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## NEWS

**Federal Communications Commission**  
445 12th Street, S.W.  
Washington, D.C. 20554

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

**FOR IMMEDIATE RELEASE:**

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## FCC CONSUMER INFORMATION BUREAU RELEASES FIRST REPORT ON COMPLAINTS AND INQUIRIES PROCESSED

### *Data Will Help Commission, Companies and the Public To Track Trends*

Washington, DC – The FCC's Consumer Information Bureau (CIB) has released the first of what will be quarterly reports on the numbers and types of complaints and inquiries the Bureau has received from the public. The attached report is a tabulation of the most common complaints and inquiries received at CIB's Consumer Centers during the third quarter of this year on broadcast, cable, wireless and wireline telecommunications issues.

The statistics illustrate that, for both wireline and wireless telecommunications services, billing-related complaints comprise the largest category.

While these data indicate the volume of complaints received at the Commission's Consumer Centers, they do not include complaints received by other FCC offices or complaints made to state agencies and the companies themselves. The data also indicate that the Commission receives mass mailings, which are classified as neither complaints nor inquiries but are considered in the Commission's decision-making processes.

Consumer Information Bureau Chief K. Dane Snowden said, "The statistics in this report will allow CIB to play a pro-active role in alerting the Commission to potential problems that may require further consumer education efforts or policy changes. They also help in the Commission's strategic goal of acting as a bridge between government, industry and consumers to ensure that consumers' voices are heard and their concerns are addressed. We are well aware, of course, that many of the complaints we receive do not involve violations of FCC rules and the existence of a complaint does not necessarily indicate any wrongdoing by the company involved."

Complaints are defined as correspondence received at the FCC from individuals who complain about the actions or omissions of entities regulated by the FCC. Inquiries are defined as correspondence received at the Commission from individuals seeking information on matters under the FCC's jurisdiction.

Attached to the report is a subject reference guide that defines each complaint category and a list of questions and answers about the statistics.

- FCC -

Consumer Information Bureau contact: Thomas Wyatt at (202) 418-1400.

For more information about this or any other FCC matter contact the FCC's Consumer Center at 1-888-CALL-FCC (1-888-225-5322), voice; or 1-888-TELL-FCC (1-888-835-5322), TTY; email us at [fccinfo@fcc.gov](mailto:fccinfo@fcc.gov) or visit our Web site at [www.fcc.gov/cib](http://www.fcc.gov/cib).

*last reviewed/updated on 10/29/01*

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Federal Communications Commission 445 12th Street SW Washington, DC 20554 <a href="#">More FCC Contact Information...</a>			Phone: 888-CALL-FCC (225-5322) TTY: 888-TELL-FCC (835-5322) Fax: 202-418-0232 E-mail: <a href="mailto:fccinfo@fcc.gov">fccinfo@fcc.gov</a>			- <a href="#">Web Policies &amp; Privacy Statement</a> - <a href="#">Customer Service Standards</a> - <a href="#">Freedom of Information Act</a>

**Summary of Top Consumer Complaint Subjects\***  
**Processed by the FCC's Consumer Information Bureau**  
**Third Quarter - Calendar Year 2001**

	July	August	September	Quarter Total
<b>Radio &amp; Television Broadcasting</b>				
Children's TV	0	0	0	0
Programming - Religious	3	3	2	8
Other Programming Issues	13	16	44	73
Indecency/Obscenity**	1	6	25	32
<b>Totals</b>	<b>17</b>	<b>25</b>	<b>71</b>	<b>113</b>
	July	August	September	Quarter Total
<b>Cable Services</b>				
Connections to Cable TV System	1	5	5	11
Over the Air Reception Device Issues	1	2	1	4
Programming Issues	7	3	1	11
Rates	4	7	5	16
Satellite Home Viewer Improvement Act	2	2	2	6
<b>Totals</b>	<b>15</b>	<b>19</b>	<b>14</b>	<b>48</b>
	July	August	September	Quarter Total
<b>Wireless Telecommunications</b>				
Billing/Rates	565	580	535	1680
Carrier Marketing & Advertising	140	156	122	418
Contract- Early Termination	117	129	100	346
Cramming	16	12	21	49
Equipment	47	66	40	153
Service Quality	134	179	117	430
<b>Totals</b>	<b>1019</b>	<b>1122</b>	<b>935</b>	<b>3076</b>
	July	August	September	Quarter Total
<b>Wireline Telecommunications</b>				
Billing/Rates	2657	2695	1670	7022
Carrier Marketing & Advertising	387	410	291	1088
Cramming	288	242	277	807
Service Quality	217	249	149	615
Slamming	500	610	387	1497
Telephone Consumer Protection Act	458	585	290	1333
<b>Totals</b>	<b>4507</b>	<b>4791</b>	<b>3064</b>	<b>12362</b>

