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SEP 6 - 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

September 6, 1996

BY COURIER

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

**EX PARTE
PRESENTATION**

Re: **Implementation of the Pay Telephone Reclassification and
Compensation Provisions of the Telecommunications Act
of 1996, CC Docket No. 96-128**

Dear Mr. Caton:

Enclosed for filing in this docket are the original and one copy of a letter to John Muleta, along with several enclosures on behalf of the South Carolina Public Communications Association relating to the value that pay telephones contribute to the public. I would ask that you include these materials in the record of this proceeding.

If you have any questions concerning this matter, please contact me at (202) 828-2226.

Thank you for your consideration.

Sincerely,



Albert H. Kramer

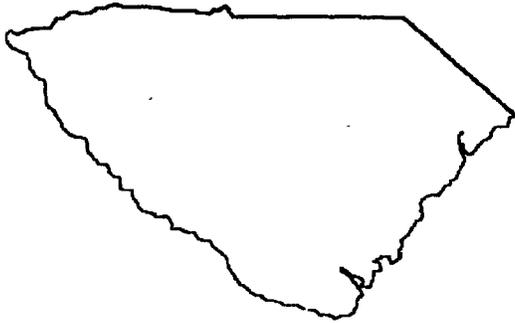
AHK/nw

cc: J. Muleta	R. Spangler
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M. Richards	D. Gonzalez
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1995 A.P.C.C. Industry Achievement Award Winner

South Carolina Public Communications Association

1132 South Center Road

Darlington, South Carolina 29532

(803)393-1843

(803) 393-5588 Fax

Mr. John Muletta
Chief of Enforcement Division
Federal Communications Commission
Common Carrier Bureau
1919 M Street, NW
Washington, D.C. 20554

September 3, 1996

Dear Mr. Muletta,

I am writing to you as the President of the South Carolina Public Communications Association, as well as the President of my company; Carolina Payphone Systems.

I understand, through the American Public Communications Council, that you are interested in any documentation as to the **value** that pay telephones contribute to the public. South Carolina is not a densely populated state, as you can well imagine. Many of our Independent operators provide pay telephone services to very small rural and remote locations throughout the state. In many instances, pay telephones which have been placed by Independent Pay Telephone Operators, may in a small community provide the only source of connection to the telecommunications network. These services are essential to the various groups of people who do not have phones in their homes. These include, the financially disadvantaged, the homeless, the indigent, and of course, the person who is traveling away from their home and may not have available any type of cellular telephone. Many of the rural telephone companies (LEC's) in South Carolina simply do not focus on the provisioning of pay telephone services. Independent Pay Telephone Operators help to fill this void, by placing Public Pay Telephones in locations where these LEC's do not.

I am sending along with this letter two items.

- 1) A copy of this week's agenda from the South Carolina Public Service Commission. Please take note of item # 4, whereby BellSouth Telecommunications, Inc. is seeking a tariff revision to discontinue Semi-Public pay telephones, in South Carolina. Who will fill this void, and how many locations are we talking about?
- 2) A copy of my testimony which I presented to the South Carolina Public Service Commission last November in Docket # 95-720-C.

To ascertain what all of this means please refer to the documentation provided by BellSouth which is listed as "CRAIG EXHIBIT 1) in my testimony. BellSouth if it's tariff is approved will discontinue serving 1473 customers who are being served by Semi-Public Pay Telephone Service. This leaves the Independent Pay Telephone Operators to, if you will, act as the Carrier of Last Resort in regards to Pay Telephone Services, at these locations. Our Association, as well as the A.P.C.C. feel a sense of responsibility to our neighborhoods and communities to try to provide Public Pay Telephone services where there is truly a need, not necessarily with regard to income potential. We shall strive to continue this in our operations.

I hope that you will take the time to read my testimony and look at the enclosed exhibits. I think this will give you a more complete picture of the Independent Pay Telephone Industry, at least, in South Carolina.

I thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clifton M. Craig Jr.", written in dark ink.

Clifton M. Craig Jr.

President, South Carolina Public Communications Association

UTILITIES DEPARTMENT AGENDA
WEEK OF SEPTEMBER 2, 1996
COMMISSION ADVISED ITEMS
PAGE ONE

COMMISSION ADVISED OF THE FOLLOWING ITEMS:

1. TARIFF NO. 96-280 - DIAL & SAVE OF SOUTH CAROLINA, INC. D/B/A DIAL & SAVE, in its S.C.P.S.C. Tariff No. 1, is introducing Small Business 800 and Enhanced Services and a promotional offering, LDMTS Promotion, through December 31, 1996. In accordance with Commission Order No. 84-622 in Docket No. 84-10-C, rate revisions are being implemented for Residential Calling and USA Savings InterLATA rates. Additionally, clarifying language on billing of calls is included for various services. RETURN DATE: September 9, 1996.
2. TARIFF NO. 96-282 - BELLSOUTH TELECOMMUNICATIONS, INC., in its General Subscriber Service Tariff, is introducing text to automatically renew its WatsSaver Service Term Discount Plans along with clarifying the conditions for termination of such.
3. TARIFF NO. 96-283 - UNITED TELEPHONE COMPANY OF THE CAROLINAS, in its General Subscriber Services Tariff, is adding "888" language where appropriate. RETURN DATE: SEPTEMBER 9, 1996.
- * 4. TARIFF NO. 96-286 - BELLSOUTH TELECOMMUNICATIONS, INC., in its General Subscriber Service Tariff, is proposing to obsolete Semi-Public Telephone Service in South Carolina. RETURN DATE: SEPTEMBER 17, 1996.
5. DOCKET NO. 95-1245-C - TLX COMMUNICATIONS, INC. (TELAMERICA) - Application for a Certificate of Public Convenience and Necessity to provide intrastate resold telecommunications services within the State of SC. Advise Commission of receipt of a tariff filed in compliance with their Certification Order No. 96-519.
6. DOCKET NO. 95-137-W/S - TEGA CAY WATER SERVICE, INC. - Application for approval of an increase in its rates and charges for water and sewer service. Advise Commission of receipt of a Petition to Intervene filed by Jean C. Varner on behalf of the City of Tega Cay.

