

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.

1301 K STREET, N.W.
SUITE 1000 WEST
WASHINGTON, D.C. 20005-3317
(202) 326-7900

FACSIMILE
(202) 326-7999

MICHAEL K. KELLOGG
PETER W. HUBER
MARK C. HANSEN
K. CHRIS TODD
MARK L. EVANS
JEFFREY A. LAMKEN
AUSTIN C. SCHLICK

EX PARTE OR LATE FILED
October 3, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte Filing

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

In re Matter of the Pay Telephone Reclassification and
Compensation Provisions of the Telecommunications Act
of 1996, CC Docket No. 96-128

Dear Mr. Caton:

DOCKET FILE COPY ORIGINAL

Enclosed for filing in this docket are the original and one
copy of each letter to Kathy Franco, Paul Gallant, Tom Boasberg,
and Jim Casserly. I sent these letters today on behalf of the
RBOC/GTE/SNET Coalition. I would ask that you include the
letters in the record of this proceeding in compliance with 47
C.F.R. § 1.1206(a)(2).

If you have any questions concerning this matter, please
contact me at (202) 326-7902.

Sincerely,


Michael K. Kellogg

Enclosures

No. of Copies rec'd
List Attached

OH

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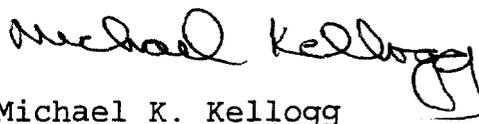
Jim Casserly
Federal Communications Commission
1919 M Street, N.W.
Room 832
Washington, DC 20554

Dear Jim:

As a follow up to our recent conversation on payphone compensation, I attach copies of articles showing that AT&T, MCI and Sprint already have raised their rates to permit recovery of payphone compensation costs (measured at \$.35 per call). Contrary to their current claims, the industry continues to function smoothly.

I also thought you might be interested in the fact that, while AT&T has raised its rates for the asserted purpose of paying per call compensation, it has in fact refused to do so. Indeed, AT&T has sent letters to Coalition members -- who own 70 percent of all payphones -- stating that it will not pay. I attach a sample letter to that effect from AT&T to Pacific Bell.

Sincerely,


Michael K. Kellogg

Enclosures

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Tom Boasberg
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, DC 20554

Dear Tom:

As a follow up to our recent conversation on payphone compensation, I attach copies of articles showing that AT&T, MCI and Sprint already have raised their rates to permit recovery of payphone compensation costs (measured at \$.35 per call). Contrary to their current claims, the industry continues to function smoothly.

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Sincerely,



Michael K. Kellogg

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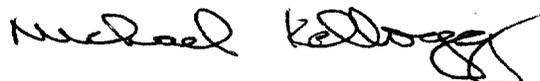
Kathy Franco
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, DC 20554

Dear Kathy:

As a follow up to our recent conversation on payphone compensation, I attach copies of articles showing that AT&T, MCI and Sprint already have raised their rates to permit recovery of payphone compensation costs (measured at \$.35 per call). Contrary to their current claims, the industry continues to function smoothly.

I also thought you might be interested in the fact that, while AT&T has raised its rates for the asserted purpose of paying per call compensation, it has in fact refused to do so. Indeed, AT&T has sent letters to Coalition members -- who own 70 percent of all payphones -- stating that it will not pay. I attach a sample letter to that effect from AT&T to Pacific Bell.

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Michael K. Kellogg

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October 3, 1997

Paul Gallant
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, DC 20554

Dear Paul:

As a follow up to our recent conversation on payphone compensation, I attach copies of articles showing that AT&T, MCI and Sprint already have raised their rates to permit recovery of payphone compensation costs (measured at \$.35 per call). Contrary to their current claims, the industry continues to function smoothly.

