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23 December 1997

MEMORANDUM FOR THE EXECUTIVE DIRECTOR, FEDERAL COMMUNICATIONS COMMISSION

Subject: Letter From Mr. David J. Kane

1. The enclosed correspondence from Mr. David J. Kane to the Chairman of the Joint Chiefs of Staff is forwarded for consideration. Mr. Kane is concerned about the FCC ruling that allows for coinless pay phone operators to charge long distance phone call providers surcharges for the use of their phones. This surcharge will inevitably be passed on to customers. US Service members, a great majority of whom use long distance carriers and pay phones, will be affected by this ruling.

2. The Chairman informed Mr. Kane that a copy of his letter would be forwarded to the FCC. A copy of General Shelton's reply is also enclosed.

M. Manning

M. MANNING
Colonel, USMC
Secretary, Joint Staff

Enclosures

CHAIRMAN OF THE JOINT CHIEFS OF STAFF
WASHINGTON, D. C. 20318-9999

22 December 1997

Mr. David J. Kane
Vice President
All Office Support, Inc.
7181 College Parkway, Suite 30
Fort Myers, Florida 33907-5640

Dear Mr. Kane,

Thank you for the letter concerning new rules that will allow pay phone owners to impose a surcharge on their customers.

As you point out, this ruling will affect our Service members because many of them use pay phones to make calls from all over the world. A copy of your correspondence has been forwarded for consideration to the Federal Communications Commission.

The men and women of the Armed Forces are a valuable asset. Your concern for their welfare is greatly appreciated. With best wishes,

Sincerely,

Henry H Shelton

HENRY H. SHELTON
Chairman
of the Joint Chiefs of Staff

All Office Support, Inc.

22 November, 1997

General Henry H. Shelton
Chairman
The Joint Chiefs of Staff
The Pentagon
Washington, DC 20318-9999

Dear General Shelton,

The purpose of this letter is to advise you of certain actions by the F.C.C. which effect not only my business but also, I believe, many members of the Armed Forces of the United States as well.

On the surface, this may appear to be a minor issue... but I feel this to be one of those items that will have a negative impact on the morale of many our Service People.

In discussing our "business plight" (as indicated by the enclosed newspaper article) with my son, SPC Jason Kane, 2/82nd AVN, Fort Bragg NC, he brought to my attention the fact that he was calling me using a "Pre-Paid Calling Card". He realized the cost impact this issue would have not only on him but also his fellow Soldiers. Many of these men and women use the "Pre-Paid" cards, long distance "credit" cards and the familiar 1-800-COLLECT to stay in touch with family and friends.

In using any of these methods to place a call from a pay telephone, the first step in connecting to the telephone service is to dial a toll-free "800" number. Under this F.C.C. ruling, those "Pre-Paid" cards would have several minutes removed to cover the "Pay Telephone Surcharge" imposed on the carriers by the F.C.C. In the case of the "Credit" cards, an additional charge of from 60-cents to One Dollar would be imposed on their bill by the carrier along with some of the highest rates allowed AND the "Credit Card Usage" charges already in place. In the case of the "Pre-Paid" cards, if a "busy signal or a "No Answer" occurs, the charges are still imposed! In the case of 1-800-COLLECT, when the called party answers and they accept the call, they will be billed not only the normal "collect" charges but also this "surcharge" as well.

Perhaps this is just a "small issue" in the scope of world events but I felt it my responsibility to bring it to your personal attention knowing your background and your concern for the men and women who serve under you. Thank you for your attention.

Sincerely,

David J. Kane,
Vice-President

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EWS-PRESS
50 CENTS
FORT MYERS, FLORIDA
:R 22, 1997

FCC RULING HAS SOME SCRAMBLING

K.T. WARNKE/News-Press

Suzanne Pospisal, 20, and Jessica Iverson, 18, answer telephone calls at All Office Support, Inc. on Friday for local businesses and dispatch messages to alpha/numeric subscribers across the U.S. All inbound calls are received on 800 numbers and the FCC has ruled all 800 numbers placed from pay phones will bear a 28.4-cent surcharge per call.

