

FEDERAL COMMUNICATIONS COMMISSION

Comments of Inmate Calling Services
Providers Coalition

CC Docket No. 96-12
Filed July 1, 1996

payphone location contracts generally, are a key element in the value of inmate calling operations.

The reasons why these contracts must be valued separately from the net book value of hard assets can be easily illustrated. Exhibit 5 is a summary of bid proposals prepared by the Government Services Administration of the State of California. It shows that Pacific Bell made an advance payment of \$3,500,000 on a contract with California correctional authority. Unlike a regular business that would capitalize and amortize that payment over the life of the contract, Pacific expensed the \$3,500,000 at ratepayer expense. But that \$3,500,000 will not show up in any transferred account or as "net book value." Yet Pacific will have a tremendous competitive advantage and Pacific ratepayers will have an unrecoverable loss if the contract is not valued.

Of course, this specific contract is only one of many. But it illustrates why the BOC contracts must be valued separately from any net book value of assets.

One measure of the value of the contracts is the prices being paid by buyers acquiring ICSP companies. Recently, ICSP companies have been valued at \$8,000 to \$15,000 per installed line. The equipment costs associated with each line range from \$1,500-\$4,000. Thus, the value of the contract and associated intangibles is 50% or more of the total value of the line. Since the contract is a key determinant of asset value, the

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contract should be transferred with the assets, and the value of the contract should be included in the asset valuation.³¹

**IV. THE COMMISSION MUST END THE SUBSIDIZATION OF
BOC INMATE CALLING SERVICES AND DISCRIMINATION
AGAINST INDEPENDENT ICSPS**

In addition to requiring that LEC inmate calling services operations be transferred out of regulated accounts, Section 276 also requires the Commission to establish nonstructural safeguards for BOC inmate calling services operations that, at a minimum, meet the requirements of Computer III.³² Computer III, however, is only the minimum level of protection contemplated by Section 276. The Commission should put into place stronger protections, to ensure that a BOC cannot "subsidize its [inmate calling] service directly or indirectly from its telephone exchange service operations or its exchange access operations"³³ and to ensure that the BOC cannot "prefer or discriminate in favor of its [inmate calling] service"³⁴

In the Notice, the Commission proposes to meet its obligation under the Act to ensure the nonstructural separation of BOC payphone operations by requiring that each BOC submit a Comparably Efficient Interconnection ("CEI") plan within 90 days of the effective date of the Commission's order in this proceeding. BOC compliance with

³¹ The Coalition fully agrees with the points made by APCC in its Comments in this proceeding with respect to this issue. The Coalition also supports the valuation approaches proposed in the APCC comments.

³² 47 U.S.C. § 276(b)(1)(C).

³³ 47 U.S.C. § 276(a)(1).

³⁴ 47 U.S.C. § 276(a)(2).

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the CEI regime is, however, inadequate in the inmate calling systems context. Under Computer III, the BOCs were required to file a CEI plan before introducing enhanced services offerings. Once the Commission approved the plan, the BOCs could go forward with their service offerings. Here, the situation is different. The BOCs are already in the business of providing inmate calling services. Unless the BOCs are required to stop providing those services until a CEI plan is filed and approved (a step that we assume the Commission does not currently intend to take), the BOCs have little if any incentive to voluntarily prepare and implement an acceptable CEI plan in a timely fashion.

Moreover, the BOCs have historically discriminated against independent ICSPs by commingling their inmate operations costs with general ratepayer accounts and by providing independent ICSPs with information and services far inferior to those supplied to their own inmate divisions. The Commission must immediately put into place the safeguards necessary to ensure an end to unfair competition.

The Coalition generally endorses APCC's Comments and the comments of the Georgia Public Communications Association in this proceeding as applicable here, but several critical issues affecting independent ICSPs merit special attention. Those issues include (1) BOC provision of account and fraud control information to independent ICSPs; (2) the nondiscriminatory handling of independent ICSP billing and collection by the BOCs, including BOC treatment of bad debt; and (3) the terms under which both BOC inmate calling services divisions and independent ICSPs will purchase regulated service offerings from BOC regulated divisions.

