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ATTORNEYS AT LAW

July 13, 2001

EX PARTE – Via Electronic Filing

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: Coalition for Affordable Local and Long Distance Service  
CC Dockets 96-262, 94-1, 96-45, 99-249

Dear Ms. Salas:

On July 9, 2001, Robert McDonnell (of Verizon), Whit Jordan (of BellSouth), Pete Sywenki (of Sprint), and I (on behalf of the Coalition for Affordable Local and Long Distance Service (“CALLS”)), met with Rich Lerner, Deputy Chief, Competitive Pricing Division, Common Carrier Bureau, and Aaron Goldschmidt, Attorney, Competitive Pricing Division, Common Carrier Bureau. The presentation is summarized in the attached documents.

There is no compelling reason to change the collection of PICCs from presubscribed carriers for payphone lines:

- There is no legal requirement flowing from either Section 276 or the “new services” test requiring elimination of the PICC for payphone lines. In fact, the Commission has already incorporated the PICC into its instructions to states on how to set payphone line rates under the new services test. There is no discrimination in the application of the PICC between LEC payphones and other payphones.
- Payphone PICCs, like all multiline business PICCs, declined substantially on July 3, 2001, and will continue to decline as the CALLS Order is implemented. For 17% of payphone lines, there is no MLB PICC being charged.

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- The clear preponderance of the economic benefit of presubscription runs to the 0+ carrier rather than the 1+ carrier, with calls to the 0+ carrier vastly outnumbering 1+ calls by over 9:1. OSPs have the ability to offset the PICC against commission paid to location providers, as well as through end user rates for the 0+ calls.

In accordance with the Commission's rules, a copy of this letter is being filed electronically in the above-captioned dockets.

Sincerely,



John T. Nakahata

JTN/krs  
Attachments

## Talk Points for Payphone Reconsideration

1. No valid legal or policy reasons have been presented for the Commission to modify its application of the PICC to payphone lines. This proposed change is wholly unnecessary.
2. The payphone OSP carriers current financial situation reflects other factors, and in no way can it be attributed to PICC costs for payphone lines.
3. The application of the multiline PICC to payphone lines has followed the application of the SLC. There has been no justifiable rationale presented for any change.
4. The OSP receives the bulk of the financial benefit of being selected as the PIC. For Verizon East, approximately 90% of the calls go to the OSP, rather than the 1+ carrier.
5. The business transactions that the OSPs have with end users, location providers, PSPs and other carriers, demonstrate that they have a variety of mechanisms to recover or mitigate their expenses. In particular, the PICC, like their other expenses, can be offset against the commissions OSPs pay to location providers in order to induce the location provider to select the OSP for that phone, as well as through end user rates for 0+ calls.
  - The vast majority of calls for which a PIC selection is required are directed to the 0+ PIC, or to the OSP.
  - Data gathered from the largest ILECS demonstrate that 92% of the interLATA calls made from payphones are to the 0+ PIC.

### Rate Impacts

6. Waiving the PICC selectively, or re-categorizing payphone lines for PICC application purposes would raise the PICC charge for other multiline business users and, in some cases, would increase the CCL.
  - The PICC revenue that would shift to other multiline business customers is estimated at about \$21.6 million. The per-line PICC impacts vary by ILEC, but could be up to \$.14 per line per month.
  - The CCL revenue increase as a result of any PICC re-categorization would be about \$6.8 million. This would also shift the recovery from per line to per minute.
7. PICCs for payphone, and all other multiline business, lines will be decreasing as the CALLS order implementation continues. There are several study areas that have no multiline business PICC charge after the recent July 2001 annual filing.

- As of July 2001, about 17% of all payphones are in areas where the PICC has been eliminated.
- The average PICC being applied is estimated at \$1.25 per line per month.

Section 276 does not compel any change in PICC application.

