

# Analysis of Joint Provider Proposal Pay Tel Ex Parte Presentation

*WC Docket No. 12-375*



July 14, 2015

# Joint Vendor Proposal “Game” Plan

## *The Search for Loopholes*

*“...most people use the term ‘game’ as like it’s negative or illegal, I just view it as smart business people migrate to ways that will allow them to make more money.”*

*“...we’d look at the loopholes immediately.”*

Mr. Richard “Rick” A. Smith  
CEO, Securus Technologies, Inc.  
July 9, 2014 FCC Workshop

# Joint Vendor Proposal

- ▶ **Single Rate in Prisons and Jails**

*The majority of vendor business is prisons, and the proposed rate is an estimated 2-3X costs*

- ▶ **Bait and Switch Tactic on Fees**

*Offer to eliminate fees as a smokescreen for new higher fees*

- ▶ **Premium Payment Options for Single Calls**

*Continue to abuse consumers with single call rates of up to \$14.99*

- ▶ **Integrated Services**

*Families continue to pay for services unrelated to ICS*

# Impact of Joint Vendor Proposals on Families

<b>Proposal</b>	<b>Impact</b>
<b>One Rate Fits All</b>	<b>Proposal could cause 12 million families to pay a rate that will result in 300+% profit for ICS vendors. Vendors may make up to \$300-400M per year in new profit</b>
<b>Fees: Bait &amp; Switch</b>	<b>Proposed fees will significantly increase the real cost of All calls creating excessive profits for vendors</b>
<b>Single Call Options</b>	<b>Proposal will continue abuse of families spending 40%+ of their money to pay for single calls costing up to \$14.99 each</b>
<b>Integrated Services</b>	<b>Proposal will continue abuse of families paying for services that have nothing to do with a phone call</b>

# Single Rate in Prisons and Jails

- ▶ **Joint Vendors' Goal: Use high-cost jails to raise the average cost to \$0.20/min., when the majority of their business is in low-cost Prisons and Mega Jails**

## Percentage of Total Inmates Served by Each Vendor

*Vendor ADP Percentage by Agencies*

Description	Number of Agencies <sup>1</sup>	CenturyLink	Global Tel*Link	ICSolutions	Securus	Telmate
Prisons & Jails >1000	51 <u>+ 214</u>	91.13% <u>+ 6.70%</u>	68.2% <u>+ 22.1%</u>	48.7% <sup>2</sup> <u>+ 28.1%</u>	60.0% <sup>3</sup> <u>+ 18.9%</u>	48.0% <u>+ 5.0%</u>
<b>Total</b>	<b>265</b>	<b>97.83%</b>	<b>90.3%</b>	<b>76.8%</b>	<b>78.9%</b>	<b>53.0%</b>
Jails 350-999	330	1.51%	6.4%	15.4%	8.5%	28%
Jails 100-349	665	0.63%	2.8%	6.8%	9.0%	15%
Jails 1-99	828	0.03%	0.4%	1.0%	3.6%	4%

## Maximize profit on majority of business in Prisons & Mega Jails

<sup>1</sup> Number of agencies served by CenturyLink , Global Tel\*Link, ICSolutions, Securus, Telmate.

<sup>2</sup> 9.3% Direct Prison Contracts + 39.4% Subcontracted Prisons – ICSolutions provides DOC contract prepaid call processing as a subcontractor for CenturyLink for Alabama DOC, Idaho DOC, Kansas DOC, Nevada DOC representing a total of 54,165 inmates

<sup>3</sup> 33.7% Direct Prison Contracts + 23.7% Subcontracted Prisons – Securus provides DOC contract prepaid call processing as a subcontractor to CenturyLink for the Texas Department of Criminal Justice and Wisconsin DOC - representing a total 172,849 inmates.