A. BOC Provision of Account and Fraud Control Information to Independent ICSPs

Independent ICSPs have historically been handicapped in their ability to compete with BOC inmate calling services operations because the BOCs have provided critical account and fraud control information to their inmate divisions that they have refused to make available to independent ICSPs on an unbundled basis and on reasonable terms. While some of this information can be obtained if the ICSP enters into a direct billing agreement with the BOC, the cost of entering into such a billing arrangement is generally prohibitive.³⁵ Moreover, some BOCs refuse to provide the information even to ICSPs with whom they have billing and collection agreements.³⁶ As a result, the vast majority of independent ICSPs use third-party billing clearinghouses. The billing agreements between the BOCs and such third-party clearinghouses typically prohibit the use of information supplied to the clearinghouse by any other party.

The critical information that the BOCs currently provide to their own operations but historically have refused to make available to independent ICSPs on reasonable terms includes, among other things:

- Customer account information, including Social Security number and customer code;
- Service establishment date;
- Disconnect Date and reason for disconnect;

³⁵ Billing and collection agreements can require upfront payments by independent ICSPs of \$75,000 or more.

³⁶ Even where the BOC is willing to provide the information, it is unavailable to independent ICSPs for unpublished numbers. Inmates and their families have learned to take advantage of this fact. In some localities, 25% or more of the numbers called by inmates are unpublished.

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- Additional lines;
- Previous telephone numbers, if any;
- Service restrictions;
- Class of service;
- Payment history;
- Calling patterns/returns;
- Credit history; and
- Features (e.g. call forwarding or three-way calling)

Section 276's directive that the BOCs not discriminate in favor of their own operations requires that the Commission order that the account and fraud control information listed above also be made available to independent ICSPs on a nondiscriminatory basis. In 1993, the Commission determined that the BOCs (and all non-BOC LECs) are obligated to provide billing name and address ("BNA") on a nondiscriminatory basis as a regulated common carrier service subject to tariff.³⁷ The Commission took this action because it found that "only the LECs can provide BNA in accurate up-to-date form, and we cannot be confident that all LECs will provide BNA at reasonable rates and in a nondiscriminatory basis unless BNA is regulated as a Title II service."³⁸ The same concerns that prompted the Commission to act with respect to BNA are equally relevant with respect to the other information. Without the information listed above, independent ICSPs are handicapped in their ability to compete with the BOCs' inmate divisions, for which the information is readily available. The Commission should order that the BOCs provide this information upon request on an unbundled, nondiscriminatory basis at a reasonable charge

³⁷ Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, Second Report and Order, 8 FCC Rcd 4478, 4482, ¶ 20 (1993).

³⁸ Id.

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Moreover, the Commission should order that this information be provided on a real-time basis. The BOCs have access to this information on-line and, presumably, can check any relevant item before completing an inmate call. This allows them to identify potential problems and minimize the bad debt that is incurred. If independent ICSPs are to be placed on equal footing with the BOCs -- as Section 276 requires -- they must be able to do the same. Thus, the Commission must order that the BOCs make public, or at least provide independent ICSPs with access to, their internal customer databases. for the limited purpose of validating account information to the extent necessary for billing and collection.

Not only must the BOCs make this information available to the independent ICSPs, they must provide it to their own inmate calling services on the identical terms and conditions as an arm's length transactions. The Commission must ensure that to the extent that independent ICSPs are charged for information, their inmate divisions are similarly charged.

The validation of called number billing status through LIDB is another area where the Commission must act in order to ensure equal, nondiscriminatory treatment for independent ICSPs, as required by Section 276. The tariffs of six of the seven regional Bell operating companies require that LIDB validation be performed on an on-line, real-time basis. As a result, ICSPs must validate every call, even where the call is to a known, recently called number. The cost for each LIDB check is \$.06 or more. Since every attempted call must be validated, including calls to busy numbers,

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unanswered calls, and refused calls, ICSPs spend \$.20-.30 or more on validation for every revenue-generating call. By contrast, there is no mechanism in place that ensures that the BOCs' inmate divisions must bear their costs for LIDB validation. Moreover, it is not clear that the BOCs charge themselves the same rates charged to ICSPs by LIDB clearinghouses.