**NOTES: See attachment for brief description of subject categories.**

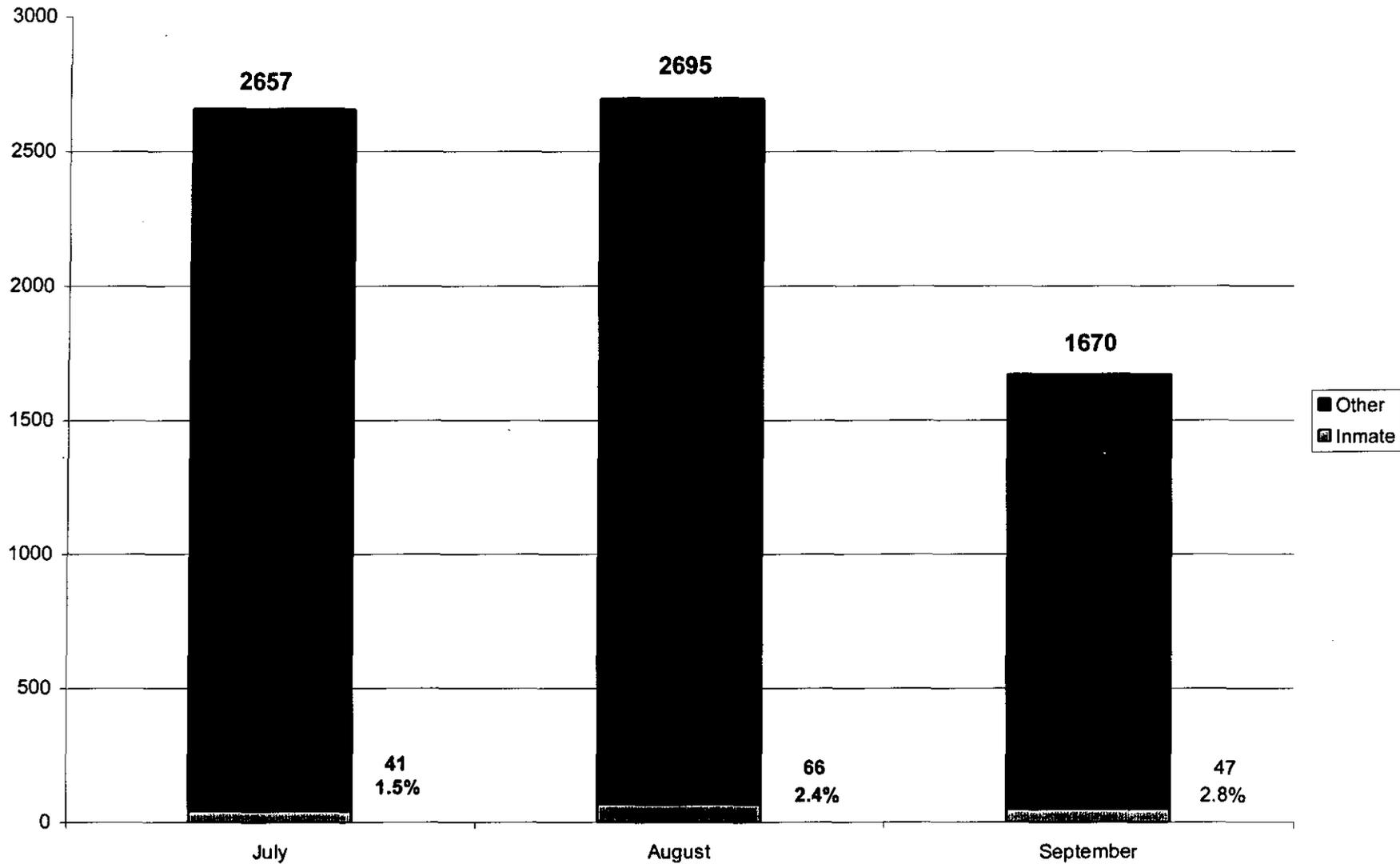
\* A complaint is defined as a correspondence received at CIB's consumer centers either via letter, fax, email or telephone from individuals who complain about the actions or omissions of an entity regulated by the FCC.

