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

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In the Matter of	)	
	)	
Amendment of the Commission's Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115

REPLY COMMENTS OF
INTELLICALL OPERATOR SERVICES, INC.

INTELLICALL OPERATOR SERVICES, INC. ("Intellicall"), by and through its attorneys, hereby respectfully offers its reply comments in response to the Federal Communications Commission's (the "Commission") Notice of Proposed Rulemaking.[1] As more fully set forth below, Intellicall submits that the Commission should not mandate the provision of debit card services by the local exchange carriers ("LECs") as a means of increasing telephone subscribership, because the debit card industry has matured to a point where there are enough providers to address existing and future consumer needs.

1 Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, Notice of Proposed Rulemaking, CC Docket No. 95-115, FCC No. 95-281 (July 20, 1995) ("NPRM").

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I. INTRODUCTION AND BACKGROUND

Intellicall is a provider of operator services in numerous states, and has been providing such services since 1987. Recently, Intellicall has entered the prepaid long-distance service market and, where required by state law, has obtained certificates and/or authorizations to provide said services. Intellicall neither owns, leases, nor operates any switching, transmission, or other physical facilities in the states in which it provides prepaid services. As a major provider of prepaid services in the United States, Intellicall is interested in, and is uniquely qualified to comment on, the issues posed by the Commission's subscribership proposal. Although Intellicall did not file comments in this proceeding for reasons unrelated to lack of interest, Intellicall now respectfully submits the instant reply comments, offering its support to those who believe that the Commission should not mandate LEC provision of debit cards.

In the NPRM, the Commission proposed a general framework for enhancing telephone subscribership levels in a cost-effective manner. Specifically, the Commission invited ideas about how the market can work better to reduce obstacles that prevent those who want telephone service from being able to afford it and to help those with service to maintain it. In this regard, the Commission invited comments on whether it should require carriers to offer call control services in the event the Commission adopts rules prohibiting disconnection of local service for nonpayment of long-distance charges.

Although the Commission did not propose to require the local exchange carriers to provide debit card services at this time,[2] the Commission did identify debit card services as a feasible means of controlling long-distance telephone usage:

> In addition to blocking certain long distance calls, LECs may restrict long-distance usage as measured by minutes of use or by dollar amount. Although we do not now propose to require introduction of these services, we believe that there are likely to be numerous viable and cost-effective ways to enable telephone customers to control use of their telephones to make long-distance calls. For instance, customers may desire services that establish a pre-set monthly dollar limit on long-distance service, per-minute use limitations or voluntary time-of-day restrictions. Customers may also be interested in using debit cards or personal access codes to limit use to certain individuals with access to specific telephones.[3]

Thus, while stopping short of proposing to mandate the provision of debit card services by the LECs, the Commission intimated that debit cards could be a viable means of addressing subscribership problems.

Intellicall fully concurs with Cincinnati Bell Telephone Company that the Commission should not mandate debit card services, but rather, the competitive market should determine the need for such services.[4] Intellicall further agrees with Time

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2 The term "debit card service" has been defined in a number of different ways and has, over time, become synonymous with "prepaid service." For purposes of these reply comments, no distinction will be made between the two.

3 NPRM, at 9 para. 19 (emphasis added).

4 See Comments of Cincinnati Bell Telephone Company, at 9-10.

Warner Communications Holdings, Inc. that the best way to assure delivery of a wide range of services and capabilities is through robust competition, and the Commission should consider mandating such services only if the competitive process fails to do so.[5]

II. THE COMMISSION SHOULD NOT MANDATE THE PROVISION OF DEBIT CARD SERVICES BY THE LECs.

A number of commenters recognize the viability of debit cards as a means for low-income and/or highly mobile populations of maintaining connection to the public switched telephone network, as the Commission itself has acknowledged.[6] Intellicall agrees with the Commission and the commenters that debit cards provide an extremely useful, ubiquitous, and cost-effective way of telephonic communications, particularly for those who, either for financial or mobility reasons, are not able to subscribe to traditional telephone services. Intellicall, however, does not believe that the Commission should mandate the provision of debit card services by the LECs, now or in the future.