1. There is no discrimination. The PICC applies equally to all payphone lines served by the ILECs. The purchaser of the payphone line has the option to choose the presubscribed carrier. Some choose a 1+ PIC, others a 0+ PIC, and some opt for no-PIC. OSPs like Oncor or One-Call may be the PIC carrier on ILEC or non-ILEC payphones without any different treatment by the ILEC. Assessing the PICC to the PIC'd carrier, even when that carrier abandons the 1+ traffic, makes sense.
2. The FCC fully recognized that the PICC would be collected for payphone lines, and has already incorporated the PICC into the direction given to the states for calculating payphone line rates under the new services test. In a March 2000 Bureau order, the CCB said:

We also note that the forward-looking cost studies we have required in the contexts described above produce cost estimates on an "unseparated" basis. In order to avoid double recovery of costs, therefore, the LEC must demonstrate that in setting its payphone line rates it has taken into account other sources of revenue (e.g., SLC/EUCL, PICC and CCL access charges) that are used to recover the costs of the facilities involved. (Paragraph 12, 15 FCC Rcd 9978)

3. This shows that the Commission intended the PICC be collected on payphone lines and viewed it as consistent with the new services test, rather than precluded by it.
4. Section 276 precludes discrimination between LEC and non-LEC payphone service providers. It also precludes subsidies "from" basic exchange and exchange access to unregulated payphones.
  - There is no discrimination. The PICC applies equally to all LEC lines, whether the subscriber is a LEC payphone provide or a non-LEC payphone provider.
  - There is no subsidy of payphone lines by basic exchange or exchange access, and there is no subsidy by other multiline business lines. And there is no subsidy of one payphone service by another payphone provider

Summary

Paytel Line Removal Impact

	Paytel Lines Annualized	Total Impact Revenues	CCL Impact Revenues	Total PICC Revenues	PICC = 0 3-Jul-01 Lines	PICC @ > 0 3-Jul-01 Lines	Average PICC all paytel 3-Jul-01
	A	B	C	D = B - C	E	F	G = D / A
Alltel		\$0	\$0	\$0	0	0	
Bell South	3,090,566	\$9,086,264	\$0	\$9,086,264	0	3,090,566	
