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EX PARTE OR LATE FILED

August 21, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, D.C. 20554

NOTICE OF EX PARTE PRESENTATION

Re: **CC Docket No. 96-128**

Dear Ms. Salas:

On August 20, 1998, Albert Kramer and Robert Aldrich of this law firm, representing APCC, met with Robert Spangler, Deputy Chief (Policy) of the Common Carrier Bureau's Enforcement Division, Greg Lipscomb and Milton Price of the Enforcement Division staff and Craig Stroup of the Industry Analysis Division.

We discussed generally the views stated in APCC's Comments, filed July 13, 1998, and Reply Comments, filed July 27, 1998.

Sincerely yours,

Robert F. Aldrich

RFA/nw
Enclosure
cc: Robert Spangler
Greg Lipscomb
Milton Price
Craig Stroup

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NOTICE OF EX PARTE PRESENTATION

Re: <u>CC Docket No. 96-128</u>

Dear Ms. Salas:

On August 21, 1998, William Baum, Chief Financial Officer of Peoples Telephone Company, Bruce Renard, General Counsel of Peoples Telephone Company, and Robert Aldrich of this law firm (representing the American Public Communications Council ("APCC")), had a telephone conference call with Craig Stroup of the Common Carrier Bureau's Industry Analysis Division and Joe Watts of the Bureau's Accounting and Audits Division.

We discussed the attached analysis of Peoples' capital costs and information from Peoples' 10K reports. Regarding the entry for "payphones and related equipment pending installation," Peoples explained that that amount includes both (1) payphone equipment that is pending installation in new payphone sites and (2) equipment and parts used for replacement and repair of existing payphones. For Peoples, it is necessary to maintain equipment and parts for a variety of different brands of payphone equipment and for a variety of different types of equipment that are used in different types of payphone sites.

We also had a general discussion regarding the components of Peoples' expenses for Selling, General, and Administrative ("SGA").

We also discussed the use of coinless payphones. Peoples explained that coinless payphones are suitable only in very specialized locations such as airports and some truck stops, and that coinless payphones account for a very small fraction (substantially less than 5%) of Peoples' new and existing payphone installations.

We also discussed the costs and bad debt incurred by Peoples and other payphone service providers ("PSPs") because of the difficulty of collecting per-call compensation, including the difficulty of contacting and collecting payment from debit card service providers and other resellers.

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List A B C D E

Under the current system, the facilities-based carrier to which a LEC routes an 800-number call from a payphone is not required to pay compensation to the PSP if the call is routed in turn to a reseller that has its own switching capability. APCC's comments describe the difficulties encountered by PSPs in identifying, contacting, and collecting compensation from such resellers. Comments of the American Public Communications Council, July 13, 1998, at 18-19.

We also discussed ideas for changes in the system for payment of compensation. The costs and difficulties encountered by PSPs in collecting dial-around compensation would be substantially reduced if the Commission required facilities-based carriers rather than resellers to pay the compensation on all dial-around calls, including calls routed to reseller switches. Facilities-based carriers would have the ability to recover compensation payments by billing resellers for a payphone surcharge, just as they currently bill other 800-number subscribers.

We also discussed the issue of whether per-call compensation should be replaced by some form of measured (e.g., per-minute) compensation. We reiterated views addressed in APCC's Reply Comments, filed July 27, 1998, at 46-47. Measured compensation may have some theoretical appeal. However, there is no reason to believe it is technically and administratively possible in the near future. Further, because not all call detail systems measure duration of dial-around calls, PSPs would encounter even more difficulty than they do today in verifying the accuracy of their compensation payments.

Sincerely yours,

Robert F. Aldrich

Robert F. Aldrich

RFA/nw
Enclosure
cc: Craig Stroup
Joe Watts

Peoples Telephone Company
Capital Costs

1. The FCC's October 9, 1997 Second Report and Order estimated Peoples' new depreciable investment per payphone at $3,234, calculated as follows:

	FCC Methodology	A more accurate calculation
Payphone and Inmate Assets:		
Property and equipment, net (per 12/31/96 10-K)	$65,067,000	
Gross up factor, assuming assets are 50% depreciated	x 2	
Assumed gross assets	$130,134,000	
Actual gross assets (per 10-K, footnote 4)		$135,501,000
Divided by installed phones at 12/31/96 (per 10-K)		
Payphones	38,509	38,509
Inmate phones	1,730	1,730
Total installed phones	40,239	40,239
New depreciable investment per payphone	$3,234	$3,367

2. An update to this calculation using 12/31/97 data is as follows:

	Updated calculation at 12/31/97
Payphone Assets only (Inmate sold December 1997):	
Actual gross assets (per 10-K, financial statement footnote 4)	$126,375,000
Divided by installed phones at 12/31/97 (per 10-K)	
Total installed payphones	40,100
New depreciable investment per payphone	$3,151

3. ***The above numbers exclude other assets classified as location contracts, goodwill, acquisition costs and non-compete agreements. If we were to apply the above methodology to those assets, the location contract value alone would add over $1,100 to the investment per payphone.***

4. Our 1997 10-K states that our estimated costs of installing a new payphone, including site selection, hardware and labor, is approximately $1,950. The breakdown of that figure and a reconciliation to the above calculations are as follows:

		Cost per Payphone
Payphone instrument		$1,050
Enclosure and pedestal		$782
Installation labor		$123
Rounding for 10-K presentation		($5)
Total per 10-K, as cited by MCI		$1,950
Plus:		
LEC line initialization (same figure used by MCI)		$87
Other property and equipment (per 1997 10-K, footnote 4, page 48)		
Payphones and related equipment pending installation	$3,021,000	
Land	$950,000	
Building and improvements	$4,366,000	
Furniture, fixtures and office equipment	$7,086,000	
Vehicles	$3,027,000	
Tools and related equipment	$1,022,000	
Total gross assets	$19,472,000	
Divided by installed phones at 12/31/97 (per 10-K)	40,100	
Other property and equipment investment per payphone		$486
Total cost per payphone, including site selection, hardware, labor, line initialization and other property and equipment		$2,523

This total of $2,523 is less than the totals in items 1 & 2 above because our costs of purchasing and installing a new payphone have been declining in recent years. For example, in 1994 our 10-K cited the estimated cost of a new payphone (equivalent to our current $1,950 figure) of $2,300, a difference of $350.