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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th St. SW
Washington, D.C. 20554

Re: CC Docket Nos. 96-262, 94-1, 99-249 and 96-45

Dear Ms. Salas:

On April 4, 2001, John Nakahata, Paul Francischetti, Bob McDonald, Pete Sywenki, and the undersigned, all representing the Coalition for Affordable Local and Long Distance Service (CALLS) met with Rich Lerner, Aaron Goldschmidt, and Adam Candeub of the Common Carrier Bureau's Competitive Pricing Division in connection with the above referenced proceedings.

During this meeting, CALLS explained the business relationships that exist between the various parties involved in the provisioning of services from payphones. The attached diagram shows how revenues from payphone calls are exchanged between the parties. The diagram shows that there is only one presubscribed interexchange carrier (PIC) on interstate, interLATA calls made from "dumb" payphones. In the case of "smart" payphones, there would be also only one (PIC) for interstate, interLATA calls. Either the location provider or the payphone service provider (PSP), in those instances where the location provider has delegated the authority to the PSP, determines the PIC. Section 276 precludes discrimination between local exchange carrier and non-local exchange carrier PSPs. The PIC charge (PICC) is applied without discrimination based on the PIC selection.

Section 276 also precludes any Bell Operating Company that provides payphone services from subsidizing its payphone services from its exchange or exchange

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access services. PICCs are paid to the local exchange carrier, not to the local exchange carrier's PSP, in connection with the provisioning of exchange access services by the local exchange carrier. The PICCs are interstate exchange access revenues billed, collected and booked by the local exchange carrier. The PICC does not subsidize a local exchange carrier's payphone services.

Please call me if you have any questions.

Yours truly,

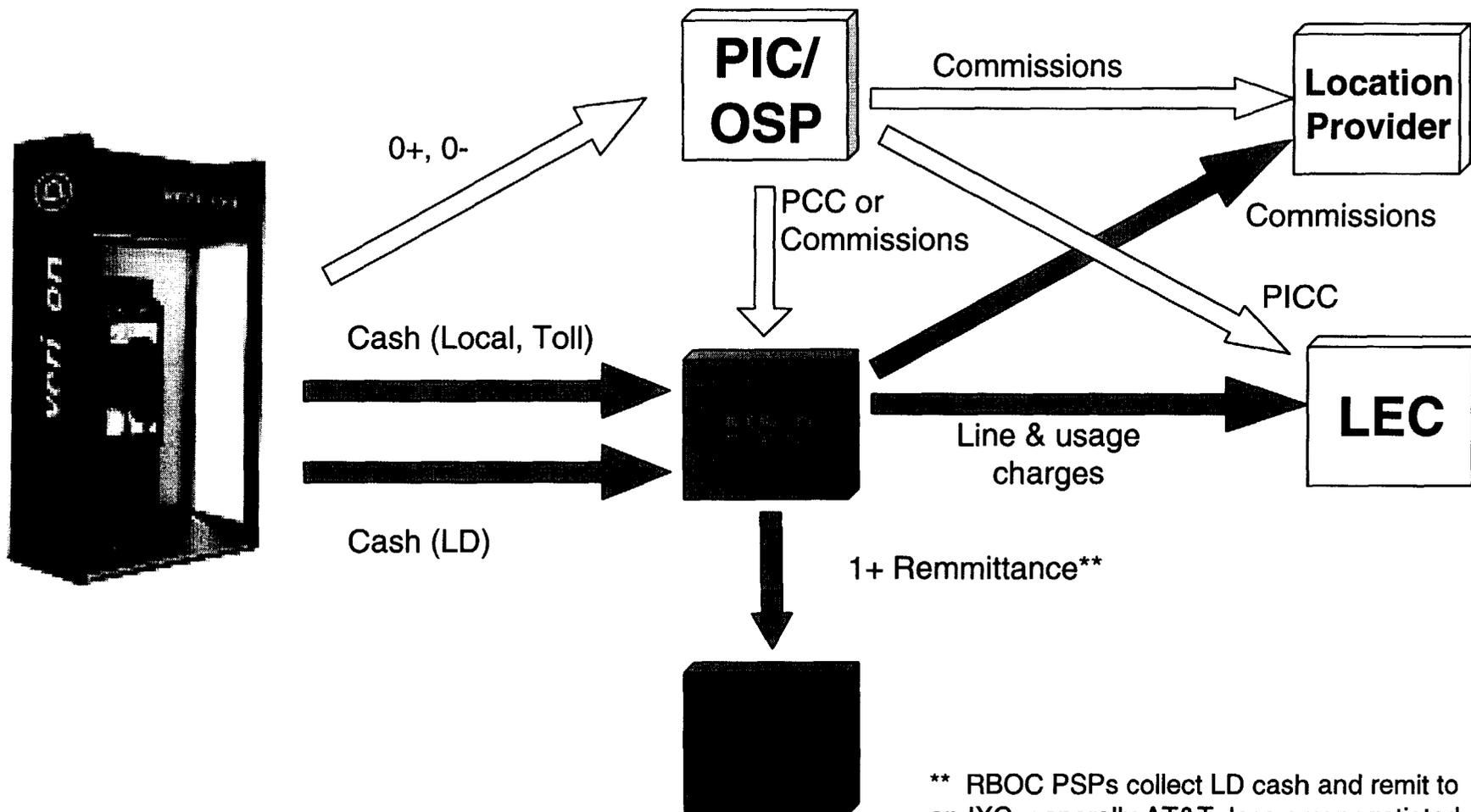
A handwritten signature in black ink, appearing to read "W. W. Jordan". The signature is fluid and cursive, with the first and last names being more prominent than the middle initial.