The FCC receives many complaints that do not involve violations of the Communications Act or a FCC rule or order.

The existence of a complaint does not necessarily indicate wrongdoing by the company involved.

\*\* Includes correspondence from individuals expressing generalized concerns about sexual references and depictions on radio and television broadcast stations. Informal complaints regarding specific indecency/obscenity matters are handled by the Enforcement Bureau.

## FCC Wireline Telecommunications Billing & Rate Complaints Third Quarter 2001



Source: Summary of Top Consumer Complaint Subjects, Processed by the FCC's Consumer Information Bureau, Third Quarter 2001.  
And inmate specific information provided by CIB

**FCC WIRELINE TELECOMMUNICATIONS COMPLAINTS  
THIRD QUARTER 2001**

<b>Billing/Rates</b>	<b>6868</b>	<b>56%</b>
<b>Carrier Marketing &amp; Advertising</b>	<b>1088</b>	<b>9%</b>
<b>Cramming</b>	<b>807</b>	<b>6%</b>
<b>Service Quality</b>	<b>615</b>	<b>5%</b>
<b>Slamming</b>	<b>1497</b>	<b>12%</b>
<b>Telephone Consumer Protection Act</b>	<b>1333</b>	<b>11%</b>
<b>Inmate</b>	<b>154</b>	<b>1%</b>
<b>Totals</b>	<b>12362</b>	<b>100%</b>

Source: Summary of Top Consumer Complaint Subjects, Processed by the FCC's Consumer Information Bureau, Third Quarter 2001.

**INMATE PHONE SERVICE  
DECLINING FCC COMPLAINTS\*  
2000 vs. 2001**

**COMPLAINTS**

<b>2000 JANUARY - DECEMBER</b>	<b>757</b>
<b>2001 JANUARY - SEPTEMBER</b>	<b>445</b>
<b>2001 COMPLAINTS ARE RUNNING AT A PACE LESS THAN 2000 COMPLAINTS</b>	<b>22% LESS</b>

**2001 COMPLAINTS: AVERAGE PER STATE**

<b>COMPLAINTS (JANUARY – SEPTEMBER 2001)</b>	<b>445</b>
<b>PERIOD OF TIME (IN MONTHS)</b>	<b>9</b>
<b>COMPLAINTS PER MONTH</b>	<b>49</b>
<b>NUMBER OF STATES</b>	<b>50</b>
<b>AVERAGE NUMBER OF COMPLAINTS PER MONTH PER STATE</b>	<b>&lt;1</b>

**\*SOURCE: DATA REQUEST TO FCC. INFORMATION PROVIDED BY ROSE MARY KIMBALL AND  
SUMMARY OF TOP CONSUMER COMPLAINT SUBJECTS PROCESSED BY THE FCC'S CONSUMER  
INFORMATION BUREAU, THIRD QUARTER 2001.**

## Actions in 30 States to Lower Rates on Inmate Long Distance Calls

California	The California legislature passed a bill which would have required that the state's commission on prison telephone systems to cover only costs. The governor vetoed the bill.
Colorado	DOC provides less expensive debit calling option for inmates.
Florida	PUC proceeding reduced all surcharges to \$1.75 in 1999.
Indiana	The PUC is reviewing inmate phone service rates.
Kentucky	PUC proceeding reduced surcharges on all calls to \$1.50 in 1999.
Maryland	Legislature has required the DOC to study telecommunications services for inmates.
Massachusetts	Budget amendment introduced to reduce cost of prisoner telephone calls. Bill did not pass. PUC lowered surcharge on intra-LATA long distance calls.
Iowa	DOC planning to provide less expensive debit calling.
Michigan	Bill introduced in legislature to substantially reduce surcharges and ensure that prisoners have access to debit calling.
Missouri	DOC RFP: March 2000 award based on lowering rate on calls.
Nebraska	DOC does not accept commissions.
Nevada	PUC proceeding reduced surcharges on long distance calls.
New Hampshire	PUC lowered surcharges on intra-LATA long distance calls.
New Mexico	Bill passed that prohibits commissions being paid on inmate phone service to state prisons and county jails. PUC proceeding investigating rates scheduled to be completed fall 2001.
North Carolina	A bill has been introduced in the North Carolina legislature which would ensure that there is competition among telephone service providers in prisons. Bill did not pass.
Ohio	DOC entered into a contract that reduces the costs of phone calls.
Oklahoma	A legislative review of the state's prisoner telephone system is underway.
Oregon	DOC negotiated reduction in long distance surcharge from \$3.95 to \$2.75 for long distance calls.
Pennsylvania	PUC proceeding to lower surcharge on intra-LATA calls.
Rhode Island	DOC is reportedly investigating less expensive alternative phone systems, including debit calling.
South Carolina	PUC proceeding underway Summer 2001, staff recommendation is to lower all long distance surcharges to \$1.75.
Tennessee	DOC provides less expensive debit calling option for inmates.
Texas	The Texas Department of Criminal Justice has reportedly agreed to examine the feasibility of implementing an inmate phone system.
Vermont	DOC RFP: April 1999 award based on lowering rate on calls.
Virginia	Legislature required State Corporation Commission to study inmate rates and debit calling. Inter-LATA surcharge lowered to \$2.25 on DOC contract. SCC current review of rules includes a recommendation to lower long distance surcharges.
West Virginia	PUC proceeding reduced surcharges on all long distance calls.
Wisconsin	RFP June 2000 award based on lowering rate on calls.





