

**CONFIDENTIAL TREATMENT REQUESTED**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554**

<b>In the Matter of</b>	)	
<b>Implementation of the Pay Telephone</b>	)	<b>CC Docket No. 96-128</b>
<b>Reclassification and Compensation</b>	)	
<b>Provisions of the Telecommunications</b>	)	
<b>Act of 1996</b>	)	
	)	

**SPRINT PETITION FOR WAIVER**

Sprint Corporation on behalf of its subsidiaries (collectively, “Sprint”), pursuant to Federal Communications Commission (“Commission”) Rule Section 1.925, requests a temporary waiver of Commission Rule Section 64.1320 mandating an annual audit of payphone compensation payments. Sprint also requests a waiver of the June 30, 2016, audit deadline so the Commission can consider Sprint’s waiver petition without Sprint commencing the audit it seeks to avoid.

**I. INTRODUCTION AND ARGUMENT**

Commission Rule Section 64.1320 requires covered completing carriers, such as Sprint, to “undergo an audit of [their] § 64.1310(a)(1) tracking system by an independent third party auditor ... to determine whether the call tracking system accurately tracks payphone calls to completion.”<sup>1</sup> Commission Rule 64.1320(f) requires an annual certification that there have been no material changes to the completing carrier’s compliance with the criteria underlying the previous year’s audit report. This, in essence, requires a complete audit each year to confirm that the

---

<sup>1</sup> 47 C.F.R. § 64.1320

## CONFIDENTIAL TREATMENT REQUESTED

current practices are in compliance even though the rule purports to only require an initial audit then an annual certification of no material changes.

Sprint requests a waiver of the annual audit requirement because the dramatic decline in payphone calls over the past decade has resulted in an audit requirement that, in Sprint's experience, is unduly burdensome.

Sprint projects that the costs of the audit alone will be approximately 10 percent of the per-call compensation Sprint paid in 2015. Sprint paid [BEGIN CONFIDENTIAL] \$409,102 [END CONFIDENTIAL] in payphone compensation in 2015 for [BEGIN CONFIDENTIAL] 918,637 [END CONFIDENTIAL] calls. This is a massive 99 percent decline from the payphone compensation peak for Sprint in 2005, when Sprint paid [BEGIN CONFIDENTIAL] \$31,478,777 [END CONFIDENTIAL] for [BEGIN CONFIDENTIAL] 109,453,869 [END CONFIDENTIAL] calls. The audit costs have not fallen proportionately to the precipitous decline in the amounts being paid. In 2015, Sprint paid [BEGIN CONFIDENTIAL] \$40,500 [END CONFIDENTIAL] to its outside auditor, KPMG, to conduct the audit; Sprint anticipates incurring slightly higher audit costs for the audit due June 30, 2016.

## II. DISCUSSION

The Commission may waive specific requirements of its rules where granting a waiver would be in the public interest and “[t]he underlying purpose of the rule(s) would not be served or would be frustrated by application to the instant case.”<sup>2</sup> In addition, the Commission may

---

<sup>2</sup> 47 C.F.R. § 1.925(b)(3).

## CONFIDENTIAL TREATMENT REQUESTED

waive a rule if “[i]n view of unique or unusual factual circumstances . . . application of the rule(s) would be inequitable, unduly burdensome or contrary to the public interest, or the applicant has no reasonable alternative.”<sup>3</sup> Given the disproportionate cost of the audit and Sprint’s long record of compliance with the payphone compensation requirements, a waiver of the audit requirements for Sprint’s payphone compensation program is justified and will serve the public interest.

### **A. There is a Significant Need for the Waiver.**

Sprint recognizes that there was once a need to closely track the compliance of pay-phone compensation systems. But as the call volumes have dropped by 99 percent as consumers increasingly make calls with their own mobile devices rather than payphones, the burdensome audit requirement has remained. In fact, Sprint’s auditor has informed Sprint that it has encountered difficulty in the last several years in locating pay phones with which to make test calls pursuant to the audit requirements.

### **B. Granting a Waiver Will Serve the Public Interest.**

Sprint’s audits have consistently shown that it is in compliance with the Commission’s rules. Sprint did not make any material changes to its payphone call tracking system. Sprint believes that a voluntary self-certification that its system had not materially changed is sufficient to protect the financial interests of the payphone service providers while simultaneously minimizing the expense and burden on Sprint, and ultimately, Sprint’s customers.

---

<sup>3</sup> *Id.*

**CONFIDENTIAL TREATMENT REQUESTED**

Alternative compensation arrangements as contemplated by section 64.1320(a) are not a reasonable alternative to the audit given the low call volumes. Sprint made payments last quarter to 85 payphone service providers and aggregators. Of those 85 PSPs, Sprint paid compensation of less than \$1,000 to 76 of them. In fact, payments to 62 were for less than \$10. The costs of negotiating and executing contracts with so many carriers over the small amount of total compensation in order to eliminate the audit costs is also not cost-effective. Sprint's understanding of the rule is that Sprint would have to have an alternative compensation arrangement with each PSP in order to avoid the audit requirements.

**III. CONCLUSION**

Sprint respectfully requests that the Commission recognize the disproportionate costs of the annual payphone compensation audit and waive its applicability to Sprint. Sprint also requests that, if the Commission cannot rule on this waiver petition by May 1, 2016, that the Commission grant Sprint a waiver until the Petition is ruled upon to avoid burdening Sprint with the audit from which it seeks a waiver.

April 15, 2016

Respectfully Submitted,

/s Keith Buell  
Sprint  
900 7<sup>th</sup> Street, NW  
Suite 900  
Washington, DC 20001  
(703) 592-2560  
Counsel for Sprint