The Commission must require the BOCs' inmate divisions to access LIDB under the same terms and conditions as independent ICSPs. This will ensure both that they properly account for their costs and that they pay the same rate as ICSPs.

In addition, the Commission must also address the problem of competitive local exchange carrier ("CLEC") number validation. LIDB provides no indication that a called party has switched telephone companies from an incumbent LEC to a CLEC. If the called number validated properly before the switch, it continues to do so. As a result, the independent ICSP has no way of knowing that it should not continue to send its billing data to the LEC. Several months later, the LEC reports the call as uncollectible. Since no explanation is given, the independent ICSP has no way of knowing why the call was uncollectible. And, even if it could determine that the call was to a CLEC, the independent ICSP does not know which CLEC.

Since the competing BOC knows that the called party has switched carriers, and knows the identity of the CLEC, BOC inmate divisions have a tremendous advantage. This advantage will only grow as competition develops and more customers

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elect to switch to CLECs. To level the playing field, the Commission must require that this information be made available generally. To the extent that it is furnished to the BOC's inmate division, it must also be given to their independent counterparts.³⁹

B. Nondiscriminatory Treatment of Billing and Collection

In addition to being unable to obtain critical account information, independent ICSPs are also discriminated against as a result of the differences in the way they must bill inmate 0+ collect calls versus the way the BOCs bill for the same type of call. Billing and collection has been deregulated since 1986.⁴⁰ However, Section 276 draws no distinction between regulated and unregulated services; it says simply that a BOC providing payphone service "shall not prefer or discriminate in favor of its payphone service." 47 U.S.C. § 276(a)(1). Thus, the Commission must address in this proceeding the currently discriminatory and anticompetitive billing and collection practices engaged in by the BOCs on behalf of their inmate calling services operations.⁴¹

As a result of their current billing practices, BOC inmate calling services operations currently do not have to account for their bad debt.⁴² The BOCs do not retain

³⁹ In addition, the Commission should require that LIDB be updated to return a carrier code in response to validation inquiries.

⁴⁰ Detariffing Billing and Collection, 102 FCC 2d 1150, 1170-71, ¶ 38 (1986).

⁴¹ Though billing is deregulated and thus independent ICSPs are free to perform their own billing, the billing services offered by the BOCs have the strong advantage of being coupled with billing for local telephone service.

⁴² BOC inmate services operations send their call record to the BOCs' billing and collection departments in the standard format generated by the Automatic Message Accounting ("AMA") system. The calls therefore appear on the customer's regular billing pages.

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information regarding the calling line when they bill a call on behalf of their inmate calling services operation. As a result, any call for which the BOC is unable to collect is not charged back against the BOC's inmate calling services operation. Instead those uncollectibles go into a common pool with residential and business bad debt. Thus, the ratepayers bear the costs of the BOC inmate divisions' bad debt.

By contrast, because independent ICSPs bill for their calls using a different record format, the BOC has a record of who the billing party is.⁴³ Thus, when the BOC cannot collect for a call, that bad debt is charged back to the independent ICSP, which then must account for its entire cost. In addition, the independent ICSP is liable for the costs of the call, even though it is unable to collect from the called party.

In order to address this inequity, the Commission should require that the BOCs' inmate calling services operations enter into arm's length billing and collection agreements with the BOCs' billing divisions. Further, the BOCs must be required to provide billing and collection services to independent ICSPs' on the same terms and conditions that they offer such agreements to their own inmate calling services divisions.