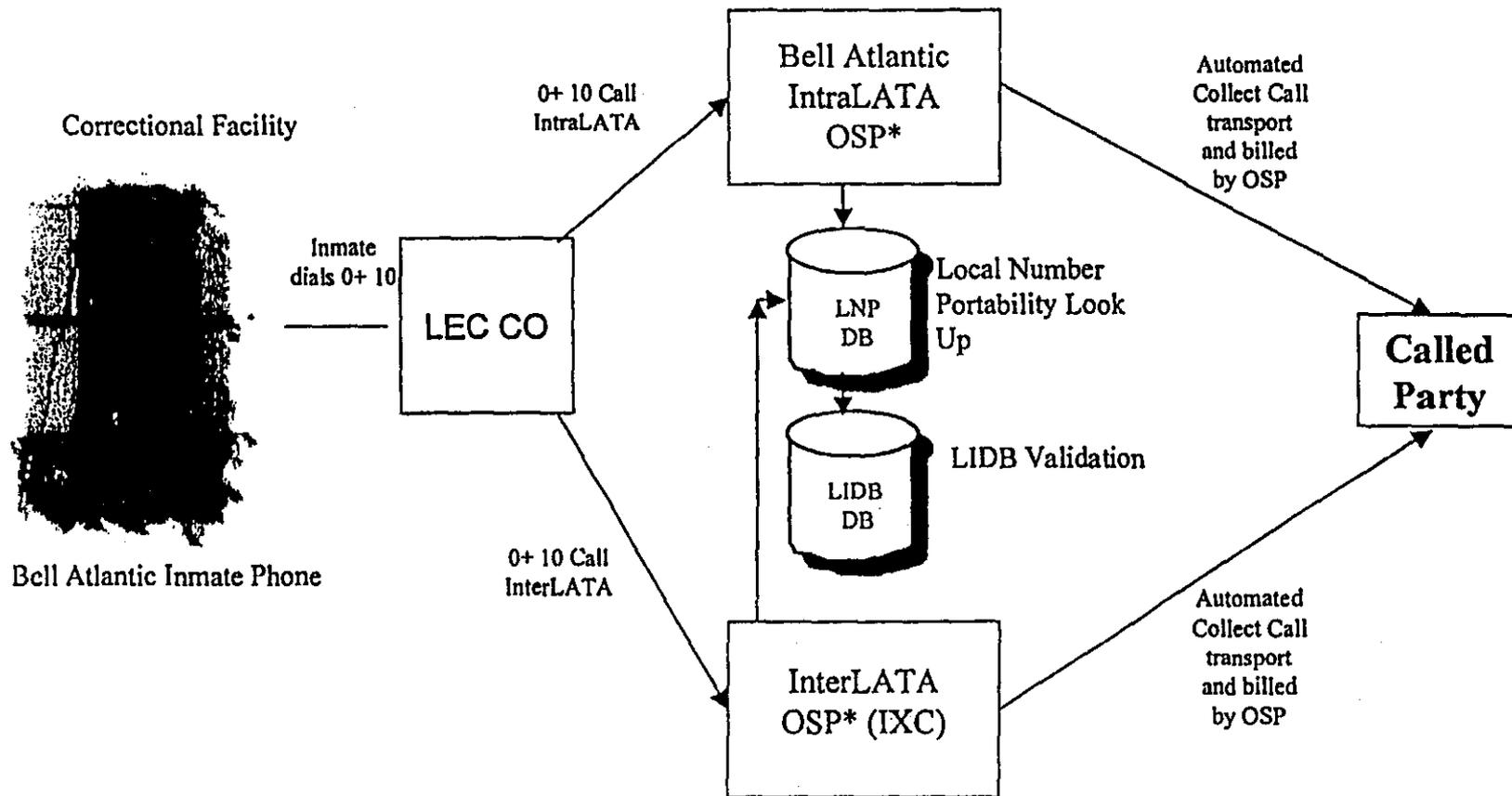
**BOC DISCRIMINATION AGAINST  
INDEPENDENT INMATE CALLING SERVICE (ICS)  
PROVIDERS IN FAVOR OF  
THEIR OWN ICS OPERATIONS**

