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Federal Communications Commission
Office of Secretary

April 1, 1997

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

RE: Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 CC Docket 96-128
Ex Parte

Dear Mr. Caton:

Attached is an article that appeared in USA Today on February 26, 1997 concerning the recent FCC decision for deregulation of the payphone industry. Also provided is a copy of BellSouth's media response to this article. Copies of this notification letter and accompanying material will be provided to Daniel Gonzales of Commissioner Chong's office.

Please associate this information with the referenced proceeding.

The undersigned is available to address questions concerning this matter.

Sincerely,

Ben G. Almond

Ben G. Almond
Executive Director-Federal Regulatory

Attachments

cc: Daniel Gonzales

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USA Today

February 26, 1997

Carriers hit with $1 billion pay phone bill

By Steve Rosenbush
USA TODAY

A little-known wrinkle in the telecommunications law will cost major long-distance carriers more than $1 billion a year, and they are passing the expense along to the public.

Twenty-two major long-distance carriers must pay $45.85 a month for each of the 2.2 million pay phones in the country, USA TODAY has learned.

The fees cover the cost of toll-free and calling-card calls for which pay phone owners historically were not repaid.

The year-old telecommunications law required the Federal Communications Commission to come up with a system of compensation.

Long-distance carriers already have started paying the fee for the 350,000 pay phones not owned by phone companies. In April, they'll start paying for the 1.8 million pay phones owned by local phone companies. Monthly fees will be replaced in October with a 35¢-a-call charge carriers will pay to pay phone owners.

Long-distance carriers have asked the federal appeals court in Washington to overturn the compensation plan. But in the meantime they are raising rates. AT&T, for example, has hiked the rate it charges businesses for toll-free service by 3%, effective today.

The expense will eventually be passed along to consumers.

"If a telemarketing operator's expenses suddenly go up 3% a month, eventually that makes its way into the consumer's pocket," says Daniel Briere of the industry consulting group TeleChoice. "It's one of the hidden taxes of the Telecommunications Act."

MCI and Sprint weren't immediately available to comment. "I would expect more rate increases," Briere says. "It's just too much for the carriers to eat."

For Immediate Release:
February 26, 1997

For More Information:
David A. Storey
BSPC Media Relations
(205) 943-2532

BellSouth Public Communications Issues Reaction to *USA Today* Story on Per-Call Compensation

HOMEWOOD, ALA -- The following statement was issued today by BellSouth Public Communications (BSPC) in reaction to a story that appeared in Wednesday's (Feb. 26) editions of *USA Today*. The story, headlined "Carriers Hit With $1 Billion Pay Phone Bill," unfairly characterizes certain portions of the Federal Communications Commission's (FCC) recent payphone decision, which contains a provision that requires long distance companies to compensate payphone service providers for calls they would not otherwise be paid for, such as calls to 800 numbers.

The statement can be attributed to James B. "Jim" Hawkins, president of BellSouth Public Communications, BellSouth's payphone services unit:

"In the Telecommunications Act of 1996, Congress directed the FCC to establish fair compensation rules for all payphone calls. The FCC worked hard to accomplish exactly that. The FCC decision says that long distance companies must begin to pay compensation to payphone providers for toll-free and calling card calls, and other 'dial-around' calls.

"The FCC Order is balanced. Long distance carriers will pay for the value they receive from their customers being able to use payphones. In return, long distance companies will enjoy reductions in their operating expenses worth hundreds of millions of dollars. These significant savings will come from the same FCC payphone order, since the FCC directed telephone companies not to pass on any of their payphone operation costs to long distance companies.

"We believe this provision of the Commission's Order is quite fair. Only those long distance companies who receive the benefit of handling calls from payphones will bear the costs of compensation to payphone providers.

"This decision will provide long overdue compensation for independent payphone providers, who have received almost no such compensation in the past. Long distance companies have gotten almost entirely a 'free ride' for billions of toll-free payphone calls over the past several years. Some long-distance carriers even asked the FCC to make end users deposit coins and pay for toll-free calls at payphones. The FCC wisely focused on consumers and fashioned a balanced, equitable payphone order. The FCC should be recognized for fulfilling its Congressional mandate and benefiting the public by promoting competition and supporting the widespread deployment and maintenance of payphones."

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