# What is the ICS Vendor Markup in Prisons?

- ▶ **GTL, Securus, & Telmate proposed rate for Prisons & Jails:** **\$0.20/min.** prepaid call  
**\$0.24/min.** collect call
  
- ▶ **Securus Siwek Report: Prison Cost Data – March 2013:**  
(Report includes all eight prisons served by Securus)
  - **Prison Cost per Minute including facility commissions:** **\$0.1069**
  - **Prison Cost per Minute without facility commissions:** **\$0.0435**
  
- ▶ **Average Retail Rate per Minute including profit at Eight State DOCs with no commissions & mandated low rates:** **\$0.0670**
  
- ▶ **Pay Tel projected cost per minute with profit for Missouri DOC without facility commissions:** **\$0.0650**
  
- ▶ **Recent DOC awards confirm low cost in prisons**
  - **Securus – Pennsylvania DOC - November 2014** **\$0.059**
  - **GTL – Ohio DOC - March 2015 (with monitoring of calls)** **\$0.05**
  
- ▶ **Projected profit margin over cost for GTL, Securus and Telmate in Prisons at proposed \$0.20 rate:** **300+%**

# Bait & Switch on Fees

**BAIT:** “Attached is a complete list of ICS provider fees that would be eliminated under this proposal.<sup>13</sup> In all, the providers have agreed to eliminate at least nineteen different fees currently charged in the marketplace.”

List of Fee “Concessions” Included with ICS Vendor Proposal

Fee	Global Tel*Link Current Charge	Securus Current Charge	Telmate Current Charge
VINE	Fee Not Found	Fee Not Found	Fee Not Found
State Regulatory Cost Recovery Fee	Fee Not Found	Fee Not Found	Fee Not Found
Federal Regulatory Cost Recovery Fee	\$3.49/month Collect up to 8%/call Prepaid	\$3.49/month	Fee Not Found
Refund Fee	Fee Not Found	Fee Not Found	Prepaid Calling Card
Account Setup Fee	Fee Not Found	Fee Not Found	Fee Not Found
Billing Statement Fee	Fee Not Found	Fee Not Found	\$1.99/month
Single Bill Fee	\$3.49/month	Fee Not Found	Fee Not Found
USF Administration Fee	Fee Not Found	% Varies	\$.99/month
Wireless Administration Fee	Fee Not Found	Up to \$3.99/month	\$1.99/month
Location Validation Fee	8% per call	4%	Fee Not Found
Voice Biometrics Fee	Fee Not Found	\$.40/call	Fee Not Found
Technology Fee	Fee Not Found	Fee Not Found	Fee Not Found
Withdrawal Fee	Fee Not Found	Fee Not Found	Fee Not Found
Carrier Cost Recovery Fee	Fee Not Found	Fee Not Found	Fee Not Found*
Collect Call Regulatory Fee	Fee Not Found	Fee Not Found	Fee Not Found
Funding Fee	Another name for Transaction Fee	Another name for Transaction Fee	Another name for Transaction Fee
Regulatory Assessment Fee	Fee Not Found	Fee Not Found	Fee Not Found*
Account Services Fee	Fee Not Found	Fee Not Found	Fee Not Found

Sources: Interstate Tariffs (Global Tel\*Link 12/4/14 and Securus 8/29/14); Telmate’s proposal to Lane County, Oregon (1/21/14)

**“Concessions” + Proposed Fees = Increase in Revenue for GTL, Securus & Telmate**

**SWITCH:**

Proposed Fees	Charge
Payment Processing Fee	\$7.95
Validation Fee	8%
Western Union*	\$11.95
MoneyGram*	\$10.99
NEW Money Transfer Fee	\$2.50

*\*Current high rates*

- ▶ **IMPACT ON FAMILIES: Doubles the Real Cost of all calls**
- ▶ **IMPACT ON VENDORS: \$250M in excessive profits annually**

# Premium Payment Options for Single Calls

*“...ICS providers would be permitted to impose fees for certain ‘premium’ payment options, but such fees should be capped based on the ICS providers existing fee amount for such option for a period of three (3) years.”*