- I. ISSUE: Equal Access to Services
- II. ISSUE: BOC Preferential Billing Treatment for Collect Calls to C-LEC Customers
- III. ISSUE: Preferential Billing for BOC Inmate Calls
- IV. ISSUE: BOC's Failure to Account for Expenses Against Revenue is Resulting in Improper Cross Subsidization of Bad Debt from Inmate Operations

**BOC DISCRIMINATION AGAINST INDEPENDENT INMATE CALLING SERVICE (ICS)  
PROVIDERS IN FAVOR OF THEIR OWN ICS OPERATIONS**

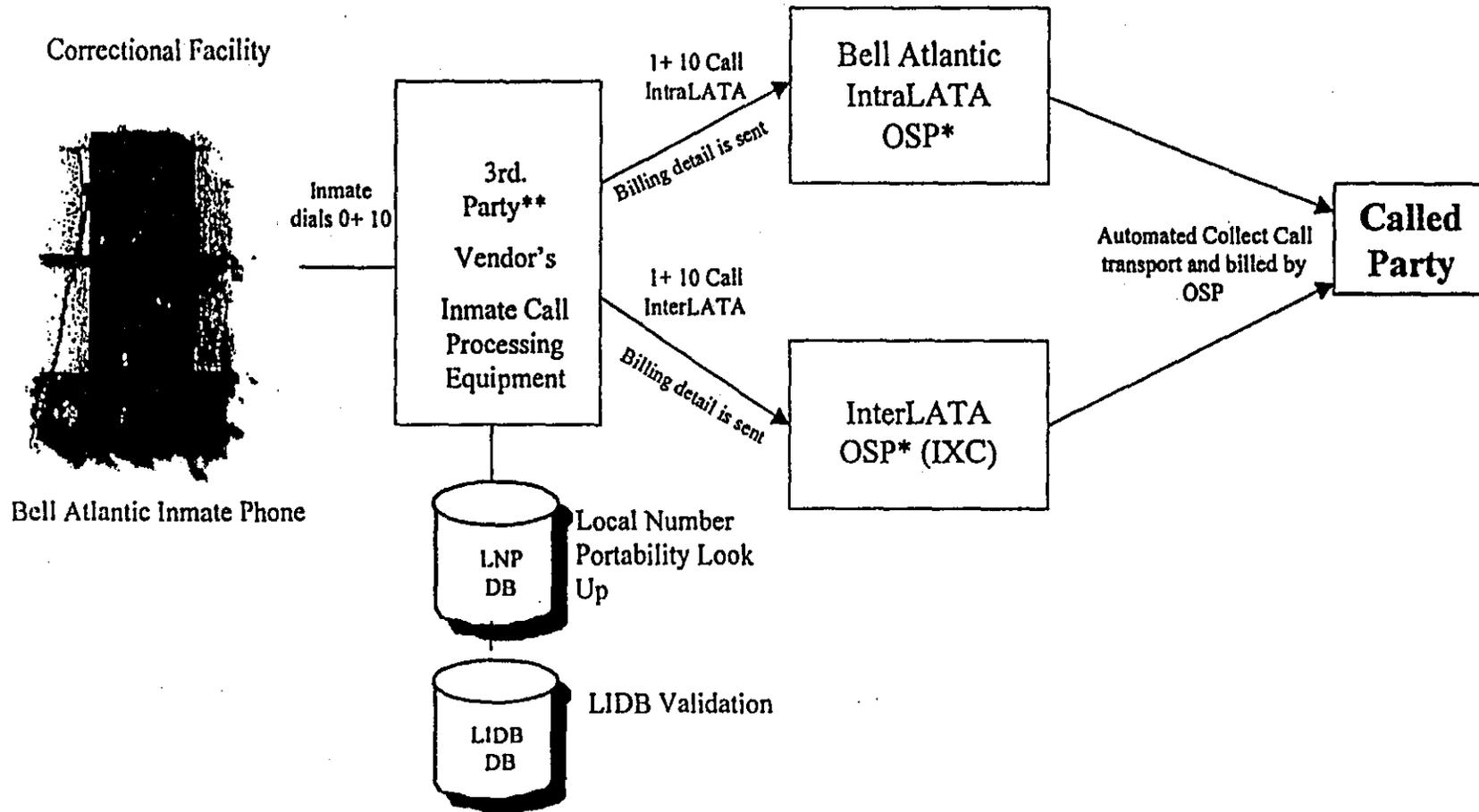
- I. ISSUE:** Equal Access to Services
- BOC POSITION:** "LEC operator services are available to independents on the same terms and conditions as to its affiliated inmate operations"  
***RBOC/GTE Payphone Coalition  
Exparte Page 4 June 7, 2000***
- "Inmate collect calling w/o store and forward"  
"Bell Atlantic intra-lata OSP"\*  
\*\*"Pays PCC/commission to inmate telephone providers"
- "Inmate collect calling with store and forward"  
"Bell Atlantic intra-lata OSP"\*  
\*\*"Pays PCC/commission to inmate telephone providers for calls made from their inmate phones"  
***RBOC/GTE Payphone Coalition  
Exparte June 7, 2000  
Exhibits Pages 2 and 3***
- REALITY:** Are commission packages available from Bell Atlantic Operator Services for inmate calls originating from confinement facilities operated by Pay Tel? *August 22, 2000 Letter from Pay Tel Communications to Henrietta Singleton, Manager, Verizon, IPPSC/Mid-Atlantic Region*
- "I have been in contact with the operator services team. They do not have any type of discount commission plan to offer you at this time". *September 22, 2000 E-mail Response to Pay Tel Communications from Henrietta Singleton, Manager, Verizon, IPPSC/Mid-Atlantic Region*
- When Pay Tel uses store and forward, is there a billing option for inmate collect calls by Verizon Operator Services that would pay a commission to Pay Tel? *August 22, 2000 Letter from Pay Tel Communications to Henrietta Singleton, Manager, Verizon, IPPSC/Mid-Atlantic Region*
- "I have checked with operator services and they do not provide a billing option package for inmate service." *October 11, 2000 E-mail Response to Pay Tel Communications from Henrietta Singleton, Manager, Verizon, IPPSC/Mid-Atlantic Region*
- ICSPC  
Exparte December 20, 2000***
- RESULT:** **Clear discrimination against independent ICS providers. BOCs provide regulated services to their own inmate operations that are not made available to independent ICS providers.**