JOHN F. BEACH, P.A.

ATTORNEY AT LAW

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August 21, 1995

The Honorable Charles W. Ballentine
Executive Director
South Carolina
Public Service Commission
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and
Telegraph Company Request for Approval of the Consumer Price Protection
Plan in South Carolina
Docket No. 95-720-C

Dear Mr. Ballentine:

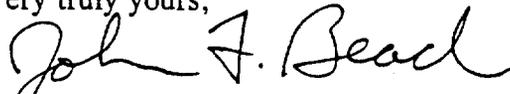
Enclosed is the original and five (25) copies of the **Testimony of Clifton Craig** for filing on behalf of the South Carolina Public Communications Association in the above-referenced docket. By copy of this letter, I am serving all parties of record and enclose my certificate of service to that effect.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it in the envelope provided.

If you have any questions or need additional information, please do not hesitate to contact me.

With kind regards, I am

Very truly yours,



John F. Beach

cc: Mr. Clifton Craig
All parties of record

Enclosure

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**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-720-C**

In RE:

BellSouth Telecommunications, Inc.)	
d/b/a Southern Bell Telephone and)	
Telegraph Company Request for Approval)	TESTIMONY OF
of the Consumer Price Protection Plan)	CLIFTON CRAIG
in South Carolina)	
<hr/>		

1 **Q. Please tell the Commission your name and business address.**

2 A. My name is Clifton Craig and my business address is 1132 S. Center Road, Darlington,
3 SC 29532.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am an owner of Carolina Payphone Systems, a South Carolina company providing
7 independent payphone services throughout the state. I am also the president of the South
8 Carolina Public Communications Association ("SCPCA") and am here today testifying
9 in that capacity.

10
11 **Q. Would you please describe the South Carolina Public Communications Association?**

12 A. Yes I will. The SCPCA is an association, whose members include operator service
13 providers, independent public payphone service providers ("IPPs"), and other

telecommunications-related providers in South Carolina. Our organization's primary purpose is to assist its members in the responsible provision of payphone services in South Carolina. The SCPCA serves as an advocate for the payphone industry and engages in self-regulatory activities to help insure the responsible provision of payphone services to South Carolina citizens.

2
3
4
5
6
7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is to outline why Southern Bell's proposed plan (the
9 "CCCP") is not in the public interest, and should be rejected by the Commission. I will
10 explain the dangers that Southern Bell's plan poses to general telecommunications
11 consumers, and IPPs. In addition, I will demonstrate that payphone services in South
12 Carolina are not currently subject to effective competition.

13
14 **Q. Is the SCPCA against the loosening of regulatory constraints in the
15 telecommunications market?**

16 A. No, not at all. In fact, we eagerly look forward to the time when all telecommunications
17 providers can compete in the marketplace on a level and truly competitive playing field.

18
19 **Q. Why then is the SCPCA opposed to Southern Bell's proposed CCCP?**

20 A. Sufficient competition has not yet developed in South Carolina for Southern Bell's plan to
21 be in the public interest. Frankly, the only services offered by Southern Bell that are
22 subject to any realistic competition today are those that Southern Bell has introduced to

1 compete against existing products. For example, it is probably true that Southern Bell's
2 memory call service effectively competes against existing services such as telephone
3 answering machines. The same can probably be said of competition between Call
4 Forwarding and similar functions provided on customer equipment. However, these
5 isolated examples of competition represent such a microscopic percentage of Southern
6 Bell's entire revenues that they are truly meaningless in the context of this proceeding.

7 Some of Bell's major services, such as intraLATA toll and special access, appear
8 to be heading toward a more competitive environment. However, the time when these
9 markets are subject to effective competition is still a long way off. For services such as
10 local dial tone and public telephone access, the current absence of competition is really
11 not even subject to debate.

13 **Q. Is the market for payphone services in Southern Bell's South Carolina service area**
14 **currently subject to effective competition?**

15 A. While it may seem so at first glance, the market for payphone services in South Carolina
16 is definitely not subject to effective competition. Any competition that exists is only
17 between IPPs for the limited market share that Bell has allowed them to acquire.

18
19 **Q. Would you please explain why the market for payphone services is not subject to**
20 **effective competition?**

21 A. First, I think that clarifying the markets that I will be discussing is important. Independent
22 public payphone providers must connect to the telecommunications network via public

1 telephone access service ("PTAS"). Southern Bell has placed PTAS in the
2 "Interconnection Service" category of its proposed plan. Southern Bell possesses a total
3 monopoly in the market for PTAS. Commission COCOT Guidelines require IPPs to
4 purchase a public telephone access line from Southern Bell for each payphone placed into
5 service. Without question, this service is not subject to any competition in South Carolina
6 at this time.

