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1300 I Street NW, Suite 400 West, Washington, DC 20005  
Tel 202 336 7890

EX PARTE OR LATE FILED

Alan S. Cort  
Director, Federal Regulatory Matters

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August 21, 1996

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AUG 21 1996

Ex Parte

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

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

RE: In the Matter of Implementation of the Pay  
Telephone reclassification and Compensation  
Provisions of the Telecommunications Act of 1996  
CC Docket No. 96-128

Dear Mr. Caton:

On Tuesday, August 20, 1996, Ms. Marylou Shockley, Mr. James Hawkins, Mr. Jeffrey Lamken and Mr. Alan Cort representing the RBOC Payphone Coalition met with Mr. John Muleta, Mr. Robert Spangler and Mr. Glenn Reynolds of the Enforcement Division, Common Carrier Bureau. The purpose of the meeting was to discuss negotiations on compensation on contracted accounts and the default rate model proposed by the coalition. The attached materials were used for discussion purposes. Due to the late hour this meeting concluded, this ex parte letter is being filed the following day.

Questions regarding this matter should be directed to me at the above noted address or telephone number.

Sincerely,

*Alan S. Cort*

cc: J. Muleta  
R. Spangler  
G. Reynolds

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# RBOC PAYPHONE COALITION

EX-PARTE TO DISCUSS NEGOTIATIONS ON  
COMPENSATION AND DEFAULT-RATE MODEL

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

AUG 21 1996

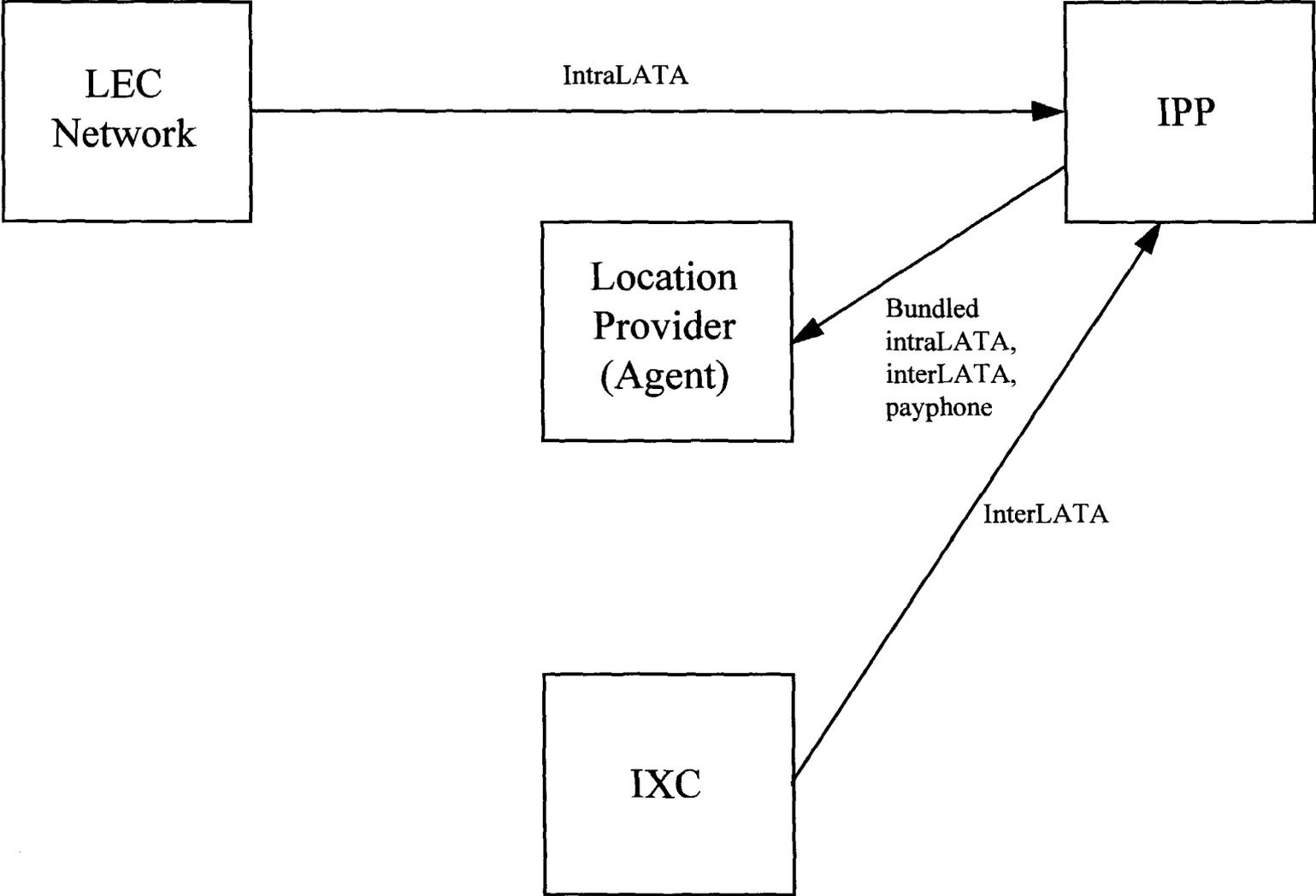
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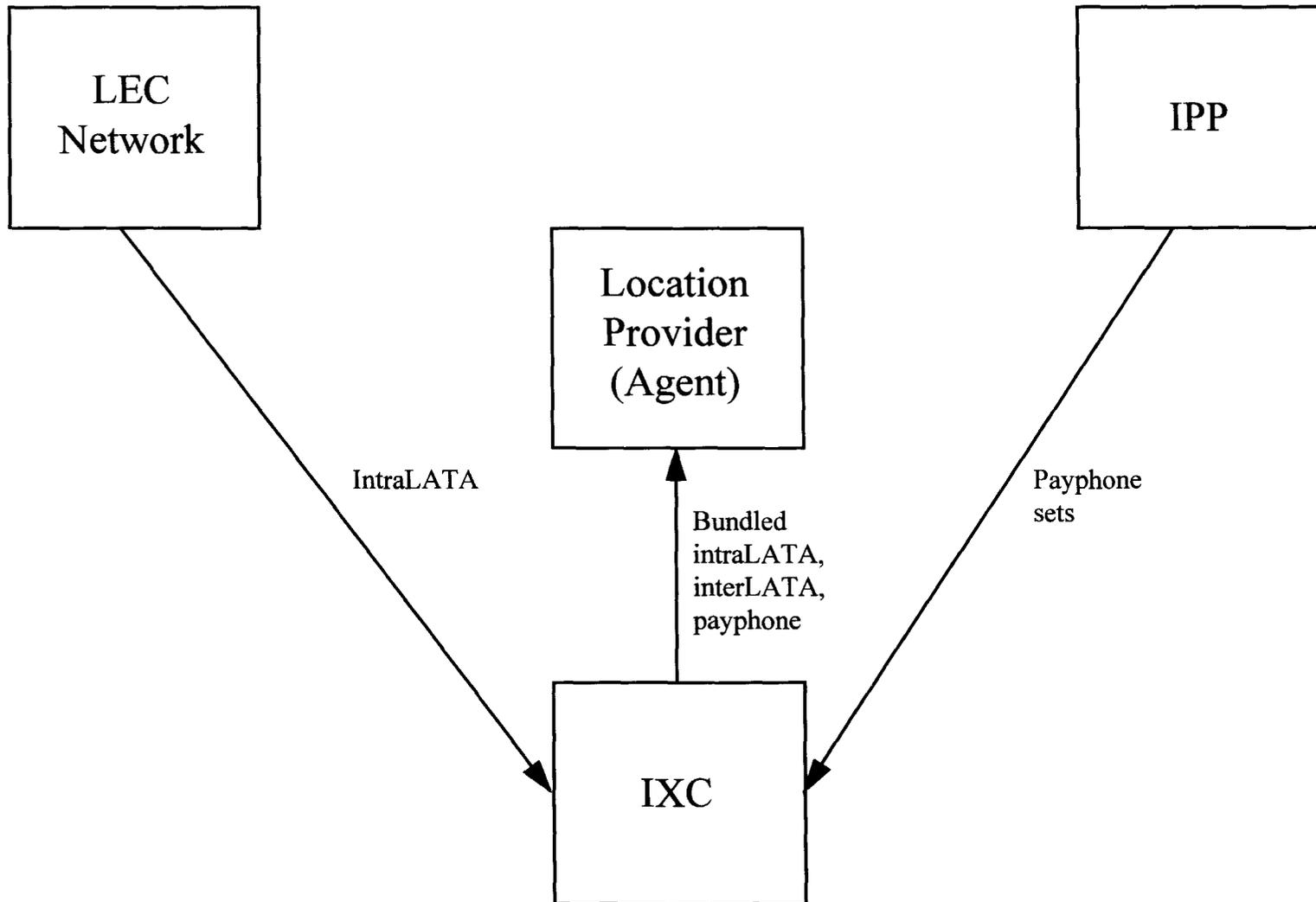
## Negotiations Over Compensation Today

- Currently, IXC (interLATA traffic), LEC (intraLATA traffic), and independent PSPs negotiate over compensation on non-dial-around calls
  - IntraLATA 1+, 0+
  - InterLATA 1+, 0+
- There is no incentive for IXCs to negotiate compensation with independent PSPs on 1-800, dial-around, and 1-800 subscriber calls because they receive those even without an agreement
- RBOC PSPs receive no compensation on interLATA calls of any type