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5 See Comments of Time Warner Communications Holdings, Inc., at 11.

6 See Comments of Organization for the Protection and Advancement of Small Telephone Companies, at 7; Comments of the United States Telephone Association, at 14; Comments of National Telephone Cooperative Association, at 16; Comments of Pacific Bell and Nevada Bell, at 33; Comments of Southwestern Bell Telephone Company, at 21; Comments of AT&T Corporation, at 13; Comments of Sprint Corporation at 14; Comments of Time Warner Communications Holdings, Inc., at 11; Comments of the Florida Public Service Commission; Comments of the Pennsylvania Public Utility Commission, at 9.

Debit cards are now readily available. Several hundred debit card providers are currently offering or are planning to offer prepaid calling card services in the United States, and that number continues to increase significantly. Consumers may, for example, purchase cards through the distribution chain or may receive cards free as part of a promotion; as an incentive to try a product or service; or as a premium in return for making a donation to a charitable or other nonprofit organizations. A multiplicity of distribution centers, such as convenience stores, vending machines, etc., now carry debit cards, making the service widely available and easily accessible. Debit cards are also available for purchase by mail.

Sales of debit cards have accelerated over the years, as a further testament to the proliferation of debit card providers in the United States. In 1991, for instance, 100,000 debit cards were sold in the United States. According to industry sources, in 1994, between 50 and 100 million debit cards were sold.[7] Indeed, many of the nation's interexchange carriers, payphone providers, independent local exchange carriers, and some Regional Bell Operating Companies, offer some type of prepaid calling card service as an ancillary service for the convenience of their existing subscribers, as well as to remain competitive in their respective industry segments.[8] Current competitive data clearly

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7 See Prepaid Calling Car Source, '94 Reference Guide, INFOMARK Dimensions International, Inc. (Apr. 1994).

8 See generally Comments of The Telecommunications Resellers Association, Investigation to Consider Whether Competitive

Continued on following page

demonstrate that the industry is growing, and that there are enough providers to address the existing communications needs of low-income and/or mobile consumers, without further requiring the provision of debit card services by the LECs.

Moreover, because the large telecommunications providers, such as the big three IXCs, are taking a calculated approach to entering the debit card market, the industry is dominated by newer, smaller entrepreneurial companies that have successfully pushed the debit card market forward through innovation and determination.[9] Any decision to mandate the provision of competitive debit card services by the LECs would more than likely affect the existing competitive balance and, ultimately, decimate many, if not all, of these fledgling but innovative entrepreneurial companies.

Finally, from a public policy perspective, it simply does not make sense to force carriers to enter a competitive marketplace which they either have no intention of entering or are not presently prepared to enter. Intellicall submits that the competitive process is working with respect to debit card services, as demonstrated by the number of debit card providers that currently provide service, and, hence, the Commission should not mandate the participation of the LECs in that marketplace.

Continued from previous page
Long Distance Telephone Service Should be Allowed in North Carolina and What Rules and Regulations Should be Applicable to Such Competition if Authorized, Docket No. P-100, Sub 72 (Oct. 6, 1995).

9 See Intele-Card News, v. 1, no. 2 (Sept. 1995).

III. CONCLUSION

Intellicall applauds the Commission's goals of promoting universal service, increasing telephone subscribership, and otherwise assuring the connection of the vast majority of the public to the public switched telephone network. Intellicall believes, however, that mandating the provision of debit card services by the LECs in order to address the problem of subscribership is inappropriate and at odds with the Commission's pro-competitive policy. Indeed, any such action by the Commission would have a deleterious effect upon the debit card marketplace as it exists today. Accordingly, Intellicall urges the Commission not to mandate the provision of debit card services by the LECs.

Respectfully submitted,

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November 20, 1995

CERTIFICATE OF SERVICE

I, Regina Alston, hereby certify that a copy of the foregoing Reply Comments of Intellicall Operator Services, Inc. was served upon the following on this 20th day of November, 1995, by first class mail, postage prepaid, unless otherwise indicated:

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