7 Public telephone service, on the other hand, is payphone service provided to the
8 end user. Southern Bell is the dominant provider of this service in its South Carolina
9 service areas. The Commission has allowed IPPs to provide this service since 1985.
10 However, during that 10-year period, IPPs have only captured 22% of this market in
11 Southern Bell's territories. This fact alone is strong evidence that competition does not
exist in the market for payphone services.

13
14 **Q. How did you determine that Southern Bell commands a 78% share of this market?**

15 **A.** Independent payphone providers vie for business against Southern Bell's public and semi-
16 public telephones. At the end of 1994, Southern Bell had 13,192 public and semi-public
17 payphones in service, and provided 3,647 public telephone access lines to IPPs. Bell
18 Response to AT&T 1st Interrogatory, No.6, attached as Exhibit 1. Of the total 16,839
19 payphones in service, IPPs provided 22%. Southern Bell commands the remaining 78%
20 of the market.

21
22 **Q. Why are these market share percentages an important factor in determining whether**

effective competition exists in the market for payphone services?

2 A. These figures illustrate that Southern Bell dominates this market so completely that in 10
3 years, IPPs have only captured 22% of the market. As Sandy Sanders points out in his
4 testimony, the IPP's 22% of the market is split among 1,070 individual providers. Even
5 if a single provider serviced this entire 22%, Bell's 78% market share would show
6 dominance. However, these 1070 IPPs spend most of their energies competing with each
7 other for that 22%. As a result, dominating this market with 1,070 unrelated service
8 providers has been much easier for Southern Bell than it would be if a single provider held
9 the entire the 22%.

10
11 **Q. Have IPPs won in a competition with Southern Bell to serve these 3,647 independent
payphone locations?**

13 A. No, they have not. For the most part, Southern Bell has simply allowed IPPs to compete
14 among themselves for low profit locations that Southern Bell did not care to serve in the
15 first place. I base this statement on my own experience as an independent payphone
16 provider. As it turns out, Southern Bell's own data strongly supports my conclusion.

17 It is not unusual for IPPs to receive calls from location providers, or the Public
18 Service Commission staff, requesting installation of a payphone where Southern Bell has
19 either refused to initiate service, or removed an existing payphone. Often, these locations
20 are in remote, low traffic areas where traffic volume has not justified installation of a Bell
21 payphone. Many of the 3,647 locations served by IPPs fall into this category. We fill
22 needs for payphone service that the LECs pass up as not being worth their time or effort.

2 Mr. Sanders is correct in asserting that IPPs prefer to serve high-traffic locations
3 such as truck stops, and in some instances we do. However, my experience is that when
4 Bell really wants to serve a particular location, they can and will do what it takes to obtain
5 the contract.

6 **Q. What evidence produced by Southern Bell in this proceeding supports the conclusion**
7 **that Bell is not losing significant high-traffic locations to IPPs?**

8 Discovery produced by Southern Bell in this proceeding shows that the vast majority of
9 payphone locations Bell has stopped serving in the last several years have been low or no
10 profit locations. Exhibit 2 shows the number of Southern Bell public telephones in service
11 for the years 1989 through 1994. Bell Response to AT&T 1st Interrogatory, No. 22.
12 Exhibit 3 shows revenues earned by Southern Bell from those public telephones for those
13 same years. Bell Response to AT&T 1st Interrogatory, No. 36. These numbers are
14 incorporated into the following chart, which also calculates Bell's annual revenue per
15 payphone:
16

Comparison of Bell Public Telephone Revenues: 1989 - 1994

2	Year	# Public Phones	\$ Revenues	\$ Revenues/Phone
3	1989	15,227	\$ 19,447,202	\$1,277
4	1990	15,961	19,622,830	1,229
5	1991	15,574	20,739,191	1,332
6	1992	14,034	20,856,331	1,486
7	1993	12,177	21,270,073	1,747
8	1994	11,714	21,185,367	1,809
9				

10 The number of Bell payphones in service has steadily decreased from 15,227 in
11 1989 to 11,714 in 1994. During that same period, the annual revenue per phone has
12 steadily increased from \$ 1,277 in 1989 to \$1,808 in 1994. Perhaps even more telling is
13 the fact that Southern Bell has managed to increase total revenues from its payphones from
14 \$ 19.5 million to \$ 21.2 million while decreasing its total payphones in service by 3,500.

15 This graphically proves that Southern Bell has used the existence of IPPs in the
16 marketplace to increase its market power by passing its unprofitable locations to IPPs,
17 while retaining the cream for itself. Besides achieving a substantial increase in payphone
18 revenues, Bell has also substantially reduced its cost of earning these revenues by reducing
19 the number of pay stations it must service.