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Sincerely,



Michael K. Kellogg

Enclosures



4490 Willow Road
Room J100
Pleasanton, California 94588
510-834-1020

Mary Ann Oeller

September 28, 1997

Mr. Martin Ard
Deputy General Counsel
Pacific Bell
140 New Montgomery Street, Room 1625
San Francisco, California 94105

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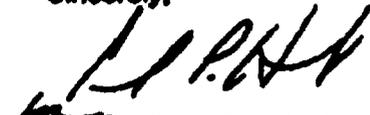
Dear Mr. Ard:

This letter is to inform you that AT&T will not remit payphone compensation to Pacific Bell as anticipated by your Company. As you are aware, it is incumbent upon each local exchange carrier to remove all sources of subsidy for payphones from other services prior to receiving payphone compensation from the interexchange carriers. This is consistent with the FCC Report and Order released on September 20, 1996, and the FCC Order on Reconsideration released on November 8, 1996, where the FCC specifically required "incumbent LECs to remove from their intrastate rates any charges that recover the costs of payphones . . . by April 1, 1997." The Second Bureau Waiver Order released on April 15, 1997, concludes in paragraph 22 that "we leave the details associated with the administration of this compensation mechanism to the parties to determine for themselves through mutual agreement."

AT&T has reviewed the information it has available and cannot, to its satisfaction, determine that your Company has fully met the requirements of the FCC Order. Until we are satisfied that AT&T is not supporting your payphone service through other payments to Pacific Bell, AT&T will continue to withhold payphone compensation.

We stand ready to meet with you on a business-to-business basis as soon as it is mutually convenient to review your cost work papers or other documentation that supports the removal of all sources of subsidy for payphone service from your intrastate rates. Please contact June Tom of my staff on (415) 442-3280 at your earliest convenience to discuss this matter.

Sincerely,


Pacific States Local Infrastructure and
Access Management Vice President

Copy to:
C. P. Hunt
J. Grivich

The Washington Post
April 30, 1997, at B9

**NOTICE TO AT&T BUSINESS
LONG DISTANCE CUSTOMERS**

AT&T will file tariff revisions with the Federal Communications Commission to increase domestic Business Interstate Inbound Services rates by 7%. Additionally, domestic Business Interstate Outbound Service rates and Business International rates will increase by 2%. These rates are scheduled to become effective May 1, 1997.

These increases result from the Telecommunications Act of 1996 which required the FCC to develop a payphone compensation plan for all calls made from payphones. As a result of FCC action, Inter-Exchange Carriers are required to pay payphone providers for calls completed on their payphones.

The Wall Street Journal
June 2, 1997, at B6

AT&T Plans to Charge An Extra 35-Cent Fee For Some Payphones

Dear Jones Newsmires

BASKING RIDGE, N.J. — AT&T Corp. will add a 35-cent charge on certain calls placed from payphones to offset payments to payphone owners required under a Federal Communications Commission order.

The adjusted prices were effective yesterday AT&T said.

The FCC plan requires long-distance carriers to compensate qualifying public payphone owners for coinless calls, including consumer calling-card, collect, credit card and operator-handled calls. AT&T said its current share of the cost is \$26.21 per public payphone per month.

AT&T, along with other long-distance carriers and state regulators, has appealed the FCC order to the U.S. Court of Appeals in Washington. AT&T said it will roll back the price increases, including adjustments to business rates, if it succeeds in efforts to reduce the level of payment to payphone owners.

**John Rendleman
CommunicationsWeek
'800' Data Toll Hike Hits Users
August 18, 1997
as reproduced in LEXIS, library NEWS, file CURNWS**

[Excerpt]

The End Result

As a direct consequence of the new rules, AT&T increased its interstate toll-free "800" business rates by 7 percent and its business outbound rates by 2 percent to recover its share of the payments to pay-phone operators- estimated at nearly \$60 million per month for AT&T alone.

MCI Communications Corp. and Sprint also raised their business calling rates to reflect expenses they incurred under the new compensation plan, although their rate hikes were not as large as AT&T's because of their smaller market shares and correspondingly smaller compensation obligations.

MCI responded to the pay-phone fees by raising its "800" service rates twice-once in March and again in May-by more than 3 percent each time. Sprint raised rates for most of its business voice services by about 2 percent in November and again by about 5 percent in March.

Despite the increases, "we believe that we did the right thing," said an FCC official, adding that the commission did not mandate how long distance companies should respond to the new pay-phone fees.