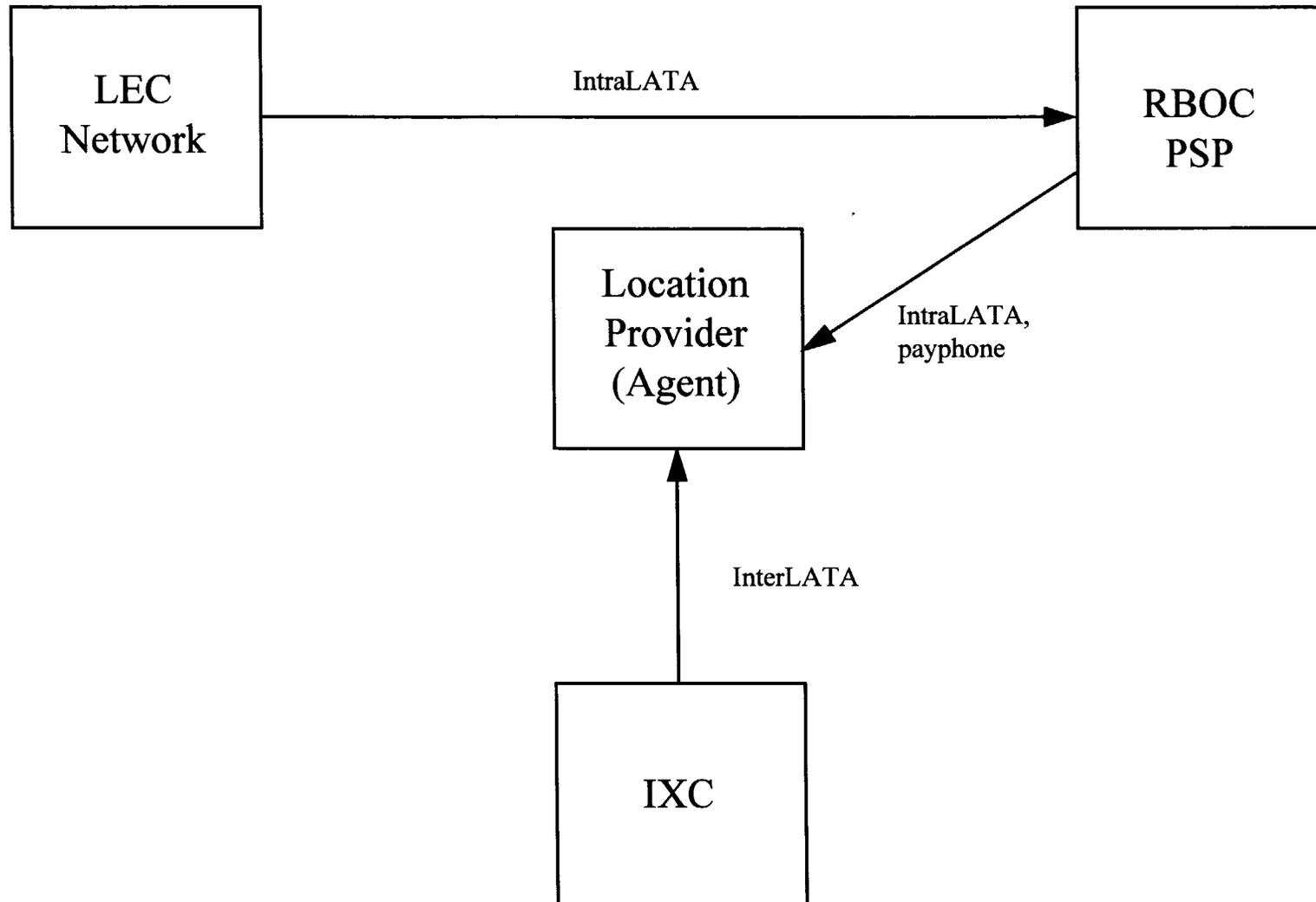
# ACCOUNT CONTRACT MODEL (IPSP)



