSCRIBER 800 INCREASINGLY IS A SUBSTITUTE FOR ALL OTHER LONG DISTANCE CALLING (SENT-PAID, 0 + , ACCESS CODE)**
  - **BUSINESSES HAVE CALL-IN NUMBERS FOR EMPLOYEES, CUSTOMERS**
  - **PERSONAL 800 NUMBERS**
  - **ACCESS-CODE LIKE ACCESS TO A CALL-PROCESSING PLATFORM**

# **DIAL-AROUND COMPENSATION**

## **BASIC ISSUE**

- **IPP PROVIDERS BELIEVE ALL REVENUE-PRODUCING CALLS SHOULD CONTRIBUTE A PAYMENT FOR THE USE OF THE PAYPHONE**
- **IPP PROVIDERS RECEIVE REVENUE FOR ONLY SOME OF THE CALLS MADE AT THEIR PAYPHONES**
- **SPRINT ANALYZED 6 MILLION INTERLATA COINLESS CALLS:**

<b>0 +</b>	<b>25%</b>
<b>"ACCESS CODE"</b>	<b>20%</b>
<b>SUBSCRIBER 800</b>	<b>55%</b>
- **PEOPLES TELEPHONE COMPANY ANALYZED 28,000 COINLESS CALLS FROM 160 PAYPHONES:**

<b>0 +</b>	<b>22%</b>
<b>"ACCESS CODE"</b>	<b>36%</b>
<b>SUBSCRIBER 800</b>	<b>42%</b>
- **DIAL-AROUND (ACCESS CODE AND SUBSCRIBER 800) IS 75% OR MORE OF COINLESS CALLS IN THESE EXAMPLES**
- **0 + COMMISSIONS COMPENSATE IPP PROVIDERS ON 25% OR LESS OF COINLESS CALLS IN THESE EXAMPLES**

## **WHY IS DIAL-AROUND COMPENSATION IN THE PUBLIC INTEREST?**

- **"DIAL-AROUND" CALLERS/IXCS SHOULD PAY FOR USE OF PAYPHONE**
- **IPP PROVIDERS SHOULD NOT BE COMPELLED TO SUBSIDIZE IXCS BY ALLOWING FREE USE OF THEIR PHONE**
- **INEQUITY VIS-A-VIS LEC PAYPHONES**
- **"INTERSTATE" PAYPHONE COSTS (AND SUBSIDY FOR INTRASTATE SERVICE) FALL DISPROPORTIONATELY ON 0+ CALLERS**
- **UNFAIR TO 0+ CALLERS**
- **UPWARD PRESSURE ON 0+ RATES**

**TOCSIA -- 47 U.S.C. § 226**

**BECAME LAW OCTOBER 17, 1990**

**"THE COMMISSION SHALL CONSIDER THE NEED TO PRESCRIBE COMPENSATION (OTHER THAN ADVANCE PAYMENT BY CONSUMERS) FOR OWNERS OF COMPETITIVE PUBLIC PAY TELEPHONES FOR CALLS ROUTED TO PROVIDERS OF OPERATOR SERVICES THAT ARE OTHER THAN THE PRESUBSCRIBED PROVIDER OF OPERATOR SERVICES FOR SUCH TELEPHONES."**

## **CC DOCKET No. 91-35**

### **FCC'S FIRST REPORT AND ORDER**

**AUGUST 9, 1991**

**6 FCC RCD 4736**

- **"WE CONCLUDE THAT CONSIDERATIONS OF EQUITY REQUIRE US TO PRESCRIBE COMPENSATION."**

### **FCC'S SECOND REPORT AND ORDER**

**MAY 8, 1992**

**7 FCC RCD 3251**

- **THE COMMISSION RECOGNIZED THAT A USAGE-BASED DIAL-AROUND COMPENSATION SYSTEM WOULD BE BEST AND FOCUSED ON A PER-CALL COMPENSATION SYSTEM AS THE OPTIMUM METHOD.**
- **BECAUSE A PER-CALL SYSTEM WAS NOT TECHNOLOGICALLY FEASIBLE, THE COMMISSION IMPLEMENTED A FLAT-RATE DIAL-AROUND COMPENSATION SYSTEM UNTIL A PER-CALL SYSTEM BECOMES POSSIBLE.**
- **IPP PROVIDERS RECEIVED FLAT-RATE DIAL-AROUND COMPENSATION OF \$6.00 PER PAYPHONE PER MONTH**
- **THE COMMISSION DEFINED DIAL-AROUND CALLS TO EXCLUDE 1-800 SUBSCRIBER CALLS. THUS, IPP PROVIDERS ARE STILL NOT COMPENSATED FOR AS MANY AS 50% OF INTERSTATE CALLS MADE USING THEIR EQUIPMENT.**

## **SUBSCRIBER 800 COMPENSATION**

- **FCC'S 1991 FIRST REPORT AND ORDER RULED THAT TOCSIA DID NOT AUTHORIZE THE FCC TO CONSIDER COMPENSATION FOR SUBSCRIBER 800 CALLS -- SUBSCRIBER 800 CALLS ARE NOT "ACCESS CODE" CALLS**
- **APCC APPEALED THIS RULING**
- **IN 1995, THE COURT OF APPEALS RULED THAT TOCSIA DID AUTHORIZE AND REQUIRE THE FCC TO CONSIDER COMPENSATION FOR SUBSCRIBER 800 CALLS (FLORIDA PUBLIC TELECOMMUNICATIONS ASSOCIATION V. FCC, 54 F.3D 857 (D.C. CIR. 1995))**
- **SUBSCRIBER 800 COMPENSATION CAN BE PRESCRIBED AS PART OF EITHER FLAT-RATE OR PER-CALL SYSTEM**