



October 28, 2014

VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Stephanie A. Joyce

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Re: Notice of Permitted *Ex Parte* Meeting, WC Docket No. 12-375

Dear Ms. Dortch:

On October 24, 2014, Securus Technologies, Inc. (“Securus”), represented by Richard Smith, Chief Executive Officer, Dennis Reinhold, Vice President and General Counsel, and the undersigned counsel, met with the following staff of the Wireline Competition Bureau:

Pamela Arluk, Acting Chief, Pricing Policy Division
Lynne Engledow, Acting Deputy Division Chief, Pricing Policy Division
David Zesiger, Acting Deputy Division Chief, Pricing Policy Division
Rhonda Lien, Pricing Policy Division

Securus began by discussing the expert report of Stephen E. Siwek which was filed with its Initial Comments on March 25, 2013 (“Siwek Report”). The Commission mentions this report at Paragraph 60 of the Second Further Notice of Proposed Rulemaking. The Siwek Report expressly states that it studies the costs of service at only 38 facilities which were not meant to depict the distribution of facilities across the more than 1,600 facilities that Securus then served. Being so limited, the Siwek Report also could not account for cost of capital or cost of debt. The comprehensive report by FTI Consulting, by contrast, which was filed on July 17, 2014, as part of the Mandatory Data Collection, covers every Securus site and fully accounts for all types of fixed and joint and common costs. The FCC should rely on the FTI Report as the more reliable measure of Securus’s costs of service. Securus provided attendees with the attached handout.

Securus then discussed the issue of site commissions as being a decision that that FCC must make and with which ICS carriers then must comply. The funds accrued via site commissions go toward valuable programs that should remain in place. In order to achieve that result, if the FCC determines that site commissions must not be recouped in ICS rates, a reasonable transition period should be adopted in order to enable facilities to fulfill existing budgets and then find alternative sources of funding. Securus has spent considerable resources to ensure that

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correctional facilities do not lose that funding altogether; in the last 10 years, Securus has spent approximately \$10 Million in this effort.

With regard to the Commission's authority as it relates to site commissions, Securus noted that this issue is presently before the U.S. Court of Appeals for the D.C. Circuit. That appeal will be fully briefed as of December 19, 2014.

Securus emphasized the importance of having secure ICS platforms. The present system of competitive bidding, from which a contract with one ICS provider is formed for a term of years, has enabled the industry to rigorously pursue research and development of ever-stronger ICS security features. Securus has developed over 650 security features on which its facility customers rely. The forthcoming rules should ensure that providers such as Securus can continue to develop security features and recoup the costs of their development and deployment.

This disclosure is made in compliance with 47 C.F.R. § 1.1206(a)(1).

Please do not hesitate to contact me with any questions: 202.857.6081.

Sincerely,

s/Stephanie A. Joyce

Counsel to Securus Technologies, Inc.

Attachments

Cc: Pamela Arluk, Acting Chief, Pricing Policy Division
Lynne Engledow, Acting Deputy Division Chief, Pricing Policy Division
All via electronic mail

Permitting Telephone Competition Within the Facilities with Inmate Choice Will Not Work

- Competition **DOES EXIST** for the right to install inmate telephone systems in facilities = **Good**;
- **Commission Price Cap Plan will drive inmate calling rates lower and quality/quantity of products up = Good = Competition;**
- Sole sourcing to a single provider after an initial competitive process is the norm in government and business;
- Multiple telephone providers within a single facility cannot be administratively maintained because:
 - 59 Competitors
 - 59 Calling Platforms
 - 59 ways to analyze information
 - Increase in corrections administration time by 59X
 - **Calls will not be analyzed**
 - **Witnesses, victims, inmates, judges, corrections officers, family members are at risk of harassment, injury, and even death if calls are not analyzed through a single provider's platform**
 - **All corrections officials agree, have to use a single calling platform.**

Permitting telephone competition within the jail/prison system with inmate choice will not work and citizens will be at risk of harassment, injury, and even death as a result.

Industry Proposal



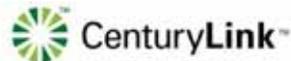
- 85% Share of ITS Market
- Inter = Intra = Local = \$.20 per minute price cap
- Commissions If Justified – Be Careful
- Transition Plan – Be Careful
- Rates/Fees – Capped and Eliminated

Praeses



- Not an ITS provider
- Business Model based on **INCREASING COMMISSIONS**
- Commissions to Facilities – **Potential windfall to Praeses** on consulting to justify and increase commissions
- ICS Providers Retained Profits – Not True, Cost Study based rates
- **Advocate of interstate commission payments in VIOLATION of FCC Order**
- Ancillary Fees Not Justified – Not True, eliminated \approx 20 fees, capped/reduced others

CenturyLink



- **\approx 4% Share of ITS Market – a SMALL player**
- **Advocate of interstate commission payments in VIOLATION of FCC Order**
- Meaningful Cost Recovery for Facilities = **Increased Rates**
- Commissions Necessary to Allow Inmate Calling
- Strict Limitations on Safety/Security Products Offered – CTL has not developed/own ITS platform
- No Tiering – Agreement

The proposal from the ITS carriers that represent 85% of the industry that guarantees significant rate reductions and capped fees should prevail.

Reasons Why the FCC Cannot Use the Siwek Study Submitted on March 25, 2013

1. The Siwek Study **is not an accurate depiction** of Securus's per-minute costs nationwide;
2. The study only represents 38 Securus facility customers versus the 1,600 Securus customers in the 2014 FTI Consulting Study. So the **sample size is unacceptable**;
3. The Siwek Study **provides only high-level, aggregated data** in order not to disclose competitively sensitive information;
4. The 2014 FTI Study includes cost of capital and the Siwek Study **DOES NOT include cost of capital** due to its small sample size;
5. The **Siwek Study is not representative** of the Securus distribution of facility sizes.

The March 25, 2013 Siwek Study SHOULD NOT be used by the Federal Communications Commission in determining Securus's costs. The FTI Consulting Study, which is much more rigorous and detailed, should be used.