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Notice of Ex Parte Presentation

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

Re: WC Docket No. 12-375, Inmate Calling Service

Dear Ms. Dortch:

On October 6, 2015, Vincent Townsend, President of Pay Tel Communications, Inc. (“Pay Tel”), Don J. Wood, economic consultant to Pay Tel, and Marcus Trathen of Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, regulatory counsel to Pay Tel, met with Nicholas Degani, Legal Advisor to Commissioner Pai.

Pay Tel based its discussion on the Fact Sheet released by the FCC summarizing an item to be considered by the FCC at its October 22 meeting regarding reform of inmate calling services (“ICS”). Pay Tel discussed two primary concerns with the Fact Sheet: first, the Fact Sheet suggests that the FCC intends to exclude the costs of site commissions in establishing rate caps but does not intend to restrict ICS providers’ sharing of “profits” “if such payments fit within the rate caps”; and, second, the proposed caps for jails would prescribe caps which are below Pay Tel’s demonstrated costs for the 350-999 and 1000+ tiers.

Pay Tel discussed its belief that a better approach would be to prescribe a facility cost recovery fee that is added as an explicit component of ICS rates (as a component of a regulatory structure that prohibits providers from paying other forms of compensation). Such an approach would help to align the interests of facilities with consumers by incenting facilities to enter into contracts with lower calling rates, spurring healthy competition amongst providers that benefits consumers. Pay Tel explained that other options, such as leaving site commission payments untouched and “letting providers and facilities work it out” will perpetuate the flawed system that has led to the current proceeding. The Commission has already concluded that the existing system

of facility compensation is “the primary reason” for the dysfunctional ICS ecosystem¹ – and that the market dysfunction only accelerated after adoption of the regulatory reforms in the Commission’s 2013 Order that lowered rates but otherwise did not reform the system of facility compensation.² A perpetuation of this system is illogical and not supported by the record; more problematic, as demonstrated by the Commission’s experiences to date, it will yield unsatisfactory results for consumers.

A copy of the sole hand-out discussed in the meeting is attached.

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.

Please do not hesitate to contact the undersigned should any questions arise concerning this notice.

Sincerely yours,

/s/ Marcus W. Trathen
Marcus W. Trathen

cc: Nicholas Degani (via email)

¹ *Rates for Interstate Inmate Calling Services*, Second Further Notice of Proposed Rulemaking, 29 FCC Rcd 13170, 13180, ¶ 21 (2014).

² *Id.* at ¶ 20.

Analysis of Proposed Rate Caps by Jail Tier

Jail Facility Tier	Pay Tel Per-MOU Cost <u>(Debit and Prepaid)</u>	Commission Proposed Cap <u>(Debit and Prepaid)</u>	Shortfall <u>(Surplus)</u>
0-349	0.21	0.22	(0.01)
350-999	0.19	0.16	0.03
1000+	0.18	0.14	0.04
All Jail Tiers	0.20	0.18	0.02

Note 1: Pay Tel Communications is the only ICS provider who responded to the Commission’s Mandatory Data Collection request by producing a complete cost study that includes all documentation and workpapers, and that ties directly to audited financial statements of the company.