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By Electronic Filing

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

Re: Docket No. 12-375, Rates for Interstate Inmate Calling Services

Dear Ms. Dortch:

On July 10, 2015, Vincent Townsend, President of Pay Tel Communications, Inc. ("Pay Tel"), and Marcus W. Trathen and Timothy G. Nelson of Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, regulatory counsel to Pay Tel, met with Lynne Engledow, Gregory Haledjian, Rhonda Lien, Bakari Middleton (who joined by phone), Thomas Parisi, Vanessa Riley, Miriam Strauss, Gil Strobel, and Don Sussman of the Pricing Policy Division, Competition Policy Division, and Wireline Competition Bureau.

In this meeting, Pay Tel circulated and discussed proposed rules for comprehensive reform of ICS, a copy of which is being filed herewith. Such rules are aimed at creating a regulatory environment that is fair to consumers, facilities and vendors and closes to the fullest extent possible loopholes that might be exploited to consumers' detriment.

Pay Tel discussed the status of the proceeding and the state of the record, focusing on the following elements that are necessary for comprehensive, lasting ICS reform: (1) a tiered rate structure that recognizes structural cost differences between jails and prisons and that differentiates between jails by size so as to ensure service to the nations' small and medium jails; (2) a facility cost recovery fee added to ICS rates; (3) the elimination of many ancillary fees and reasonable caps on select, permissible payment fees (and on single call programs); (4) ensuring that ICS consumers do not pay for integrated services out of ICS rates; and (5) an appropriate transition period for implementation of reform that minimizes potential "gaming" of Commission action. Pay Tel provided an outline of such elements, a copy of which is being filed herewith.

Pay Tel reiterated its position that the Commission should adopt a tiered rate structure, based on cost data in the record, that distinguishes between both facility type (jails versus prisons) and size (using tiers based on the average daily population (ADP) of facilities) to account for cost differences in providing ICS therein. Pay Tel discussed its proposed rule for calculating ADP for tiering purposes. In response to a question about the appropriate breakpoint for any proposed rate tiers, Pay Tel (1) deferred to the analysis of the economic consultants who have filed comments in this proceeding and who have had access to and have analyzed the cost data in the record, and (2) stated that it favored a rate cap system that aligned rates with costs.

Pay Tel also reiterated its position that the Commission must ensure that facility providers are adequately compensated for their costs associated with making ICS available. To that end, Pay Tel explained that cost recovery for facilities should be made explicit by adding an appropriate, per-minute cost recovery component of ICS rates; such additive would provide facilities the incentive to enter into contracts with lower calling rates, spurring healthy competition amongst providers that benefits consumers. Pay Tel encouraged the Commission to exercise its authority over ICS providers and to regulate what providers can and cannot do with revenues paid by consumers. Pay Tel explained that other options, such as leaving site commission payments untouched and "letting providers and facilities work it out," or a percentage-based cost recovery scheme, are unworkable and will always put upward pressure on the rates.

Pay Tel discussed its position that most ancillary charges must be prohibited, and that only a few ancillary charges should be permitted—and those should be capped at the levels Pay Tel has previously endorsed, which are generally consistent with those adopted (or approved) by the Alabama Public Service Commission. The ancillary charges discussion also focused on some providers' shift toward generating ever more revenue from single call programs (in some cases, it appears, through deceiving consumers) and the importance of ensuring that customers truly are given an option when selecting such programs and of capping at low, reasonable levels the charges providers can assess for such calls. Pay Tel also referenced a recent filing by E-Complish, a payment processing services company, which provides independent support for a payment processing fee in the range proposed by Pay Tel and adopted by the Alabama PSC.

Pay Tel explained its position, set forth in its proposed rules, that integrated services must not be paid for by consumers out of ICS rates. Pay Tel discussed its proposal that providers be required to disclose through an annual reporting mechanism the products and services it provides/offers and the funding source for each of them. Pay Tel stated that integrated services can be of benefit to consumers and facilities and also foster healthy competition amongst providers—but that consumers cannot and should not be made to pay for these services, which are not integral to ICS calling, via calling rates.

Pay Tel also stated its position, also set forth in its proposed rules, that only contracts that have been executed and are "in service" at the time the Commission adopts its Order should be grandfathered for purposes of intrastate rates and site commissions payable on intrastate rates. Pay Tel pointed to the experience of New Mexico as a cautionary tale, where facilities and vendors took advantage of an overly-generous grandfathering period (based on the effective date of an order, rather than its adoption date) to enter into agreements that circumvented reform efforts.

In accordance with Section 1.1206 of the Commission's rules, this letter is submitted for inclusion in the record of the above-captioned proceeding along with the two handouts reviewed and discussed in the meeting.

Please do not hesitate to contact the undersigned should any questions arise concerning this letter or the issues discussed.

Sincerely yours,

/s/ Marcus W. Trathen

Marcus W. Trathen

cc (via email): Lynne Engledow
Gregory Haledjian
Rhonda Lien
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