20
21 **Q. What factors have allowed Bell to so thoroughly dominate the market for payphone**
22 **services in South Carolina?**

23 **A. The most important factor is that IPPs depend exclusively upon Southern Bell's public**

telephone access service in order to survive. Southern Bell provides this service to IPPs
2 in exchange for a flat monthly charge and a usage-sensitive per-minute charge.
3 Significantly, Southern Bell does not charge itself for these access services, nor does it
4 impute the cost of these services to its own payphone operations.
5

6 **Q. How does this arrangement increase Southern Bell's market dominance for payphone
7 services?**

8 **A. Southern Bell totally controls the IPP's cost of providing payphone service by charging
9 a flat monthly rate ranging from \$30.24 to \$38.40 (depending upon geographic area;
10 includes operator screening). In addition, Southern Bell charges a per-minute rate of \$.04
11 for the initial minute and \$.02 for succeeding minutes of local use (on peak). Southern
12 Bell's cost for providing the flat rated portion of this service is \$18.08/month. Exhibit 4.**

13 **Bell's per-minute cost is around 1¼¢ for the initial minute and 1/10 ¢ per minute for
14 succeeding minutes of local use (on peak): Exhibit 5 (proprietary), attached to
15 Commission's copy of this testimony under seal, by agreement with Southern Bell. This
16 means that Southern Bell is earning a profit of up to 112% on the flat-rated portion of this
17 service, and well over 500% on the usage-sensitive portion, based upon the average local
18 call length of 2.6 minutes.**

19
20 **Q. Why is Southern Bell's profit on public telephone access service significant to the
21 Commission's decision in this proceeding?**

22 **A. The extreme level of profit earned by Southern Bell on this service is important for two**

2 reasons. First, it shows that Southern Bell controls the payphone market by charging its
3 "competitors", which are also its customers, unconscionably high rates for a service that
4 is essential to their existence. Second, these figures demonstrate that Southern Bell's cost
5 of providing a public telephone line to its own payphones is a tiny fraction of the IPP's
6 cost for this same line. The IPP's monthly and per-minute costs are by far the largest
7 portion of their entire cost of providing this service. Because of these disproportionate
8 costs, IPPs are simply unable to compete with Southern Bell, whose own payphones
9 receive this service for a fraction of that cost. Since 1985, Southern Bell has used this
10 total control over essential payphone access to continue its domination of this market.

11 **Q. Are there other reasons for Bell's total dominance of the payphone market?**

12 **A. Yes.** Besides being the monopoly provider of access service to IPPs, Southern Bell also
13 provides other essential services to IPPs, such as billing and collection and responses to
14 line information data base ("LIDB") queries. While Southern Bell charges IPPs
15 substantial rates for these services, these services are available to Southern Bell's own
16 payphones for little or no cost.

17 Bell also earns revenue streams from its own payphones (and IPP payphones) that
18 are unavailable to IPPs. For example, Bell earns revenues for local and intraLATA
19 operator service calls (these include both 0+ and 0- calls). Commission rulings have
20 prohibited IPPs from earning revenues on these calls, which must all be sent to Southern
21 Bell. Access revenues are another source of income earned by Southern Bell from its
22 payphones, but not by IPPs from their payphones. Bell earns this revenue stream from

every IXC-carried call initiated from both Bell payphones and IPP payphones.

2

3 **Q. How does South Bell use these lower costs and additional revenue streams to dominate**
4 **the market for payphone services in South Carolina?**

5 A. Payphone providers vie for the right to serve particular locations by agreeing to pay
6 location owners a percentage of the revenues that they will earn. It is difficult for an IPP
7 to justify the investment of installing and servicing payphone equipment unless the
8 revenues produced at the location exceed the IPP's cost of providing the service. Thus,
9 these very real economic factors limit the IPP's ability to serve a particular location, as
10 well as the percentage of "commission" that the IPP can afford to offer.

11 When the IPP's higher cost is combined with Bell's ability to earn higher revenues,
12 it is easy to see that Southern Bell can offer much greater commissions to win the right to
13 serve a location. In reality, Southern Bell has the absolute ability to win any location bid
14 by offering a commission payment that an IPP simply cannot meet. Bell's ability is further
15 enhanced by its additional revenue streams. Because of these additional revenues, 20%
16 of Southern Bell's gross revenues from a location may be the monetary equivalent of 40%
17 of an IPP's gross revenues from that same location.

18

19 **Q. Are there any constraints in Southern Bell's proposed plan that would keep it from**
20 **paying commissions to prospective location owners of 70%, 90% or even 100%?**

21 A. No, there are not. Southern Bell could actually pay 90 or even 100% of its revenues to
22 the location owner, effectively providing service at an economic loss. The CCCP would

allow Bell to finance these losses with the excessively high revenues it is now earning from its monopoly services, such as PTAS, switched access, directory assistance, and intraLATA and local operator services.

Q. What remedies must be implemented in order to alleviate the imbalance that currently exists between IPPs and Southern Bell in the market for payphone services?

A. One step that must be taken is to require Southern Bell to provide IPPs with payphone access services on the same terms and conditions as Bell provides these services to its own payphone operations. Southern Bell must be required to reduce its rates for PTAS and related services to equal Bell's cost plus a reasonable rate of return. Southern Bell must also be required to impute the rates charged to IPPs for these services to its own payphone operations.

One of the most effective ways of implementing these "same terms and conditions" is to require Southern Bell to move its payphone operations into a separate subsidiary.

Q. Have any other jurisdictions recognized the need to impose upon Bell these "same terms and conditions" requirements?

A. Yes. The Georgia Public Service Commission is currently addressing these requirements in Docket No. 5876-U. On the federal level, both the Senate and the House have just passed sweeping telecommunications reform acts. Both acts recognize the competitive inequities I have discussed by prohibiting a Bell Operating Company from subsidizing its payphone services " . . . directly or indirectly with revenue from its telephone exchange

service or its exchange access service." See H.R. 1555, SEC. 274. S. 652, SEC. 311.

