

STEPHEN HORN  
38TH DISTRICT, CALIFORNIA

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# Congress of the United States

House of Representatives

Washington, DC 20515-0538

September 8, 2000

COMMITTEE:  
TRANSPORTATION AND  
INFRASTRUCTURE  
SUBCOMMITTEES:  
GROUND TRANSPORTATION  
WATER RESOURCES  
AND ENVIRONMENT  
COMMITTEE:  
GOVERNMENT REFORM  
SUBCOMMITTEES:  
CHAIRMAN:  
GOVERNMENT MANAGEMENT, INFORMATION,  
AND TECHNOLOGY  
DISTRICT OF COLUMBIA

The Honorable William E. Kennard  
Chairman  
Federal Communications Commission  
445 12th Street Southwest, Ste 8-B201  
Washington, D.C. 20024-2101

Dear Mr. Chairman:

It has recently come to my attention that despite widespread telecommunications reforms designed to ensure fair compensation, promote competition among payphone operators, and provide reasonable costs and widespread access to consumers, the payphone industry still faces several barriers that need to be resolved promptly by the FCC. I respectfully urge the Federal Communications Commission to take action on two important matters: (1) carrier responsibility for payment of "dial-around" compensation where a resale carrier as well as an underlying carrier is involved in handling a dial-around call made from a payphone and (2) payphone line rate requirements.

Today, a growing number of people are using new technologies to communicate with one another, and many believe that payphones are in the process of becoming obsolete. However, I strongly believe that payphones are invaluable in emergency situations, and in low-income and rural areas where wireless services are limited and costly. As you know, the Telecommunications Act of 1996 recognized the continued importance of encouraging widespread deployment of payphones. The Act required the FCC to promote the phasing out of subsidies, the fair treatment of competitors when they connect to local systems, and fair compensation for dial-around calls which bypass the payphones' traditional payment mechanism (i.e. calls placed at payphones using 800 numbers, calling cards or access codes). Unfortunately, some of these issues still remain unresolved and threaten the availability of this lifeline service.

With over 1,200 providers, current rules make it difficult for small pay telephone companies to collect the dial-around compensation that is owed to them. Payphone operators are not being compensated for an estimated one-third of all dial-around calls, particularly when more than one carrier is involved on long distance connections. As I understand it, an industry proposal to remedy the situation has been pending at the FCC for more than a year now. If this matter cannot be quickly resolved, a great deal of pay telephone services will be lost across our nation.

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September 8, 2000

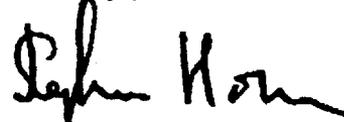
Furthermore, the FCC should act to ensure that state public utility commissions set cost-based payphone line rate requirements which accurately reflect the cost incurred by an incumbent local phone company for payphone line service. Presently, independent payphone providers in many states, such as California, must obtain these services at excessive rates from incumbent local phone companies while competing with the incumbents' own payphone operations.

I strongly encourage you and your colleagues to ensure that the issue of carrier responsibility for dial around compensation be resolved expeditiously, and that the payphone line rate issue, which I understand is ripe for FCC action, also be resolved immediately. I would be most grateful if you would provide an update on these matters, and the time frames in which action can be expected.

Thank you for your attention to these important matters.

With kindest regards,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Stephen Horn". The signature is fluid and cursive, with the first name "Stephen" written in a larger, more prominent script than the last name "Horn".

STEPHEN HORN  
U.S. Representative

SH:sv

Congress of the United States

Washington, DC 20515

September 22, 2000

The Honorable William E. Kennard  
Chairman  
The Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Dear Chairman Kennard:

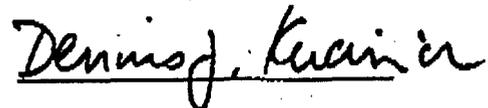
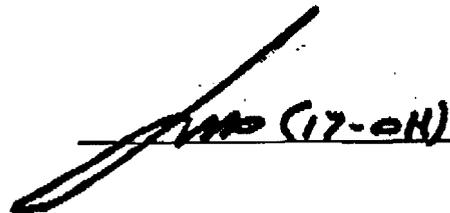
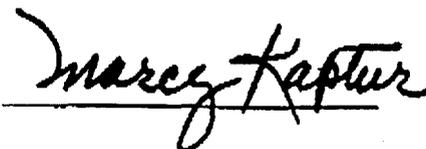
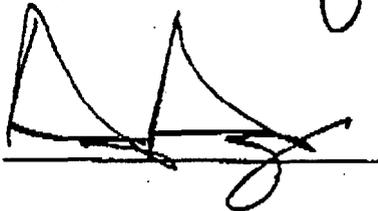
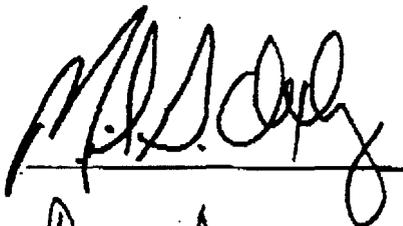
We are writing to urge the FCC to take action on two long-pending pay telephone matters: (1) payphone line rate requirements and (2) carrier responsibility for payment of dial-around compensation when a resale carrier as well as an underlying carrier are involved in handling a dial-around call made from a payphone.

As you know, the promotion of fair competition in the payphone industry was of paramount interest to Congress in enacting Section 276 of the Communications Act as amended by the Telecommunications Act of 1996. In enacting Section 276, Congress recognized the reality that payphones are an essential lifeline service. Implementing the payphone line rate requirements and assuring the payment of dial-around compensation are critical to the continued availability of this service.

We encourage you to ensure that the payphone line rate issue is resolved quickly by issuing an order giving final guidance to the local exchange carriers regarding the determination of cost-based rates. We also urge you to resolve the matter of carrier responsibility for dial-around compensation expeditiously.

Please give due consideration to this request, consistent with all applicable procedural, ethical, and substantive rules and regulations.

Yours truly,



Tom Sawyer

Paul Gillman

Ed Strickland

George V. Henrich

John R. Kasich

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\_\_\_\_\_

Commissioner Susan Ness  
Commissioner Harold Furchtgott-Roth  
Commissioner Michael Powell  
Commissioner Gloria Tristani

JOE BARTON  
8TH DISTRICT, TEXAS  
  
2264 RAYBURN BUILDING  
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REPUBLICAN STEERING COMMITTEE  
REGIONAL REPRESENTATIVE



CHAIRMAN, ENERGY AND POWER  
SUBCOMMITTEE  
  
COMMITTEE ON  
ENERGY AND COMMERCE  
  
COMMITTEE ON SCIENCE

Congress of the United States  
House of Representatives  
Washington, DC 20515-4306

October 20, 2000

William Kennard  
Chairman  
Federal Communications Commission  
1919 M Street NW  
Room 814  
Washington, D.C. 20554

Dear Chairman Kennard:

I am writing to urge the Federal Communications Commission to take action on two long-pending pay telephone matters: (1) carrier responsibility for payment of the \$.24 per call compensation to a payphone provider where a resale carrier as well as an underlying carrier is involved in handling a dial-around call (e.g., a long distance call billed to a credit card) made from a payphone and (2) payphone line rate requirements.

The promotion of competition in the payphone industry and the widespread deployment of payphones were of paramount interest to Congress in enacting Section 276 of the Telecommunication Act of 1996. As you know, I sponsored this section of the Act and, by its enactment, Congress reauthorized the reality that payphones are an essential lifeline service for many people, especially for those in rural areas and in low-income urban areas, as well as for travelers for whom wireless service may not always be available. Assuring the payment of dial around compensation and implementing the payphone line rate requirements as prescribed by Section 276 are critical to ensuring the continued availability of this lifeline service.

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ENNIS, TX 75119-3942  
817-543-1000 (main number for all offices)  
Homepage: <http://www.house.gov/Dartons/welcome.html>

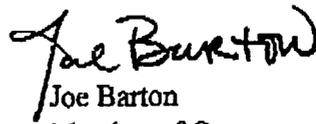
FORT WORTH OFFICE:  
4521 SOUTH HULEN STREET,  
SUITE 210  
FORT WORTH, TX 76108

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I strongly encourage you to ensure that the issue of carrier responsibility for dial around compensation, be resolved expeditiously; and that the payphone line rate issue, which I understand is ripe for FCC action, be resolved promptly. I would be most grateful if you would provide me with an update on these matters, and the time frame in which action can be expected.

