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February 16, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte Filing

Magalie Salas, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
12th Street Lobby, Room TW-A325
Washington, D.C. 20554

Re: In the Matter of Wisconsin Public Service Commission Order Directing Filings, CCB/CPD No. 00-01; Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128 /

Dear Ms. Salas:

On February 15, 2001, Marie Breslin of Verizon, Keith Townsend of USTA, Michael Kellogg, and I met with Dorothy Attwood, Glenn Reynolds, Jane Jackson, Jared Carlson, Jon Stover, and Lenworth Smith of the Common Carrier Bureau to discuss matters in the above-referenced dockets. Mr. Kellogg and I represent a coalition of local exchange carriers.

The attached document summarizes the substance of our presentation concerning payphone line rates. In addition, we emphasized the importance of quick Commission action on two issues of great concern to payphone service providers — interim period compensation and the difficulty in collecting compensation for calls carried by resellers.

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Ms. Magalie Salas
February 16, 2001
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One original and two copies of this letter are being submitted to you in compliance with 47 C.F.R. § 1.1206(a)(2) to be included in the record of these proceedings. If you have any questions concerning this matter, please contact me at (202) 326-7921.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron M. Panner". The signature is fluid and cursive, with a large initial "A" and "P".

Aaron M. Panner

Enclosure

cc: Ms. Attwood
Mr. Reynolds
Ms. Jackson
Mr. Carlson
Mr. Stover
Mr. Smith

Presentation on Payphone Line Rates

February 2001

Providing PSPs with Preferential Retail Rates Is Inconsistent with Commission Policies

- The Independent Payphone Industry Was Founded on the Proposition that Payphones Are Simply CPE, Which Can Be Connected to a Retail Line
- In 1996, PSPs Argued That They Should Not Be Treated as Telecommunications Carriers, but Rather as Retail Customers; the Commission Agreed, and Made Payphone Lines Subject to Resale
- The Commission Specifically Rejected the Notion That PSPs Are Entitled to Payphone Lines at TELRIC Rates; Required PSPs to Pay the EUCL
- PSPs Do Not “Interconnect” — They Are Not Telecommunications Carriers and They Have No Network
- As Retail Customers of Telecommunications Services, There Is No Reason PSPs Should Be Granted a Preference Over Other Retail Users — Including Retail Users, like ESPs, That Compete Directly with LEC Affiliates

The New Services Test Does Not Require Reducing Payphone Line Rates Below Rates for Comparable Services

- New Services Test Is Flexible — An Appropriate Measure of Costs (Determined by the LEC in the First Instance) Plus Overhead
- Overhead Loading is Appropriate if the Same as “Comparable Services”
- UNEs Not Comparable — Comparable Services Are Business Lines
 - Payphone lines are functionally equivalent to business lines, and have traditionally been priced in the same way

Setting Payphone Line Rates at Cost Would Be Flatly Inconsistent With Sections 251 and 252

- Sections 251 and 252 Mandate an Open Local Exchange Marketplace
- A Pricing Policy That Forecloses Facilities-Based Competition in a Segment of the Local Exchange Market is Profoundly Contrary to This Core Principle
- The Commission Should Not and Cannot Heed APCC's Call to Foreclose Competition in this Market Segment

PSPs Competitive Woes Have Nothing To Do With Payphone Line Rates

- Payphone Line Rates Have Gone Down, Not Up, Since 1996
- Payphone Industry Contraction Is Directly Attributable to Market Reality and Regulatory Failure:
 - Wireless phones have cut payphone usage dramatically; IXC's have promoted dial-around calling to take advantage of below-market per-call compensation
 - The Commission set per-call compensation too low and has done almost nothing to ensure that PSPs can collect it
- Independent PSPs Over-Expanded and Are Now Paying the Competitive Price
 - For example, one large independent pays much more in commissions than for payphone lines; yet per-call compensation includes no commission expense
- PSPs' Woes Argue in Favor of Enforcing Fair Compensation Requirements, Not Subsidizing the Industry