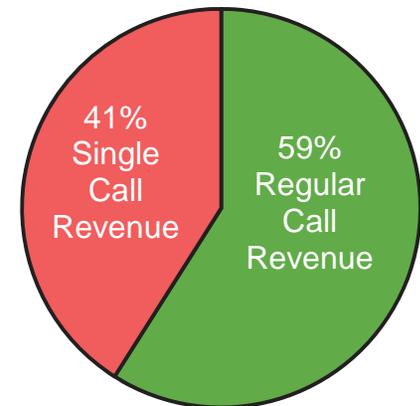
GTL, Securus, Telmate Proposal – September 2014

*“...retain optional premium payment services so long as there is always a free alternative.”*

Securus Ex Parte – March 9, 2015

- ▶ **The cost for single calls is omitted from the ICS Vendors’ Proposal for good reason:**
  - **Single Call Billed to Credit/Debit Card: \$14.99**
  - **Single Call Billed as Premium Text Message to Cell Phone: \$ 9.99**
- ▶ **Call revenue from these options is significant: 41% or more.<sup>1</sup>**
- ▶ **Premium Calling Options are used to circumvent State and FCC rate caps today.**

**Family Funds Spent on Single Calls**



<sup>1</sup> See Appendix A of the Alabama Public Service Commission “Further Order Adopting Revised Inmate Phone Service Rules” adopted on December 9, 2014 in Docket 15957.

# “Integrated Services” Proposal

*“The parties propose that the Commission define as impermissible: any payment, service, or product offered to, or solicited by an agency (or its agent) that is not directly related to, or integrated with, the provision of communications services in a correctional facility.”*

Joint Vendor Proposal – September 15, 2014

- ▶ **Sounds good, but what are integrated services?**
  
- ▶ **“This definition permits correctional facilities to obtain new and innovative services that are integrated or associated with ICS (ranging from email and text services to video visitation, wireless and other emerging technologies...”**
  - **Footnote: “This definition would not broaden the scope of FCC jurisdiction to include such new and innovative services, whether or not integrated or associated with ICS.”**

Joint Vendor Proposal – Sept. 15, 2014

# Who pays for these integrated services today?

***Inmates & Families pay for these services through call revenue.***

Jail Management Systems

Voice Biometrics

Automated Inquiry Services

Other Biometrics

Global Positioning Systems

Key Word Search

Video Visitation

Inmate Voicemail

Payment Services

Ankle Bracelets

Wireless Device Detection

Data Mining

***“We have invested +\$574 million over the last 3½ years, purchasing and developing new technologies, some patents, and companies; this is much more than everyone in our sector combined.”***

Robert Pickens, President  
Securus Technologies

Securus Press Release – June 5, 2015

# The Reality of the Joint Provider Proposal

## The Pitch:

*“This voluntary commitment to limit ancillary charges is conditioned on the Commission’s adoption of a comprehensive ICS rate regime as contemplated by the Joint Provider Reform Proposal.”*

Global Tel\*Link Corporation Ex Parte  
WC Docket No. 12-375  
July 2, 2015

## The Reality:

*This “voluntary commitment to limit ancillary charges” will net \$250M a year, and the “adoption of the comprehensive ICS rate regime” will net an additional \$300-400M for the ICS providers serving prisons.*

# FCC Legacy on ICS Reform

## Joint Vendor Proposal

**Prison Rate 2-3X Cost**

**Continuation of Abusive Fees**

**Continuation of \$14.99 Single Calls**

**Hundreds of Millions  
in New Profits**

**Law Enforcement Costs Not  
Covered**

**Creates Significant Increase in Value  
of Major ICS Vendors - - allowing  
them to be sold for huge profits**

## Pay Tel Ethical Proposal

**Low, Capped Rates (Interstate &  
Intrastate)**

**Low, Capped Payment Fees**

**Eliminate All Other Fees**

**Explicit Per-Minute Cost Recovery**

**Prohibition on All Other  
Compensation to Facilities**

**Reasonable Return to Vendor**

**Fair to Inmates, Families, Law  
Enforcement & ICS Vendors**

***The choice is clear.***