Cincinnati	89,861	\$0	\$0	\$0	89,861	0	
Citizens CTC1	106,344	\$458,343	\$458,343	\$0	0	106,344	
Citizens CTC2	18,264	\$78,718	\$78,719	-\$1	0	18,264	
Citizens CTC4	99,732	\$429,845	\$429,845	\$0	0	99,732	
Frontier RTNY		\$0	\$0	\$0	0	0	
Frontier RTCS	34,218	\$147,480	\$147,536	-\$57	0	34,218	
Frontier--MN	15,594	\$67,210	\$67,223	-\$13	0	15,594	
Iowa Tel	1,024	\$4,413	\$4,472	-\$59	0	1,024	
Qwest	1,947,084	\$1,511,963	\$0	\$1,511,963	0	1,947,084	
SBC-Ameritech	2,404,953	\$1,418,903	\$0	\$1,418,903	775,125	1,629,828	
AIT - Illinois	775,125	\$0	\$0	\$0	775,125	0	
AIT - Indiana	270,999	\$385,122	\$0	\$385,122	0	270,999	
AIT - Michigan	628,691	\$462,127	\$0	\$462,127	0	628,691	
AIT - Ohio	488,898	\$552,860	\$0	\$552,860	0	488,898	
AIT - Wisconsin	241,240	\$18,795	\$0	\$18,795	0	241,240	
SBC-SWBT	160,731	\$0	\$0	\$0	160,731	0	
SBC-SNET	77,577	\$0	\$0	\$0	77,577	0	
SBC-Pacific	1,654,655	\$0	\$0	\$0	1,654,655	0	
SBC-Nevada	38,641	\$0	\$0	\$0	38,641	0	
Sprint	301,121	\$633,519	\$115,264	\$518,255	83,193	217,928	
UCFL - Florida	17,881	\$62,588	\$0	\$62,588	0	17,881	
UTIN - Indiana	18,991	\$71,759	\$0	\$71,759	0	18,991	
CENV - Nevada	6,939	\$0	\$0	\$0	6,939	0	
UCNC - North Carolina	57,797	\$223,351	\$0	\$223,351	0	57,797	
UTOH - Ohio	50,158	\$36,532	\$0	\$36,532	0	50,158	
UTNJ - New Jersey	25,574	\$0	\$0	\$0	25,574	0	
UTPA - Pennsylvania	34,708	\$0	\$0	\$0	34,708	0	
UTKS - Kansas	8,880	\$38,273	\$38,272	\$1	0	8,880	
UTMN - Minnesota	9,032	\$13,958	\$0	\$13,958	0	9,032	
UTMO - Missouri	22,339	\$78,383	\$0	\$78,383	0	22,339	
UTNE - Nebraska	1,802	\$0	\$0	\$0	1,802	0	
UCTX - Texas	17,065	\$73,550	\$73,549	\$1	0	17,065	
UTWY - Wyoming	799	\$3,444	\$3,443	\$1	0	799	
UTOR - Oregon	3,202	\$9,652	\$0	\$9,652	0	3,202	
UTWA - Washington	3,451	\$12,643	\$0	\$12,643	0	3,451	
UTSC - So UTh Carolina	202	\$0	\$0	\$0	202	0	
UTTN - Tennessee	13,968	\$0	\$0	\$0	13,968	0	
UCVA - Virginia	8,333	\$9,387	\$0	\$9,387	0	8,333	
Valor	38,004	\$163,797	\$163,797	\$0	0	38,004	
Verizon East	5,870,953	\$9,041,268	\$0	\$9,041,268	0	5,870,953	
Verizon West (rolled up avg, not all juris)	1,304,638	\$5,335,969	\$5,335,966	\$3	0	1,304,638	
<b>Grand Total</b>	<b>17,253,960</b>	<b>\$28,377,693</b>	<b>\$6,801,166</b>	<b>21,576,527</b>	<b>2,879,783</b>	<b>14,374,177</b>	<b>\$1.25</b>