Another way in which the BOCs currently discriminate against independent ICSPs with respect to billing and collection is in the length of time it takes them to report

⁴³ In order to bill a call, independent ICSPs send a call record to a third party service bureau (or where there is an agreement with the BOC, to the BOC's third party billing and collection department). The independent ICSP sends the call record in the standard format used for third party billing, Exchange Message Interface ("EMI"). Calls billed in the EMI format appear on a separate page in the called party's bill. This makes it possible for the billed party to easily identify, and not pay for, those calls.

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a call as uncollectible. It is not unusual for it to be as long as 12 to 18 months from the time the independent ICSP submits a call record until the ICSP learns the call is uncollectible, either as a result of fraud or the called party's inability or unwillingness to pay. During that period, thousands of additional dollars of fraud may have occurred that would have been prevented had the BOC timely reported the call as uncollectible. To ensure the ability of independent ICSPs to compete fairly with the BOCs, the Commission should establish reasonable time limits for the provision of billing results. In particular, the Commission must require that the BOCs report to independent ICSPs when the billed party has denied responsibility for the ICSPs portion of their bill. Currently, this is a source of considerable fraud because inmate families have learned that they can deny knowledge of the calls billed by the ICSP but not risk the termination of their phone services by paying the BOCs' portion of their bill.

C. Purchase of Regulated Service Offerings by BOC Inmate Calling Services Operations

With respect to any other services made available to BOCs' inmate calling services, the Commission should make clear that such products or services must be available to independent ICSPs on the same terms and conditions as they are to the BOCs' inmate divisions. As recognized in the Notice, the minimum standard required by the Act is that of Computer III. Therefore, the same interfaces used to interconnect BOC inmate call control and call processing systems whether networked-based or premises-based, must be available to independent ICSPs.

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In addition, the Commission must require those BOCs that use central office-based inmate calling systems to allow independent ICSPs to collocate their equipment in the BOCs' central offices. See 47 U.S.C. § 251(c)(6). At the very least, virtual collocation should be made available, as required by Computer III.

The Commission should review the pricing of network services to ensure that prices are set at fair levels. The Coalition is concerned that the BOCs may have a strong incentive to price those services below market to themselves.

A related issue is that the Commission must ensure that the BOCs do not provide themselves with volume discounts for network services at volume levels so high as to effectively ensure that only the BOCs' inmate calling services operations can benefit. One way to limit potential volume discount abuse by the BOCs is for the Commission to require the BOCs to allow independent ICSPs to aggregate for the purpose of qualifying for such discounts.

V. CONCLUSION

Section 276 requires that the Commission ensure ICSPs are fairly compensated for each and every call made from their equipment. To carry out this mandate, the Commission should establish for all ICSPs the same \$.90 inmate system compensation charge that it has already implicitly approved for AT&T's tariffed Prison Collect With Controls service. Such a charge will provide ICSPs with fair compensation for their integrated package of equipment and services. Section 276 also requires that

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the Commission must establish the safeguards necessary to ensure an end to the subsidization of BOC inmate divisions and the BOCs' discrimination against independent ICSPs. An end to such subsidization and discrimination will not only allow independent ICSPs to compete on equal footing, it will also inure to the benefit of inmates by spurring further advancements in inmates calling systems that will continue to improve inmates' access to telephones.

July 1, 1996

Respectfully submitted,



Albert H. Kramer
Robert F. Aldrich
Jacob S. Farber

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(202) 785-9700

Attorneys for Inmate Calling Services
Providers Coalition



July 6, 1994

Phil Braxton
Paytel Communications, Inc.
9 Oak Branch Drive
Greensboro, North Carolina 27407

Dear Phil

Bad debt within ZPDI's inmate telephone provider customer base averages between 8% and 28%. The bad debt varies greatly from provider to provider due to procedures regarding toll restrictions, LIDB validation, utilization of high toll reports, etc.

The following data is a sampling of inmate telephone providers. The percentages reflect first quarter 1994 average bad debt true up data. Remember that bad debt true occurs 7 to 14 months after your call records are submitted to ZPDI

Customer A	8.12%
Customer B	11.1%
Customer C	14.2%
Customer D	27.8%

Please feel free to call me at 210/525-6248 if you have further questions. I hope that you find this information useful.