# ACCOUNT CONTRACT MODEL (IXC)



# ACCOUNT CONTRACT MODEL (RBOC)



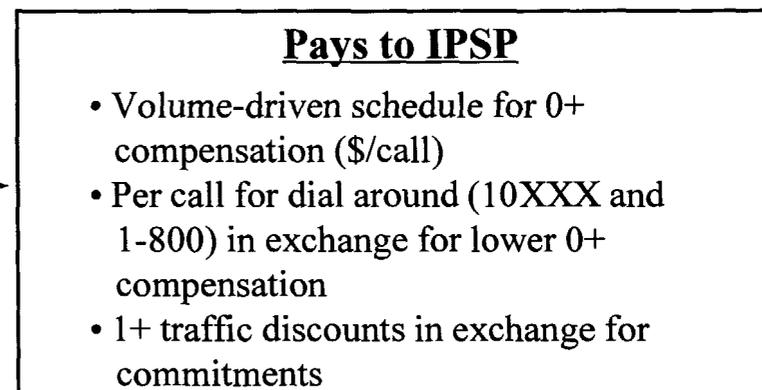
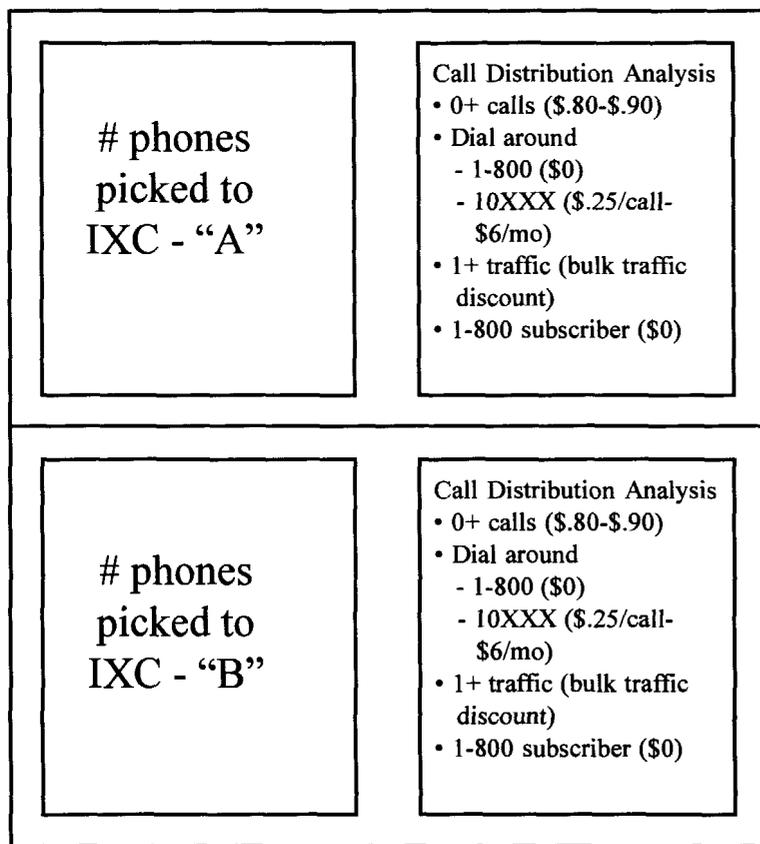
## Negotiations Over Dial-Around Compensation Under Default-Rate Proposal (PIC Model)

- Per call compensation rates create an incentive to negotiate
- Maximum IXC pays is Commission-established rate, but:
  - Where IXC is negotiating to be the presubscribed carrier, they may depart from FCC-established rate, such as where IXC offers enhanced presubscribed commissions in exchange for reduced dial-around commissions (or vice versa)
  - Where IXC has other relationships with PSP, IXC may “bundle” deal to obtain lower dial-around rates

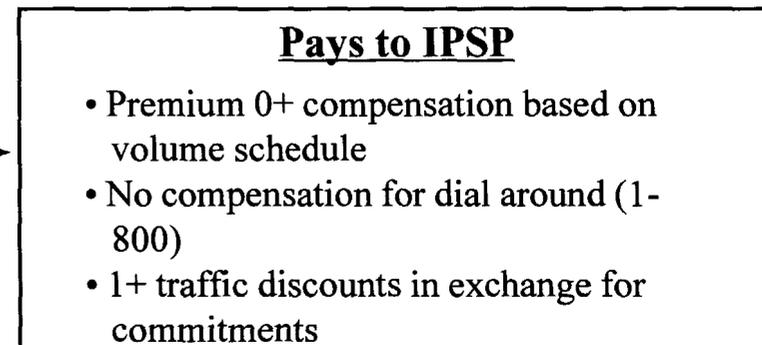
# PIC Negotiation Model

IPSP

IXC - "A"



IXC - "B"



## Negotiations over Dial-Around Compensation Under Default-Rate Proposal (Non-PIC Model)

- Even absent existing relationships between the PSP and the IXC, IXC has an incentive to seek downward departure from Commission-established rate if there is a sufficient volume of dial-around calls from that PSP
  - IXC balances importance of receiving those calls (direct and indirect revenue) against cost
  - If cost exceeds benefit, IXC can refuse to accept the calls
  - PSP “leverage” is no greater than the Commission-established rate

# Negotiation Model for Non-PIC Relationship

IPSP

IXC - "C"