17%

PICC

Paytel Line Removal Impact – PICC Rate Impact

Paytel Lines Annualized	Current PICC *	3-Jul-01 Proposed PICC *	3-Jul-01 Proposed PICC with Paytel removed	PICC Rate Delta	Total Impact Revenues	PICC = 0 3-Jul-01 Lines
A	B	C	D	E = D - C	F = A * C	G
Alltel	\$ -	\$ -	\$ -	\$ -	\$ -	-
Bell South	3,090,566 \$ 4.31	2.94 \$	3.08 \$	0.14 \$	9,086,264	-
Cincinnati	89,861 \$ 0.68	\$ -	\$ -	\$ -	-	89,861
Citizens CTC1	106,344 \$ 4.31	4.31 \$	4.31 \$	\$ -	458,343	-
Citizens CTC2	18,264 \$ 4.31	4.31 \$	4.31 \$	\$ -	78,718	-
Citizens CTC4	99,732 \$ 4.31	4.31 \$	4.31 \$	\$ -	429,845	-
Frontier RTNY	\$ -	\$ -	\$ -	\$ -	-	-
Frontier RTCS	34,218 \$ 4.31	4.31 \$	4.31 \$	\$ -	147,480	-
Frontier-MN	15,594 \$ 4.31	4.31 \$	4.31 \$	\$ -	67,210	-
Iowa Tel	1,024 \$ 4.31	4.31 \$	4.31 \$	\$ -	4,413	-
Qwest	1,947,084 \$ 2.79	0.78 \$	0.81 \$	0.03 \$	1,511,963	-
SBC-Ameritech	2,404,953				1,418,903	775,125
AIT - Illinois	775,125 \$ -	\$ -	\$ -	\$ -	-	775,125
AIT - Indiana	270,999 \$ 3.46	1.42 \$	1.43 \$	0.01 \$	385,122	-
AIT - Michigan	628,691 \$ 2.31	0.74 \$	0.74 \$	0.00 \$	462,127	-
AIT - Ohio	488,898 \$ 3.20	1.13 \$	1.13 \$	0.00 \$	552,860	-
AIT - Wisconsin	241,240 \$ 1.60	0.08 \$	0.08 \$	0.00 \$	18,795	-
SBC-SWB	160,731 \$ -	\$ -	\$ -	\$ -	-	160,731
SBC-SNET	77,577 \$ 0.87	\$ -	\$ -	\$ -	-	77,577
SBC-Pacific	1,654,655 \$ -	\$ -	\$ -	\$ -	-	1,654,655
SBC-Nevada	38,641 \$ -	\$ -	\$ -	\$ -	-	38,641
Sprint	301,121				633,519	83,193
UCFL - Florida	17,881 \$ 4.31	3.50 \$	3.51 \$	0.01 \$	62,588	-
UTIN - Indiana	18,991 \$ 4.31	3.78 \$	3.92 \$	0.14 \$	71,759	-
CENV - Nevada	6,939 \$ -	\$ -	\$ -	\$ -	-	6,939
UCNC - North Carolina	57,797 \$ 4.31	3.86 \$	3.94 \$	0.07 \$	223,351	-
UTOH - Ohio	50,158 \$ 4.31	0.73 \$	0.76 \$	0.03 \$	36,532	-
UTNJ - New Jersey	25,574 \$ -	\$ -	\$ -	\$ -	-	25,574
UTPA - Pennsylvania	34,708 \$ -	\$ -	\$ -	\$ -	-	34,708
UTKS - Kansas	8,880 \$ 4.31	4.31 \$	4.31 \$	\$ -	38,273	-
UTMN - Minnesota	9,032 \$ 3.83	1.55 \$	1.58 \$	0.04 \$	13,958	-
UTMO - Missouri	22,339 \$ 4.31	3.51 \$	3.64 \$	0.13 \$	78,383	-
UTNE - Nebraska	1,802 \$ 4.31	\$ -	\$ -	\$ -	-	1,802
UCTX - Texas	17,065 \$ 4.31	4.31 \$	4.31 \$	\$ -	73,550	-
UTWY - Wyoming	799 \$ 4.31	4.31 \$	4.31 \$	\$ -	3,444	-
UTOR - Oregon	3,202 \$ 4.31	3.01 \$	3.07 \$	0.05 \$	9,652	-
UTWA - Washington	3,451 \$ 4.31	3.66 \$	3.73 \$	0.06 \$	12,643	-
UTSC - So UTh Carolina	202 \$ 0.50	\$ -	\$ -	\$ -	-	202
UTTN - Tennessee	13,968 \$ 0.27	\$ -	\$ -	\$ -	-	13,968
UCVA - Virginia	8,333 \$ 3.35	1.13 \$	1.14 \$	0.01 \$	9,387	-
Valor	38,004 \$ 4.31	4.31 \$	4.31 \$	\$ -	163,797	-
Verizon East	5,870,953 \$ 3.23	1.54 \$	1.63 \$	0.09 \$	9,041,268	-
Verizon West (rolled up avg, not all juris)	1,304,638 \$ 4.23	4.09 \$	4.10 \$	0.01 \$	5,335,969	-
<b>Grand Total</b>	<b>17,253,960</b>				<b>28,377,693</b>	<b>2,879,783</b> <b>17%</b>

Notes:

\* If the "proposed" MLB PICC is at the cap of \$4.31, any revenues shifted would flow to CCL for recovery.