2 The bills direct the FCC to determine whether requiring Bell to provide payphone services
3 through a separate subsidiary will be necessary. These federal safeguards will not be
4 placed into effect until and unless a single bill passed by Congress is signed into law by
5 the President. If such a bill is passed, it may still be several years before the FCC
6 promulgates regulations necessary to carry out Congress' intent.

7 Until these "same terms and conditions" requirements are imposed on Southern Bell,
8 I believe that Bell will continue to monopolize the market for payphone services as it does
9 today. The plan that Bell has proposed in this docket would only serve to increase
10 Southern Bell's ability to dominate this market.

11
12 **Q. Are there service-related ways in which Southern Bell uses its monopoly over public
13 telephone access services to continue its dominance of the payphone market?**

14 **A.** Yes there are. Every time an IPP begins to serve a new location, it must order the
15 installation of a payphone access line from Southern Bell. Occasionally, delays by
16 Southern Bell in the installation of these access lines coincide with visits by Southern
17 Bell's payphone marketing personnel to the new location owner. Often in these situations,
18 an IPP will lose the service of this location to a Southern Bell payphone specifically
19 because of Southern Bell's delay in installing the payphone access line.

20
21 **Q. What problems do you believe that South Carolina's business and residential
22 telecommunications customers will face if Southern Bell's proposed plan is approved?**

1 A. Over the past 10 to 15 years, technological advances have caused the cost of
2 telecommunications services to consistently decrease. Under rate of return regulation, the
3 Commission has appropriately translated these cost savings into corresponding decreases
4 in rates to the end user. The elimination of touch tone charges and the lowering of access
5 charges to IXCs are recent examples of such rate reductions. Southern Bell's witness,
6 Charles Jackson, states that "the technology of local telecommunications will change as
7 much in the next decade as it has in the last 100 years." He cites technological advances
8 such as increased use of digital switching and fiber optic systems that, in his words will
9 continue to lower the cost of telecommunications' transmission "enormously."

10 Under Southern Bell's proposed plan, it is very unlikely that Bell will translate
11 these continuing decreases in costs into lower prices to the consumer. In fact, Southern
12 Bell's proposal would allow it to increase prices to end users, sometimes by startling
13 amounts. Even placed in its best light, Southern Bell's plan will effectively reverse the
14 15-year trend of decreasing prices that has benefitted South Carolina's consumers of
15 telecommunications services.

16
17 **Q. In what other ways will Southern Bell's proposal harm South Carolina's consumers?**

18 A. This plan will allow Southern Bell to use the excessive profits it is earning on monopoly
19 services to subsidize the below-market pricing of services that may be exposed to potential
20 competition. For example, ACSI just received certification as the first competitive access
21 provider in South Carolina. The proposed plan creates a strong incentive for Southern
22 Bell to price its access services so low that ACSI will be unable to effectively compete for

customers. Southern Bell will subsidize these below-market prices with the excessive,
2 monopoly profits it is currently earning on services such as public telephone access
3 service.

4
5 **Q. Would not Bell's pledge to price its services at or above long-run incremental costs**
6 **assure that Bell cannot erect these barriers to competition?**

7 **A.** No, that hollow pledge by Southern Bell gives me no comfort. First, a competitor may
8 never learn Southern Bell's true incremental cost of providing a particular service.
9 Potential competitors have unsuccessfully fought that battle against Southern Bell in this
10 Commission many times over the years. In fact, the regulatory cost of learning Bell's
11 LRIC would itself be a substantial barrier to the entry of potential competitors.

Perhaps more importantly, Bell's LRIC is certain to be much lower than the cost
13 experienced by its potential competitors for providing that same service. Bell's historic
14 monopoly over telecommunications services in South Carolina has allowed it to build a
15 massive telecommunications plant throughout this state. Many of the facilities necessary
16 for Bell to provide these soon-to-be competitive services have long since been paid for,
17 and the economies of scale that work in Bell's favor are immense. Consequently, Bell's
18 pledge to place a price floor at its LRIC will still allow it to set prices far below the
19 competitive market price. Bell's proposal to place prices for services at or above its LRIC
20 will only serve to ensure that healthy competition will never arrive.

21
22 **Q. Would you please summarize your testimony?**

1 A. Southern Bell's proposed plan is not in the public interest, and should be rejected. It will
2 reverse a fifteen-year trend through which prices to South Carolina consumers have
3 steadily decreased because of the corresponding decrease in cost resulting from
4 technological advances. It will also allow Southern Bell to use monopoly profits it will
5 earn on noncompetitive services to significantly lower its prices for services where Bell
6 anticipates competition.

7 In the end, only Southern Bell would benefit from its proposed plan. In my
8 opinion, this plan would only serve to prevent the arrival of robust competition in South
9 Carolina's telecommunications marketplace.