Thank you for your attention to these important matters.

Sincerely,

  
Joe Barton  
Member of Congress

JB:sw

JOHN D. DINGELL  
16TH DISTRICT, MICHIGAN  
  
RANKING MEMBER  
COMMITTEE ON COMMERCE  
CO CHAIR  
  
HOUSE GREAT LAKES  
TASK FORCE  
  
MEMBER  
  
MIGRATORY BIRD  
CONSERVATION COMMISSION

Congress of the United States  
House of Representatives  
Washington, DC 20515-2216  
October 24, 2000

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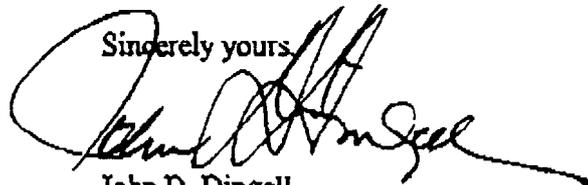
The Honorable William E. Kennard  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Dear Chairman Kennard:

I am writing to inquire about an issue involving proper compensation for payphone service providers (PSPs). Although the home telephone penetration rate is well over 90 percent in the U.S. and the use of wireless telephones is at an all time high, payphones remain an important lifeline for many of our nation's poor and minority families who can not afford such services. Section 276 of the Telecommunications Act of 1996 provides for the "the widespread deployment of payphone services to the benefit of the general public." To the extent that this is not occurring because of the FCC's failure to resolve a regulatory matter, the Commission should act promptly and resolve it.

I have been contacted by constituents who are Michigan PSPs about problems they are experiencing collecting full compensation for "dial around" calls. Section 276(b)(1)(A) requires that PSPs be fairly compensated for "each and every" call placed from a pay phone. However, I have been told that PSPs often do not receive compensation from "dial around" calls because it is often unclear which carriers are responsible for paying compensation. I understand that a petition to address this issue has been pending at the Commission since June 1999 and would appreciate a report on its status.

Sincerely yours,



John D. Dingell  
Member of Congress

pf

LOIS CAPPS  
328 DISTRICT, CALIFORNIA

1718 LONGWORTH BUILDING  
WASHINGTON, DC 20515-0522  
(202) 225-3607

COMMITTEE ON COMMERCE



**Congress of the United States**  
**House of Representatives**

October 24, 2000

Mr. William Kennard  
Chairman  
Federal Communication Commission  
445 12th St., SW  
Washington, DC, California 20554

Dear Mr. Kennard:

I am respectfully writing to urge the Federal Communications Commission to take action on two important matters: (1) carrier responsibility for payment of dial-around compensation where a resale carrier as well as an underlying carrier is involved in handling a dial-around call made from a pay phone and (2) pay phone line rate requirements.

As you know, in enacting Section 276 of the Communications Act, as amended by the Telecommunications Act of 1996, Congress recognized the reality that pay phones are an integral part of our country's telecom infrastructure. For example, pay phones provide an invaluable service in emergency situations, and in low-income and rural areas where wireless services are limited and costly. Therefore, assuring the payment of dial around compensation and implementing the pay phone line rate requirements are critical to ensuring the continued availability of this critical service.

With over 1,200 providers, current rules make it difficult for small pay telephone companies to collect the dial-around compensation that is owed to them. Pay phone operators are not being compensated for an estimated one-third of all dial-around calls, particularly when more than one carrier is involved on long distance connections.

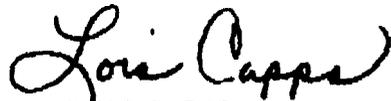
Furthermore, independent pay phone providers in many states, must obtain pay phone line services at excessive rates from incumbent local phone companies while competing with the incumbents' own pay phone operations. I believe if these matters cannot be resolved, a great deal of pay telephone service will be lost to residents of California and across the nation.

As I understand it, an industry proposal to remedy the current situation is pending with the FCC. Accordingly, I encourage you to ensure that the issue of carrier responsibility for dial-around compensation and the pay phone line rate issue be resolved immediately. I would be most grateful if you would provide an update on these matters, and the time frames in which action can be expected.

