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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 7, 2001

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, S.W. – Room TWB-204
Washington, D.C. 20554

Re: Ex Parte – CC Docket No. 96-128
Implementation of the Pay Telephone Reclassification and Compensation
Provisions of the Telecommunications Act of 1996

Dear Ms. Salas:

Yesterday, Richard Rubin and I met with Lynne Milne and Jon Stover of the Competitive Pricing Division to discuss payphone compensation for the interim period. The attached material provides the specifics of that discussion.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

cc: L. Milne
J. Stover

Attachment

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List A B C D E

**INTERIM PAYPHONE COMPENSATION –
TIME TO CLOSE THE BOOKS**

AT&T Presentation

9/6/2001

A BIFURCATED APPROACH MAY HELP TO BRING FINAL RESOLUTION TO THIS LONGSTANDING ISSUE

- LAST YEAR, AT&T SUGGESTED THAT THE COMMISSION REJECT THE LEC COALITION'S MAIN PROPOSAL AND ADOPT ITS ALTERNATE APPROACH (BASED ON CARRIERS' TOLL-FREE MARKET SHARE)
- AT&T STILL BELIEVES THAT THIS IS A VALID APPROACH THAT WOULD LEAD TO LESS CONTROVERSY IN THE INDUSTRY, ESPECIALLY FROM IPSS
- HOWEVER, IN AN EFFORT TO BRING THESE MATTERS TO A CLOSE AFTER MORE THAN 4 YEARS, AT&T IS WILLING TO ACCEPT A BIFURCATED APPROACH TO THIS ISSUE

HOW IT WOULD WORK – FOR LECS

- COMPENSATION SHOULD BE BASED ON THE ESTABLISHED RATE OF 23.8 CENTS PER CALL
- • IXC PAYMENTS FOR THE INTERIM PERIOD SHOULD BE BASED ON CALL COUNTS USED TO CALCULATE COMPENSATION PAYMENTS TO THE LEC PSP FOR THE COMPARABLE QUARTER OF 1998, ADJUSTED TO COVER THE NUMBER OF DAYS IN EACH QUARTER (I.E., 46 DAYS FOR THE 2ND QUARTER, THE ENTIRE 3RD QUARTER AND 6 DAYS OF THE 4TH QUARTER)
- • IXCS ARE ENTITLED TO CREDIT FOR ALL ADVANCE PAYMENTS MADE TO THE LEC PSP FOR THE INITIAL INTERIM PERIOD
- • SIMPLE INTEREST AT 11.25% SHOULD BE CALCULATED ON A QUARTERLY BASIS, WITH CREDIT TAKEN FOR ADVANCE PAYMENTS AS OF THE DATE SUCH PAYMENTS WERE MADE

HOW IT WOULD WORK – FOR IPPS

- IPPS WILL BE COMPENSATED BASED ON THE PER-PHONE PROCESS DEVELOPED IN THE FIRST PAYPHONE ORDER
 - RATE IS 23.8 CENTS PER CALL, TIMES
 - 131 CALLS PER MONTH PER PHONE, TIMES
 - CARRIER'S SHARE OF THE TOLL-FREE MARKET IN 1997 (ALL CARRIERS ARE COUNTED)
 - CREDIT FOR ALL PRIOR PAYMENTS MSUT BE ALLOWED AS OF THE DATE OF PAYMENT
 - INTEREST IS APPLIED AS USUAL, TAKING PRIOR PAYMENTS INTO ACCOUNT
- THIS METHOD IS CONSISTENT WITH THE DC CIRCUIT'S RULING
 - THE RATE HAS ALREADY BEEN ESTABLISHED AND UPHELD (IN THE 3RD PAYPHONE APPEAL)
 - THE TOTAL NUMBER OF CALLS PER PHONE WAS BASED ON THE IPPS' OWN EVIDENCE AND NOT DISPUTED IN COURT
 - THE PROPOSED ALLOCATOR IS MUCH MORE RELEVANT THAN "GROSS REVENUES" BECAUSE A LARGE MAJORITY OF PAYPHONE CALLS ARE TOLL-FREE CALLS

HOW IT WOULD WORK – FOR ALL PSPS

- IT IS CRITICAL THAT ALL THE BOOKS FINALLY BE CLEARED AS MUCH AS POSSIBLE FOR ALL PRIOR PERIODS
- THE COMMISSION SHOULD THUS DIRECT THAT IXCS THAT PAID COMPENSATION BASED ON THE 28.4 CENT RATE DURING THE PERIOD AFTER 10/07/97 MAY OFFSET SUCH OVERPAYMENTS AGAINST ANY PAYMENTS DUE FOR THE INITIAL INTERIM PERIOD
 - AS WITH ALL OTHER PAYPHONE COMPENSATION CALCULATIONS, ANY SUCH OFFSETS SHOULD BE SUBJECT TO THE SAME INTEREST RATE AS UNDERPAYMENTS
- THIS IS CONSISTENT WITH THE COMMISSION'S THIRD REPORT AND ORDER (PARA. 198)