CCL

Paytel Line Removal Impact -- CCL Impact

	3-Jul-01 Proposed MOU Originating	2000 Base Period Org. MOUs	Revenues C = B * A	Proposed MOU Rate with Paytel removed Originating	MOU Rate Delta Originating	CCL Revenues Shift Impacts F = E * B
	A	B		D	E = D - A	
Alltel	\$0.000000	244,854,533	\$0	\$0.000000	\$0.000000	\$0
Bell South	\$0.000000	27,844,570,471	\$0	\$0.000000	\$0.000000	\$0
Cincinnati	\$0.000000	1,041,607,722	\$0	\$0.000000	\$0.000000	\$0
Citizens CTC1	\$0.007332	1,302,665,441	\$9,551,221	\$0.007684	\$0.000352	\$458,343
Citizens CTC2	\$0.008352	243,403,051	\$2,032,973	\$0.008676	\$0.000323	\$78,719
Citizens CTC4	\$0.010932	370,075,859	\$4,045,629	\$0.012093	\$0.001162	\$429,845
Frontier RTNY	\$0.000000	373,609,258	\$0	\$0.000000	\$0.000000	\$0
Frontier RTCS	\$0.001471	202,038,167	\$297,119	\$0.002201	\$0.000730	\$147,536
Frontier-MN	\$0.006568	193,175,455	\$1,268,742	\$0.006916	\$0.000348	\$67,223
Iowa Tel	\$0.007985	319,460,807	\$2,550,895	\$0.007999	\$0.000014	\$4,472
Qwest	\$0.000000	21,848,892,296	\$0	\$0.000000	\$0.000000	\$0
SBC-Ameritech	\$0.000000	19,873,980,665	\$0	\$0.000000	\$0.000000	\$0
SBC-SWBT	\$0.000000	14,370,359,760	\$0	\$0.000000	\$0.000000	\$0
SBC-SNET	\$0.000000	3,455,008,081	\$0	\$0.000000	\$0.000000	\$0
SBC-Pacific	\$0.000000	26,065,788,862	\$0	\$0.000000	\$0.000000	\$0
SBC-Nevada	\$0.000000	846,951,369	\$0	\$0.000000	\$0.000000	\$0
Sprint		10,375,991,157	\$2,752,696			\$115,264
UCFL - Florida	\$0.000000	2,640,765,121	\$0	\$0.000000	\$0.000000	\$0
UTIN - Indiana	\$0.000000	233,952,074	\$0	\$0.000000	\$0.000000	\$0
CENV - Nevada	\$0.000000	2,353,362,743	\$0	\$0.000000	\$0.000000	\$0
UCNC - North Carolina	\$0.000000	1,580,984,948	\$0	\$0.000000	\$0.000000	\$0
UTOH - Ohio	\$0.000000	500,416,873	\$0	\$0.000000	\$0.000000	\$0
UTNJ - New Jersey	\$0.000000	535,727,063	\$0	\$0.000000	\$0.000000	\$0
UTPA - Pennsylvania	\$0.000000	588,301,292	\$0	\$0.000000	\$0.000000	\$0
UTKS - Kansas	\$0.014478	137,553,600	\$1,991,529	\$0.014756	\$0.000278	\$38,272
UTMN - Minnesota	\$0.000000	141,956,051	\$0	\$0.000000	\$0.000000	\$0
UTMO - Missouri	\$0.000000	232,876,686	\$0	\$0.000000	\$0.000000	\$0
UTNE - Nebraska	\$0.000000	36,756,108	\$0	\$0.000000	\$0.000000	\$0
UCTX - Texas	\$0.001670	393,596,982	\$657,450	\$0.001857	\$0.000187	\$73,549
UTWY - Wyoming	\$0.009060	11,447,568	\$103,717	\$0.009361	\$0.000301	\$3,443
UTOR - Oregon	\$0.000000	77,106,985	\$0	\$0.000000	\$0.000000	\$0
UTWA - Washington	\$0.000000	92,737,461	\$0	\$0.000000	\$0.000000	\$0
UTSC - So UTh Carolina	\$0.000000	127,155,522	\$0	\$0.000000	\$0.000000	\$0
UTTN - Tennessee	\$0.000000	250,360,328	\$0	\$0.000000	\$0.000000	\$0
UCVA - Virginia	\$0.000000	440,933,752	\$0	\$0.000000	\$0.000000	\$0
Valor	\$0.010937	433,255,236	\$4,738,497	\$0.011571	\$0.000378	\$163,797
Verizon East	\$0.000000	40,297,471,949	\$0	\$0.000000	\$0.000000	\$0
Verizon West (rolled up avg, not all juris)	\$0.004372	18,172,049,746	\$79,448,201	\$0.004666	\$0.000294	\$5,335,966
<b>Total</b>		<b>187,875,209,885</b>	<b>\$106,685,972</b>			<b>\$6,801,166</b>
<b>Average Orig. CCL</b>			<b>\$0.000568</b>			<b>\$0.000036</b>