Best Regards,

Linda J. Basinger
Director of Sales

Corporate Offices

9311 San Pedro, Suite 300, San Antonio, Texas 78216
(210) 525-9009 Fax (210) 525-0389



October 5, 1995

Vincent Townsend
APCC
Inmate Services Committee
P.O. Box 8179
Queensborough, NC 27419

Dear Vincent:

This letter is in response to our recent phone conversation during which you asked if OAN Services would share information with your organization related to the bad debt performance of its inmate services customers. As we discussed, many factors affect the bad debt performance of OAN customers some of which are under the control of the service provider such as maintaining effective validation and call volume threshold systems. Others, such as state regulation affecting the local exchange carrier's ability to collect for toll or national/regional economic trends are factors can significantly affect the collectibility of the service provider's toll but are outside of the provider's control.

Because of these variables, it is difficult to generalize about bad debt within the inmate services industry across multiple providers operating in different regions, each with its own proprietary control systems in place. Consequently, the average bad debt for the best performing OAN inmate service providers seems more meaningful than the worst performers.

Keeping these qualifications in mind, the best performances among OAN customers exclusively providing inmate services average between 12% and 14% bad debt. The worst performances for the same group average between 20% and 30%. The major significance of the best inmate services performance figures is that they are double to triple the best performances by other operator services companies billing through OAN.

I hope that these figures are useful to you. OAN is pleased to work with your organization to do anything that we can to help reduce the bad debt impact on industry. Please call if you have any questions.

Sincerely,

Ronald F. Evans
General Manager

OAN Services, Inc.

7755 Haskell Avenue ▲ Van Nuys, California 91406 ▲ (818) 786-4626 • Fax (818) 781-4456



February 16, 1995

Mr. Vince Townsend
North Carolina Payphone Association
P.O. Box 8179
Greensboro, NC 27419

Dear Vince:

Consolidated Communications, Inc. (CCI) is a highly diverse telecommunications organization that began as a small telephone company over 100 years ago. CCI is a family owned telecommunications company and the parent company of several strategic business units including Illinois Consolidated Telephone Company, the 25th largest independent Local Exchange Company in the United States. CCI also owns a fiber optic network Interexchange Carrier, Consolidated Network, Inc. Another subsidiary, Consolidated Communications Operator Services provides operator services to Local Exchange and Interexchange Carriers. Consolidated Communications Public Services holds the contract with the State of Illinois to provide inmate services to the Department of Corrections. CCI also owns a telemarketing company, Consolidated Telemarketing of America and a directory company, Consolidated Communications Directory, Inc. Other subsidiaries which provide mobile, paging and business systems are Consolidated Communications Mobile Services and Consolidated Communications Business Systems (see attached chart).

Consolidated Communications Public Services (CCPS) not only serves State facilities but also serves County Jails in Illinois and Wisconsin. CCPS was awarded several contracts with the State of Illinois in the late 1980's. Illinois Consolidated Telephone Company (ICTC) being a regulated Local Exchange Carrier with presence in Central Illinois has served the Inmate Market for over 100 years.

CCPS is very familiar with uncollectibles and fraud in the prison business. Prior to implementing any fraud control initiatives and call control features, CCPS was experiencing uncollectibles/fraud over 25%. We are proud to say we have been successful in reducing the uncollectibles/fraud below 15% by implementing the following programs:

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Mr. Vince Townsend

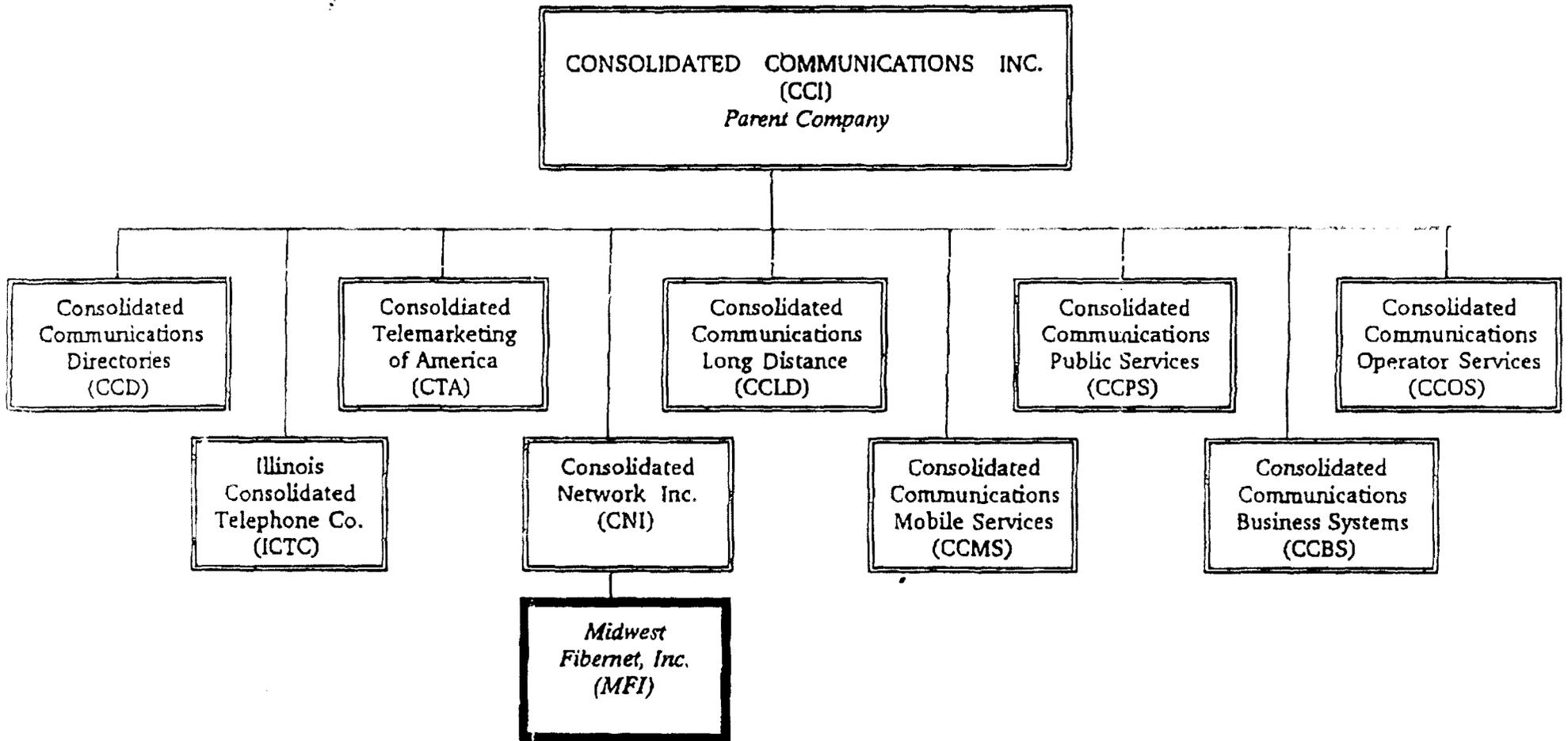
1. Direct Billing and Collection Agreements with LECs
2. Sharing Account Information with LECs
3. Three-Way Call Detection
4. Velocity Checks
5. High Toll Reports
6. Automated Operators
7. Time Limits
8. Real Time Centralized Call Detail Reporting
9. Negative Databases
10. Call Branding
11. Repeat Branding/Voice Overlays
12. Real Time LIDB/BNS Query
13. Inmate Phone Reports
14. Securing Customer/Bill Name and Address
15. Customer Contact to Verify Credit Worthiness
16. Credit Checks
17. Toll Limits

If I can be of any more assistance, please do not hesitate to call me at (217) 235-4416.

