

THE IXCS' CUP RUNNETH OVER

IXCs impose per-call surcharges on access code callers and 800 number subscribers for calls originated by payphones. Once ANI II digits are fixed, this alone is full recovery of the cost of dial-around. Currently, recovery is at \$694 million

\$1.26 billion

\$992 million
(break-even point)

In response to FCC's payphone orders, IXCs imposed selected across-the-board rate increases explicitly to compensate payphone providers. AT&T alone recovered \$642 million in 1997 from rate increases on toll-free, business long distance and credit card calls.

\$622 million

The elimination of intrastate & interstate subsidies for LEC payphone services results in a payphone-specific reduction in access charges paid by the IXCs, for a total savings of over \$250 million per year.

\$372 million

By shifting 0+ traffic to access code calls, the IXCs save \$372 million per year in commissions paid to PSPs.

The IXCs are recovering far more than the \$992 million cost of payphone compensation.

PSPs AND UNIVERSAL SERVICE

PSPs Should Pay Only Their Fair Share

- o PSPs have no objection to paying, like everyone else, their fair share of the costs of universal service
- o PSPs do not agree, however, that they should be required to pay their share two or three times over
 - PSPs pay an end-user carrier common line charge
 - PSPs pay rates, as end users, to carriers that already include a mark-up to cover the end user's share of universal service costs
 - PSPs are required to pay directly into the universal service fund

Corresponds with Slide 47

RELEVANT PAYPHONE COMPENSATION CITATIONS

Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128, Notice of Proposed Rulemaking, 11 FCC Rcd 6716 (1996); Report and Order, 11 FCC Rcd 20541 (1996); Order on Reconsideration, 11 FCC Rcd 21233 (1996) (collectively, the "Payphone Orders").

Illinois Public Telecommunications Assn. v. FCC, 117 F.3d 555 (D.C. Cir. 1997), supplemental opinion 123 F.3d 693 (D.C.Cir. 1997), petition for rehearing denied.

Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128, Second Report and Order, FCC 97-371 (rel. October 9, 1997) ("Remand Order").

Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, CC Docket No. 91-35, Second Report and Order, 7 FCC Rcd 3251 (1992); Order on Reconsideration, 8 FCC Rcd 7151 (1993).

Florida Public Telecommunications Assn. v. FCC, 54 F.3d 857 (D.C.Cir. 1995).