Pay phone 800 numbers likely to start costing you

By MARIBEL PEREZ WADSWORTH
News-Press staff writer

Consumers who use pay phones to make toll-free calls may soon find the calls aren't quite so free.

A little-known provision of the Telecommunications Act of 1996 opened the door for surcharges of nearly 29 cents per call charged to the toll-free provider as reimbursement to the pay-phone owner.

The Telecom Act probably is best known for deregulating local phone markets and more recently for allowing pay phone operators to set their own rates.

But some say the 28.4-cent surcharge that went into effect Oct. 7, while not charged directly to the consumer, could have the most wide-ranging impact.

Pay phone owners traditionally have made no money on toll-free calls, and have lobbied the Federal Communications Commission for years to change that.

The problem was how to implement a rate and who would pay for it.

For Fort Myers businessman David Kane, the FCC's solution just won't cut it.

KANE

Kane owns All Office Support Inc., a message dispatch service for subscribers of alpha-numeric pagers. The company has 2,000 toll-free lines running into its College Parkway headquarters, handling about 250,000 calls each month.

The average monthly phone bill for Kane's company is about $15,000. He estimates that about 40 percent of the calls made to the 800-numbers he manages come from pay phones.

If 100,000 calls a month are made from pay phones to All Office Support 800-numbers, the price tag comes to $28,400 a month in surcharges alone.

"I can't make it like that," said Kane, who has 52 employees running the 24-hour a day operation. "I can't just eat that up."

More likely, Kane will pass the surcharge on to his 700 clients nationwide who in turn will pass it on to their clients — mostly individual consumers, he said.

While Kane does not dispute that pay-phone owners should be paid for their service regardless of where the call is going, he said he

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PHONES: Debate over costs raging

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feels the person making the call should have the option to pay for it up front or complete the call elsewhere.

"The only option right now is for the business using the 800-number to block all calls made from pay phones to avoid incurring the charges," he said.

But that's not feasible for businesses that require open access to best serve their clients, such as crisis hot lines, he said.

Another concern is that the surcharge is billed as soon as the call connects, not taking into account wrong numbers, said Deborah Gernant, All Office Support's sales director.

"There are no provisions in the act for misdials or nuisance calls," Gernant said. "We have one 800-number here that is off by just one number from MCI's 1-800-COLLECT. Most of those calls are probably coming from pay phones."

Other consumers who could be affected would be callers who use calling or credit cards to make long-distance calls. Those customers already are paying high surcharges for using the cards and could now face the 28.4 cents per call made to their long-distance carrier's 800-number as well.

Sprint, which owns 52,000 pay phones in 19 states including most in Lee County, must deal with the surcharge threefold — as an 800-number provider, as a pay-phone owner, and as a long-distance carrier.

"That debate is really raging," said Brian Craven, a Sprint spokesman at the company's Florida regional office in Apopka. "This is much more far-reaching that just the rate increase."

Sprint raised its pay phones rates from 25 cents to 35 cents per call last month, as soon as the Telecom Act provisions allowed for such increases.

Craven said he believes the debate over toll-free surcharges is far from over.

Sprint currently is appealing the FCC's last ruling on the surcharges, saying the charges are excessive at nearly 29 cents.

"We're in an interesting position because we own local phone companies that operate pay phones and we are a long-distance carrier that has to pay the surcharge," said spokesman Larry McDonnell in Washington.

"From a corporate standpoint, we believe the surcharge is too high and unjustifiable," he said, adding that Sprint bills a 30-cent surcharge to cover operating costs associated with the new charges.

"The consumer ultimately, one way or another pays for the surcharge, and we think that's unfortunate," McDonnell said. "We will continue to appeal and pursue a lower, more justifiable rate."

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OFFICIAL BUSINESS

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Network Services Division
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