Sincerely,



Ann T. Schumacher
Billing/Fraud Control Manager



** All material on this page is new. **

3.2.19. AT&T Prison Collect with Controls Service - AT&T Prison Collect with Controls Service is an AT&T Long Distance Service that permits inmates to place collect calls originated over the AT&T network from authorized telephone numbers in a Prison Administration controlled environment. Telephones subscribed for this service may be monitored or controlled by the Prison Administration for one or more of the following:

- duration of call
- time of day
- number of calls placed per individual
- permission restrictions
- call blocking
- call detail reports
- monitoring and recording of discrete phone conversations
- restriction lists

(a) **Availability** - Prison Collect with Controls Service is available at prisons in the U.S. Mainland and Hawaii in which Prison Administrators have selected AT&T as their primary interexchange carrier and requested the availability of AT&T Prison Collect with Controls Service. AT&T Prison Collect with Controls Service may not be available in all locations.

Prison Collect with Controls Service includes Operator Station Collect or Person-to-Person Collect calls placed to domestic or certain international locations. Prison Collect with Controls Service calls cannot be converted from a collect call to a Calling Card Call by the billed party.

(b) **Regulations** - Prison Collect with Controls Service includes usage charges and a Service Charge per call, as specified below. Prison Collect with Controls Service calls are not included in discounts under AT&T Optional Calling plans specified in Section 3.2.1.I., preceding. Prison Collect with Controls Service calls are included in discounts under AT&T LDMS Basic Schedule Special Discount Promotion specified in Section 8.1.1.448., following, and AT&T LDMS Loyalty Program Promotion specified in Section 8.1.1.442., following.

(c) **Rates and Charges**

Operator Station Collect

- Usage rates as specified in Sections 3.2.1.L.4(a), 3.2.1.M.4(a), and 3.2.2.L.4(a), 3.4.8.F., 3.4.9.E.

- Service Charge per call

\$3 00

Person to Person Collect

- Usage rates as specified in Sections 3.2.1.L.5(c), 3.2.1.M.5(c), and 3.2.2.L.5(c), 3.4.9.F., 3.4.9.I.

- Service Charge as specified in Section 3.2.1.L.8., 3.2.1.M.8., and 3.2.2.L.8.

DESCRIPTION AND JUSTIFICATION

I. INTRODUCTION

This Attachment provides the tariff support required by Section 61.49 of the Commission's Rules for Transmittal No. 7458. The tariff revisions contained in this filing introduce a new service option, Prison Collect With Controls, which is being offered by AT&T. This new service will enable AT&T to meet industry demand for the control features. It is now standard practice in the prison market for correctional institutions to demand in their requests for bids that the carrier provide on an automated basis a number of control features and functions. This new service will also provide additional protection to the party receiving and paying for operator station and person-to-person collect calls from inmates in correctional institutions. In addition, the correctional institution will be able to provide more security to the general public through the use of these features and functions. Traditional collect calling service will remain available as an alternative type of service.

Section II describes the proposed offering. Section III presents the demand and revenue forecasts and explains the methodology and assumptions underlying the development of these forecasts. In conformance with Section 61.49 (g) of the Commission's Rules, Section IV demonstrates that this new service option is projected to increase AT&T's net revenues for services subject to price cap regulation on a cumulative net present value basis within 36 months from the effective date of the new service.

II. DESCRIPTION OF TARIFF REVISIONS

AT&T presently offers both operator station and person-to-person collect calling from prison facilities to the extent that prison administrative officials decide to make these services available to inmates. In the absence of some affirmative steps taken by the prison facility, calls from prison inmates expose the called party to harassing conduct or fraudulent schemes including three-way calls which are not announced as a collect call requiring called party acceptance. As a result of the problems encountered in this market, prison officials now routinely insist in their requests for proposals that strong control features be made available which can help eliminate or reduce these problems. With Prison Collect With Controls, the called party will receive additional levels of protection from such fraudulent schemes.