10
11 **Q. Does this conclude your testimony?**

12 **A. Yes, it does.**

STATE: SC DEV. DATE: 12/94

	NO. OF LINES	REVENUE	AVG. RATES
	-----	-----	-----
	EXCL OFFICIAL		
RES 1-PARTY FLAT	797717	13023448.17	16.32
RES 2-PARTY FLAT	4023	53162.72	13.21
RES 4-PARTY FLAT	0	0.00	0.00
RES MESSAGE	0	0.00	0.00
RES STD MEAS	8165	94196.35	11.53
RES LOW USE MEAS	20281	164305.44	8.10
RES MEAS PLAN LINES	55621	446098.39	8.02
<u>SUB-TOTAL RES LINES</u>	<u>885807</u>	<u>13781211.07</u>	<u>15.55</u>
RES TRK FLAT	175	5894.56	33.68
REL TRK MEAS	0	0.00	0.00
RES MEAS PLAN TRK	0	0.00	0.00
<u>SUB-TOTAL RES TRUNKS</u>	<u>175</u>	<u>5894.56</u>	<u>33.68</u>
BUS 1-PARTY FLAT	175040	7427293.92	42.43
BUS 2-PARTY FLAT	0	0.00	0.00
BUS 4-PARTY FLAT	0	0.00	0.00
BUS 8-PARTY FLAT	0	0.00	0.00
BUS MESSAGE	13	460.80	35.44
BUS STD MEAS	9320	311294.03	33.40
BUS MEAS PLAN LINES	4936	163391.37	33.10
<u>SUB-TOTAL BUS LINES</u>	<u>189309</u>	<u>7902440.12</u>	<u>41.74</u>
BUS TRK FLAT	16003	1332996.07	83.29
BUS TRK MESS 1ST	443	26975.89	60.89
BUS TRK MESS ADDL	1784	110296.59	61.82
BUS TRK MEAS	97	4402.12	45.38
BUS TRK MEAS PLAN	111	5486.06	49.42
<u>SUB-TOTAL BUS TRUNKS</u>	<u>18438</u>	<u>1480156.73</u>	<u>80.27</u>
NAR CTX	0	0.00	0.00
NAR ESSX FLAT	23889	859926.36	35.99
NAR ESSX MESS	140	1428.10	10.20
NAR ESSX MEAS	1095	13860.87	12.65
NAR ESSX MEAS PLAN	71	1420.00	20.00
<u>SUB-TOTAL ESSX NARS</u>	<u>25195</u>	<u>876635.33</u>	<u>34.79</u>
NAR ML/LG FLAT	14559	523319.10	35.94
NAR ML/LG MESS	70	711.00	10.15
NAR ML/LG MEAS/VU	0	0.00	0.00
NAR ML/LG MEAS PLAN VU	10	200.00	20.00
<u>SUB-TOTAL ML/LG NARS</u>	<u>14639</u>	<u>524230.10</u>	<u>35.81</u>
NAR ML/LG NAR LINE	0	0.00	0.00
NAR ML/LG NAR TRK	0	0.00	0.00
<u>SUB-TOTAL ML/LG NAR</u>	<u>0</u>	<u>0.00</u>	<u>0.00</u>
<u>PUBLIC</u>	<u>11719</u>	<u>0.00</u>	<u>0.00</u>
SEMI-PUBLIC	1473	61695.89	41.88
SEMI-PUB MEAS PLAN	0	0.00	0.00
<u>SUB-TOTAL SEMI-PUB LINES</u>	<u>1473</u>	<u>61695.89</u>	<u>41.88</u>
COCOTS-FLAT	0	0.00	0.00
COCOTS-MESS	0	0.00	0.00
COCOTS-MEAS	2992	110285.06	36.85
COCOTS MEAS PLAN	655	23586.00	36.00
<u>SUB-TOTAL COCOTS LINES</u>	<u>3647</u>	<u>133871.06</u>	<u>36.70</u>
SHARE/RESALE	0	0.00	0.00
TOLL TERMINALS	1095	60970.62	55.68
CELLULAR CONNECTIONS	0	0.00	0.00
ESSX LINES	97154	805142.60	8.28
MISC. OTHER	603	11591.85	19.22
TOTAL (INC. ESSX LINES, NO TOLL TERM)	1222964	24706233.98	20.20
TOTAL (INC. ESSX NARS, W/ TOLL TERM)	1152100	24838697.33	21.55
RES FLAT MTG	333	2741.47	8.23
RES MESS MTG	0	0.00	0.00
RES MEAS MTG	0	0.00	0.00
RES MEAS PLAN MTG	41	164.00	4.00
<u>SUB-TOTAL RES MTG</u>	<u>374</u>	<u>2905.47</u>	<u>7.76</u>
BUS FLAT MTG	61520	1314107.50	21.36
BUS MESS MTG	0	0.00	0.00
BUS MEAS MTG	90	948.20	10.53
BUS MEAS PLAN MTG	1871	30871.50	16.50
<u>SUB-TOTAL BUS MTG</u>	<u>63481</u>	<u>1345927.20</u>	<u>21.20</u>

*

Service quantities at the end of each year, 1989-1994, for each of the revenue categories listed in Item No. 21 are:

		Approximate Demand					
<u>Service</u>	<u>Unit</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Message Toll Service	Messages (000)	64,667	61,239	59,661	54,439	56,311	57,451
Toll Optional Calling Plans	Messages (000)	2,940	12,506	19,019	33,783	46,266	48,156
ESSX	Station Lines	48,886	61,996	76,821	87,234	96,344	102,364
Custom Calling Services	Features	732,199	749,515	757,638	810,210	872,131	967,280
Flat Rate Trunks & NARs	Trunks & NARs	34,335	38,331	41,873	48,102	52,117	56,525
Public Telephones	Lines	15,227	15,961	15,574	14,034	12,177	11,714
Rotary Hunt	Lines	60,233	61,431	60,173	59,895	59,827	61,948
Touchstar	Features	13,452	96,510	166,405	184,921	213,360	255,807
Business Mess. & Meas.	Lines & Trunks	5,850	7,919	9,516	11,732	13,203	12,035
FCO / FX	FX Lines	1,965	1,866	1,889	1,719	1,717	1,647
Residence Measured	Lines	22,281	33,104	35,904	37,893	39,215	29,480
Area Plus	Lines & Trunks	0	0	0	0	0	59,190
Memorycall	Mailboxes	0	0	312	20,615	40,770	76,289
Directory Assistance	Messages (000)	57,407	58,320	56,571	58,287	59,350	59,687
Toll and Assist	Messages (000)			40,326	38,845	39,750	35,965

SCHEDULE II. - OPERATING REVENUE ACCOUNTS

1989

the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
5001) Basic Area Revenue.....	281,163,001.60	281,163,001.60
5002) Optional Extended Area Revenue.....	47,264.50	47,264.50
5003) Cellular Mobile Revenue.....	0.00	0.00
5004) Other Mobile Service Revenue.....	586,746.05	586,746.05
5000) Total Basic Local Service Revenue.....	281,797,012.15	281,797,012.15
5010) Public Telephone Revenue.....	19,447,202.87	19,447,202.87
5040) Local Private Line Revenue.....	8,568,122.65	8,568,121.73
5050) Customer Premises Revenue.....	464,905.93	464,905.93
5060) Other Local Exchange Revenue.....	89,678,156.68	89,678,156.68
5069) Other Local Exchange Revenue Settlements.....	377,401.51	377,401.51
Total Local Network Services Revenues.....	400,332,801.79	400,332,800.87
NETWORK ACCESS SERVICE REVENUES		
5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	46,725,062.69	0.00
5082) Switched Access Revenue (Federally Tariffed).....	112,069,194.21	0.00
5083) Special Access Revenue (Federally Tariffed).....	25,439,777.19	0.00
5084) State Access Revenue (State Tariffed).....	53,725,148.58	53,725,148.58
5080) Total Network Access Revenue.....	237,959,182.67	53,725,148.58
LONG DISTANCE REVENUES		
100) Long Distance Message Revenue.....	77,200,045.50	74,046,098.72
111) Long Distance Inward Only Revenue.....	5,507,735.37	5,507,735.37
112) Long Distance Outward Only Revenue.....	3,259,877.06	3,259,877.06
121) Sub-Voice Grade Long Distance Private Network Revenue.....	137,037.47	137,037.47
122) Voice Grade Long Distance Private Network Revenue.....	8,487,053.74	8,115,127.22
123) Audio Program Grade Long Distance Private Network Revenue....	0.00	0.00
124) Video Program Grade Long Distance Private Network Revenue....	0.00	0.00
125) Digital Transmission Long Distance Private Network Revenue...	926,244.54	926,244.54
126) Long Distance Private Network Switching Revenue.....	0.00	0.00
128) Other Long Distance Private Network Revenue.....	0.00	0.00
129) Other Long Distance Private Network Revenue Settlements.....	(4,112,305.37)	(4,112,305.37)
120) Total Long Distance Private Network Revenue.....	5,438,030.38	5,066,103.86
160) Other Long Distance Revenue.....	2,953,952.81	2,953,952.81
169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	94,359,641.12	90,833,767.82
MISCELLANEOUS REVENUES		
30) Directory Revenue.....	28,141,413.98	28,141,413.98
40) Rent Revenues.....	2,489,534.48	2,489,534.48
50) Corporate Operations Revenue.....	0.00	0.00
61) Special Billing Arrangements Revenue.....	21,584.84	21,584.84
62) Customer Operations Revenue.....	20,212.69	20,212.69
63) Plant Operations Revenue.....	3,716.70	3,716.70
64) Other Incidental Regulated Revenue.....	5,263,083.83	5,263,083.83
69) Other Revenue Settlements.....	0.00	0.00
60) Total Miscellaneous Revenue.....	5,308,598.06	5,308,598.06