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 1425 CHAPALA STREET  
SANTA BARBARA, CA 93101  
(805) 738-1770  
 610 E. STONELL ROAD, STE. 11  
SANTA MARIA, CA 93454  
(805) 348-9212

Thank you in advance your attention to these important matters.

Sincerely,

A handwritten signature in black ink that reads "Lois Capps". The signature is written in a cursive style with a large, prominent "L" and "C".

**LOIS CAPPS**  
**Member of Congress**

LGC:jl

**THE HONORABLE JAMES A. BARCIA  
OF MICHIGAN  
THE HOUSE OF REPRESENTATIVES**

**Wednesday, October 25, 2000**

**Mr. Barcia: Mr. Speaker, I want to spend a few minutes today discussing a segment of the communications system that we often take for granted -- pay telephones. We have all had experiences using pay telephones when we are away from home. Even in these days of wireless telephones, pay telephones are essential for many Americans. They are a great convenience when we are traveling, when we are away from the office, and, in many cases, when we have an emergency.**

**There are about 2 million pay telephones in the country today, about 1.5 million of which are owned and operated by the same companies that operate local telephone exchanges. Another 500,000 phones are owned and operated by independent pay telephone companies. For thousands of people in rural and low-income areas, pay telephones are a source of basic telephone service. About 6% of all households in the country do not have a telephone. In poor urban areas, 25% or more of households do not have a telephone, and up to 20% of rural households do not have telephones in some areas. For families in these households, pay telephones often provide basic telephone service.**

**Our national policy regarding pay telephones has evolved significantly over the last twenty years. Prior to 1984, pay telephones were a regulated monopoly owned exclusively by the local telephone exchanges. In 1984, the Federal Communications Commission ordered local exchanges to provide service with independent payphone companies that wanted to install their own payphones. This development introduced competition for the first time in the payphone industry. However, full competition did not develop because charges to payphone companies were still set high enough to subsidize other services.**

**In 1996, another development occurred. With the 1996 Telecommunications Act, Congress stated that it wanted to further competition in the payphone industry so that there would be widespread deployment of payphones. Rates paid by payphone companies to local exchange carriers were to be based on costs so that there would not be a cross-subsidization of other services. During the late 1980s, consumers had begun to experience the convenience of dialing 800 numbers at payphones without having to pay for them at the payphone. As the volume of these calls increased, it became clear that, as a matter of fairness, the payphone operator should receive some compensation for them. After all, the 1996 Act mandated that the payphone owner was to be fairly compensated for each and every call of this kind since it was his or her equipment that was being used to make the**

call.

Unfortunately, the goals of the 1996 Act have not been fulfilled. There has been substantial confusion about the definition of cost-based rates. While the FCC has taken some steps toward defining cost-based rates, it still has not given state regulatory commissions and local exchange carriers final guidance concerning the proper standard. The FCC's Common Carrier Bureau recently ordered Wisconsin carriers to file cost-based rates so that the FCC itself could review them. However, that order was stayed after an objection was filed. My concern is that a protracted proceeding before the FCC to determine the precise definition of cost-based could mean that payphone companies will pay substantially above costs for months or even years.

A related issue is the problem of dial around compensation. It is a great convenience for consumers to be able to dial 800 numbers without having to put coins in a payphone. However, it's only fair and, in fact, it is the policy of the 1996 Act that payphone owners are fairly compensated. These companies purchase, install and maintain the equipment and pay line rates for access to the local telephone exchange. The FCC has given some guidance as to which carrier is responsible for paying compensation, but the current system has proven to have a number of serious problems. Often, several companies are involved in carrying the signal from the caller to the final destination, and it can be difficult to determine what company is responsible for paying the compensation. In many cases, all the carriers deny responsibility and payphone owners must initiate expensive litigation to receive any compensation. The FCC should move quickly to review its current approach to dial around compensation in order to resolve outstanding questions and to come up with a workable, effective system.

