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CC-Docket No.
96-128

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY



Federal Communications Commission
Washington, D.C. 20554

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The Honorable James M. Jeffords
United States Senate
728 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Jeffords:

Chairman William E. Kennard has asked that I respond to your letter concerning the Commission's decision regarding compensation for payphone owners.

Section 276 of the Telecommunications Act of 1996 (the Act) required the Commission to establish a plan by which payphone providers receive "fair compensation" for each and every completed intrastate and interstate call, including coinless 800 calls, that originate from their payphones. Prior to the Act, a payphone provider often received no compensation for these types of calls.

In order to fulfill Congress's mandate, the Commission in 1996 and 1997 conducted a four-step process (Notice of Proposed Rulemaking, Report and Order, Order of Reconsideration, and Second Report and Order) in the Payphone Reclassification Proceeding, CC Docket No. 96-128, during which the Commission solicited and reviewed 243 petitions, comments, and reply comments from the public. After carefully considering the petitions, comments, and reply comments, the Commission adopted rules that require interexchange carriers (IXCs) to compensate payphone providers 28.4 cents for each coinless 800 payphone call, unless the IXC and the provider have otherwise agreed to a different rate. The Commission concluded, based on the record evidence, that the default rate of 28.4 cents per call best approximated the market rate for such calls. Under the Commission's rules, the IXCs may pass some or all of this charge on to their customers, but they are not required to.

Social service "hot lines" that use 800-call services, such as the Vermont agencies you mention, have several options to avoid or minimize the cost of using payphone services. They can renegotiate their contract with the IXC that issued them the 800 number. In the alternative, they can exercise their portability rights and move their 800 number to another IXC, or acquire a new 800 number from another IXC.

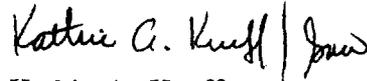
The Honorable James M. Jeffords

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Further Commission action on this matter is pending. The views of numerous state agencies, including the Vermont State Agency of Human Services, Department of Social Welfare, are well represented. We will include your letter as well in the docket file on this proceeding and will give further consideration to your views.

We appreciate your interest in these important issues. Please do not hesitate to contact us if we can provide further information.

Sincerely,



Kathie A. Kneff
Special Advisor
Enforcement Division
Common Carrier Bureau

Enclosures