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March 31, 1998

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Magalie Salas, 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 Ms. Salas:

Enclosed for filing in this docket are the original and one copy of a letter to Rose Crellin. I sent this letter to Ms. Crellin on behalf of the RBOC/GTE/SNET Coalition. I would ask that you include the letter 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.

Yours sincerely,

Michael K. Kellogg

Michael K. Kellogg

Enclosure

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March 30, 1998

Ms. Rose M. Crellin
Federal Communications Commission
2025 M Street, N.W., Room 6120
Washington, D.C. 20554

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

Dear Ms. Crellin:

I am writing on behalf of the RBOC/GTE/SNET Coalition to ask that the Bureau consider an important refinement to its proposed mechanism for determining IXCs' compensation obligations during the period when some payphones are not yet transmitting payphone specific digits.

As noted in my letter of March 27, 1998, some have proposed calculating per-payphone obligations during the waiver period by requiring each IXC to divide the number of calls it receives from RBOC payphones passing the "27" digits on all calls by the number of such payphones. The Coalition has already explained why it believes this method is inferior to the calculation method proposed by the Coalition.

One important drawback of relying on the volume of calls from payphones passing the "27" digits is that any RBOC with a mix of smart and dumb payphones will always place smart phones in the highest volume locations. This fact is particularly salient in the case of BellSouth.

BellSouth Public Communications (BSPC), BellSouth's PSP, had 127,123 smart sets in operation in December 1997, and only 28,039 dumb sets. Those dumb sets are used exclusively to provide "BellSouth Business Payphone Service." This service provides BSPC payphone service in exchange for a monthly fee in low traffic locations. While direct call volume data for these phones are not immediately available, the average BellSouth smart set generates four times the revenue of an average BellSouth dumb set (not including per-call compensation) -- a strong indication that smart sets have far higher average call volumes across the board than dumb sets.

The inclusion of BellSouth dumb payphones in the sample of "27" payphones used to calculate per-payphone compensation during the waiver period would thus seriously understate the average call volume even for typical RBOC dumb payphones. The Coalition therefore proposes that if the Bureau does rely on payphones passing the "27" digits for its calculation, that it exclude the dumb payphones owned by BellSouth, basing its calculation instead solely on dumb payphones owned by the other RBOCs.

Because those companies' dumb payphones tend to make up a more representative mix of payphones -- from high volume phones to low volume semi-public phones -- the resulting calculation would be less biased[1] than a calculation that included the dumb payphones belonging to BellSouth, which are exclusively the lowest volume payphones owned by that company.

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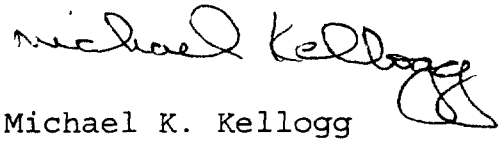
[1]The result will still be biased, because other RBOC PSPs have some number of smart phones, and those phones have been placed first of all at the highest volume locations. For example, U S WEST had 28,092 smart sets and 84,758 dumb sets in operation as of the end of December, 1997. The average U S WEST smart set had approximately 170 percent of the local sent-paid traffic of the average dumb set.

If I can provide additional information or clarification, please call me at (202) 326-7902.

Yours sincerely,



Michael K. Kellogg

cc: Craig Stroup
Jennifer Myers
Lawrence Strickling
Glenn Reynolds