While these regulatory issues remain unresolved, the payphone industry and, ultimately, American consumers are being injured. Up to 300,000 payphone lines have been disconnected around the country in the last few years. Some of this may be due to the market forces from competition from wireless telephones. To the extent that market forces are reducing the number of pay telephones, that is the fair result of competition. However, it is likely that much of this reduction is due to the twin effects of payphone operators paying excessive costs for line rates and receiving inadequate compensation for dial around calls. This squeeze on payphone companies has led to the disconnection of telephones and in some cases companies dropping out of the market entirely.

In Michigan, there has been about a 25% reduction in the number of independent telephone companies in operation. The largest independent payphone company providing service in Detroit, with over 2000 phones, is in bankruptcy. I have heard story after story of payphones being disconnected, in rural areas, in urban playgrounds, and in other areas.

One of the particularly troubling aspects of this story is that we could have substantially better payphone service. The technology exists to provide Internet access, video services, and other services to consumers at pay telephones if the economic incentives allowed these developments. Today, in Europe, many of these services exist, and in a limited number of cases, they exist in the United States. However, our policy, although well

**intentioned, has had the effect of discouraging technological developments in the industry while individual companies struggle to survive.**

**I urge the FCC to look into these issues and take action to resolve these issues. Consumers in Michigan, indeed all over the country, will benefit from the Commission's efforts.**

**Congress of the United States**

**House of Representatives**

**Washington, DC 20515**

**October 27, 2000**

The Hon. William Kennard  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Dear Chairman Kennard:

We are writing to ask the Commission to take prompt action to ensure that payphone operators are fairly compensated for use of their payphones.

As you know, Section 276 of the 1996 Telecommunications Act directs the Commission to establish a plan to ensure that payphone operators are fairly compensated for "dial around" calls (such as 800 numbers, calling cards, and access codes) which ~~bypass the payphones' traditional coin payment mechanism. We are disappointed that~~ the Commission has not yet fully carried out this congressional mandate--despite the fact that two years ago the Commission received a formal request from payphone operators asking that such a proceeding be initiated.

As a result of the Commission's inaction, it is our understanding that payphone operators continue to experience great difficulty and long delays trying to collect compensation for "dial around" calls, particularly when more than one carrier is involved on long-distance connections. An estimated 35% of such calls go completely uncompensated, according to estimates provided to us by California's payphone operators. As a result, many small and independent payphone operators are under serious economic duress.

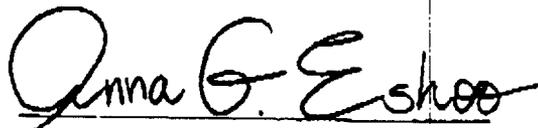
We urge the Commission to take expeditious action to implement rules to ensure that payphone operators are fairly compensated for calls made on their phone. In addition, we would appreciate an update on this matter and the time frame in which action can be expected.

Thank you for your attention to this matter.

Sincerely,



Christopher Cox, M.C.



Anna Eshoo, M.C.

*David Dreier*

David Dreier, M.C.

*Steve Kuykendall*

Steven Kuykendall, M.C.

*Mary Bono*

Mary Bono, M.C.

*James Rogan*

James Rogan, M.C.

*George Radanovich*

George Radanovich, M.C.

*Wally Herger*

Wally Herger, M.C.

*Lucille Roybal-Allard*

Lucille Roybal-Allard, M.C.

*Tom Campbell*

Tom Campbell, M.C.

*Steve Horn*

Stephen Horn, M.C.

*Ron Packard*

Ron Packard, M.C.

*Julian Dixon*

Julian Dixon, M.C.

*Ken Calvert*

Ken Calvert, M.C.

*Duncan Hunter*

Duncan Hunter, M.C.

*Henry Waxman*

Henry Waxman, M.C.

*Lois Capps*

Lois Capps, M.C.

*Sam Farr*

Sam Farr, M.C.

*Brian Bilbray*

Brian Bilbray, M.C.

*Jerry Lewis*

Jerry Lewis, M.C.

*Mike Thompson*

Mike Thompson, M.C.

*Gary G. Miller*

Gary G. Miller, M.C.

*Robert T. Matsui*

Robert T. Matsui, M.C.

*Doug Ose*

Doug Ose, M.C.

*Lynn Woolsey*

Lynn Woolsey, M.C.

*Nancy Pelosi*

Nancy Pelosi, M.C.

*Dana Rohrabacher*

Dana Rohrabacher, M.C.

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