SCHEDULE II. - OPERATING REVENUE ACCOUNTS

390

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
5001) Basic Area Revenue.....	293,722,322.61	293,722,322.61
5002) Optional Extended Area Revenue.....	96,204.71	96,204.71
5003) Cellular Mobile Revenue.....	0.00	0.00
5004) Other Mobile Service Revenue.....	719,836.00	719,836.00
5000) Total Basic Local Service Revenue.....	294,538,363.32	294,538,363.32
5010) Public Telephone Revenue.....	19,622,830.25	19,622,830.25
5040) Local Private Line Revenue.....	10,019,496.27	10,019,496.27
5050) Customer Premises Revenue.....	779,096.83	779,096.83
5060) Other Local Exchange Revenue.....	95,391,254.77	95,391,254.77
5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	420,351,041.44	420,351,041.44
NETWORK ACCESS SERVICE REVENUES		
5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	50,112,690.41	0.00
5082) Switched Access Revenue (Federally Tariffed).....	116,398,248.12	0.00
5083) Special Access Revenue (Federally Tariffed).....	28,740,602.70	0.00
5084) State Access Revenue (State Tariffed).....	61,417,764.96	61,417,764.96
Total Network Access Revenue.....	256,669,306.19	61,417,764.96
LONG DISTANCE REVENUES		
5100) Long Distance Message Revenue.....	78,221,921.59	74,860,663.51
5111) Long Distance Inward Only Revenue.....	4,090,547.42	4,090,547.42
5112) Long Distance Outward Only Revenue.....	3,100,747.74	3,100,747.74
5121) Sub-Voice Grade Long Distance Private Network Revenue.....	110,423.86	110,423.86
5122) Voice Grade Long Distance Private Network Revenue.....	8,317,553.87	8,317,553.87
5123) Audio Program Grade Long Distance Private Network Revenue....	0.00	0.00
5124) Video Program Grade Long Distance Private Network Revenue....	0.00	0.00
5125) Digital Transmission Long Distance Private Network Revenue...	1,594,944.48	1,594,944.48
5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
5128) Other Long Distance Private Network Revenue.....	0.00	0.00
5129) Other Long Distance Private Network Revenue Settlements.....	(5,095,722.04)	(5,095,722.04)
5120) Total Long Distance Private Network Revenue.....	4,927,200.17	4,927,200.17
5160) Other Long Distance Revenue.....	2,443,721.95	2,441,783.95
5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	92,784,138.87	89,420,942.79
MISCELLANEOUS REVENUES		
230) Directory Revenue.....	30,668,098.53	30,668,098.53
240) Rent Revenues.....	1,929,182.84	1,929,182.84
250) Corporate Operations Revenue.....	0.00	0.00
261) Special Billing Arrangements Revenue.....	32,433.20	32,433.20
262) Customer Operations Revenue.....	22,793.21	22,793.21
263) Plant Operations Revenue.....	39,627.01	39,627.01
264) Other Incidental Regulated Revenue.....	5,140,684.27	5,140,684.27
Other Revenue Settlements.....	0.00	0.00
Total Miscellaneous Revenue.....	5,235,537.69	5,235,537.69

SCHEDULE II. OPERATING REVENUE ACCOUNTS

1991

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
5001) Basic Area Revenue.....	302,297,624.69	302,297,624.69
5002) Optional Extended Area Revenue.....	40,043.71	40,043.71
5003) Cellular Mobile Revenue.....	0.00	0.00
5004) Other Mobile Service Revenue.....	763,705.55	763,705.55
5000) Total Basic Local Service Revenue.....	303,101,373.95	303,101,373.95
5010) Public Telephone Revenue.....	20,739,191.70	20,739,191.70
5040) Local Private Line Revenue.....	11,801,332.31	11,801,332.31
5050) Customer Premises Revenue.....	984,305.54	984,305.54
5060) Other Local Exchange Revenue.....	88,820,787.70	88,820,787.70
5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	425,446,991.20	425,446,991.20
NETWORK ACCESS SERVICE REVENUES		
5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	51,989,315.47	0.00
5082) Switched Access Revenue (Federally Tariffed).....	117,173,255.97	0.00
3) Special Access Revenue (Federally Tariffed).....	32,614,114.85	0.00
of State Access Revenue (State Tariffed).....	60,821,623.01	60,821,623.01
of Total Network Access Revenues.....	262,598,309.30	60,821,623.01
LONG DISTANCE REVENUES		
100) Long Distance Message Revenue.....	78,603,628.81	74,964,387.98
111) Long Distance Inward Only Revenue.....	3,018,275.33	3,018,275.33
112) Long Distance Outward Only Revenue.....	5,283,910.19	5,283,910.19
121) Sub-Voice Grade Long Distance Private Network Revenue.....	65,875.61	65,875.61
122) Voice Grade Long Distance Private Network Revenue.....	6,957,070.16	6,957,070.16
123) Audio Program Grade Long Distance Private Network Revenue....	0.00	0.00
124) Video Program Grade Long Distance Private Network Revenue....	0.00	0.00
125) Digital Transmission Long Distance Private Network Revenue....	3,180,223.19	3,180,223.19
126) Long Distance Private Network Switching Revenue.....	0.00	0.00
128) Other Long Distance Private Network Revenue.....	0.00	0.00
129) Other Long Distance Private Network Revenue Settlements.....	(3,056,171.21)	(3,056,171.21)
120) Total Long Distance Private Network Revenue.....	7,146,997.75	7,146,997.75
160) Other Long Distance Revenue.....	2,700,715.68	2,697,547.68
169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	96,753,527.76	93,111,118.93
MISCELLANEOUS REVENUES		
130) Directory Revenue.....	32,402,456.13	32,402,456.13
140) Rent Revenues.....	2,327,167.01	2,188,578.01
150) Corporate Operations Revenue.....	0.00	0.00
161) Special Billing Arrangements Revenue.....	44,386.20	44,386.20
162) Customer Operations Revenue.....	24,217.95	24,217.95
163) Plant Operations Revenue.....	67,340.95	67,340.95
164) Other Incidental Regulated Revenue.....	4,587,678.69	4,587,678.69
Other Revenue Settlements.....	0.00	0.00
Total Miscellaneous Revenue.....	4,723,623.79	4,723,623.79