This new offering is based on the capability of AT&T's switched network, through arrangements with a third party, to screen outbound collect calls from phones dedicated for inmate use. With Prison Collect With Controls, the prison facility will have the ability to select any of the following features/functions:

- Call Duration Controls (sets a maximum length for any call);
- Time of Day Limitations (prohibits calls from being made during specific time periods);

- Number of Call Limitations (prohibits inmate from making more than a prespecified number of calls during a specific period);
- Permission Lists (establishes a predetermined list of numbers that the inmate can call);
- Restricted Lists (blocks attempts by specific users to call specific numbers);
- Global Selective Number Blocking (blocks attempts to call specific areas or blocks of numbers);
- Call Detail Reports (provides detailed list of calls made including originating number, inmate identification number, called number);
- Three-Way Call Blocking (prevents attempt by called party to initiate a three-way call);
- Multilingual prompts;
- Monitoring and Recording.

This service is limited to the prison or correctional facilities market because of the unique demands of that market. Moreover, for this reason Prison Collect With Controls is available only on a 0+ basis.

A service charge of \$3.00 applies to each completed 0+ collect calls made using the Prison Collect With Controls service. ~~Additionally, usage charges for completed~~ Prison Collect With Controls calls will be billed at the collect call usage rates applicable to operator station or person-to-person calls, as the case may be, of the same length of haul and time of day, as specified in AT&T Tariff F C C No. 1.

III. DEMAND AND REVENUE INFORMATION

This Section describes the demand and revenue forecasting methodology, and sets forth the demand and revenue forecasts, including forecasts of the cross-elastic impacts of the new offering on AT&T's other services.

A. Demand Forecasting Methodology

AT&T used its standard demand forecasting methodologies, utilizing information collected from customer billing and usage data, in order to develop demand and revenue projections that were used in the net revenue analysis provided in support of this filing. This data indicates that domestic interstate demand and revenue associated with the introduction of Prison Collect With Controls service will result from three categories: (1) Prisons and correctional institutions which will migrate to Prison Collect With Controls from competitors' comparable services due to the additional functions/features made available through this service ("Winbacks"); (2) Prisons and correctional institutions which will subscribe to Prison Collect With Controls rather than migrate to a competitor's comparable service ("Saves"); and (3) Prisons and correctional institutions which will subscribe to Prison Collect With Controls rather than remain with another AT&T service due to the functions/features made available through this service ("Migrations").

AT&T analyzed current AT&T usage data to determine which prisons and correctional institutions could benefit from the new services. Using probability assessments based on marketing intelligence provided by AT&T product managers, possible takers were segmented into AT&T Migrations and Saves.

AT&T then analyzed recent bid activity in the prison inmate collect calling market and a survey of prison officials representing the fifty states conducted by an independent market firm to determine what winback opportunities would arise in the first three years of this service and which facilities could benefit from the new services.

The projected revenues for Year 1 were determined by multiplying the proposed rates (including applicable discounts) by the forecasted demand. The second and third year' demand and revenues were developed by adjusting the forecasted demand to account for continued strong growth in demand for control features similar to those provided by Prison Collect With Controls.

B. Demand and Revenue Forecasts

The forecasts of additional demand and revenue during the 36-month period commencing September 1, 1994 that result from the introduction of this service are shown in Table 1 below:

Table 1

**Incremental
Demand and Revenue Forecasts
AT&T Prison Collect With Controls
(Thousands)**

TOTAL VIEW (M)	YEAR 1 (M)	YEAR 2 (M)	YEAR 3 (M)
MINUTES	40,500	63,000	90,000
MESSAGES	4,050	6,300	9,000
REVENUES	15,807	24,572	35,098

C. Effect on Demand for Other AT&T Services

This new service is cross-elastic with AT&T's traditional collect call service. Table 2 shows the cross-elastic impacts attributable to the introduction of this option in the first three years of service:

Table 2

**CROSS ELASTIC IMPACT ON DEMAND
(Thousands)**

Cross Elastic Impact (M)	YEAR 1 (M)	YEAR 2 (M)	YEAR 3 (M)
MINUTES	18,710	29,100	41,580