William W. Jordan

Attachments

CC: Rich Lerner
Aaron Goldschmidt
Adam Candeub

Dumb Payphone Money Flow



** RBOC PSPs collect LD cash and remit to an IXC, generally AT&T, less any negotiated transaction fee.

Talking Points on Payphone Reconsideration

- Payphone OSP carriers' current financial position largely reflects growth of wireless and past consumer abuses by some OSPs, not PICC costs. Some OSPs' charge for a single one or two minute call exceeds the total monthly PICC amount.
- The application of the multiline PICC to payphone lines has followed the application of the SLC, and should continue to do so.
- Waiving the PICC or recategorizing payphone lines as single-line business lines would raise PICC charges for other multiline business users, and, in some areas, could increase per minute access rates by increasing the Carrier Common Line charge.
- PICCs for payphones and all other MLB lines will be decreasing as the *CALLS Order* is further implemented. Furthermore, because PICCs vary from area to area, beginning in July 2001, there will be some states in which there is no MLB PICC charge.
- The Commission already addressed public interest payphones, and delegated responsibility to the states. Promotion of public interest payphones thus is not a justification for changing the PICC rules for payphones. There is no evidence that changing PICC rules would promote the wide availability of affordable payphones for the benefit of the public.
- Section 276 does not compel any change in PICC. Section 276 precludes discrimination between LEC and non-LEC payphone service providers (PSPs). PICC applies equally to all LEC lines, whether the subscriber is a LEC PSP or a non-LEC PSP. Section 276 also precludes subsidies "from" basic exchange and exchange access to unregulated payphones, but PICC does not subsidize payphones.
- PICC also applies without discrimination to all presubscribed IXCs/OSP on all payphone lines. ILECs are not discriminating against non-ILEC OSPs. Oncor and One-Call may be the PIC on ILEC or non-ILEC payphones without any difference in treatment by ILEC.
- Oncor and One Call complain that they have no rates within which they can recover the PICC charges. This is inaccurate. They have business transactions with end users, location providers, PSPs and other carriers. They therefore have a variety of ways to recover or mitigate their expenses. They can recover PICC, like all their other expenses, through their end user call rates for 0+ calls. They have always had the technical and business ability to adapt rates to cover the expenses associated with the particular line or lines on which they are the PIC. OSPs also market their services to location providers and PSPs to induce them to select the OSP as the PIC. OSPs may provide commissions to such location providers or PSPs, or collect charges on their behalf. Thus, PICC charges can be accommodated by reducing or qualifying the

commissions they choose to pay. OSPs also can negotiate appropriate financial arrangements or sharing with the carriers that they use to perform as a PIC.

- In short, there is no reason for the Commission to modify the application of PICCs to payphones, and there is good reason not to do so. However, if the Commission were to change the application of the PICC for this subset of multiline customers, it should do so only on a prospective basis.