# Inmate Collect Calling w/o Store and Forward



\*Pays PCC/Commission to Inmate Telephone Providers

# Inmate Collect Calling with Store and Forward



\*Pays PCC/Commission to Inmate Telephone Providers for calls made from their inmate phones

\*\*Inmate Call Processing equipment owned by 3rd party vendor is utilized in over 80% of prison accounts. In the remaining accounts, no call processing equipment is used (see chart 2)

**BOC DISCRIMINATION AGAINST INDEPENDENT INMATE CALLING SERVICE (ICS) PROVIDERS IN FAVOR OF THEIR OWN ICS OPERATIONS**

**II. ISSUE:** BOC Preferential Billing Treatment for Collect Calls to C-LEC Customers

**RBOC POSITION:** "The ICSPC's claim is based on a misunderstanding of LIDB...."  
*RBOC/GTE Payphone Coalition  
Exparte June 7, 2000*

**REALITY:** Querying the LNP database does not identify competitive local exchange carriers (C-LECs) or resellers.

This "misunderstanding of LIDB" is being worked in every industry forum:

"Ordering and Billing Forum ("OBF"): Issue #1553";  
"Network Interconnection Interoperability Forum ("NIIF"): Issue #131"

"Alliance for Telecommunications Industry Solutions/OBF"  
Conference -

"Billing Challenges in the Age of Converged Networks" Overview:

- "The Fraud Issue: Prison Inmates: "Friends and Felons Program" *page 3*
- "EMI Return Code 50 is used by the incumbent LEC when the end user's account belongs to a different LEC" *page 39*
- Resulting in losses in the millions monthly due to Code 50 unbillables *page 38.*

*ICSPC  
Exparte June 23, 2000*

Do the BOCs have this problem? No.

"OBF Issue #1553 - Processing of Misdirected Messages in a Post-LNP Environment. When an alternately billed message is directed incorrectly to the incumbent company due to a **Billing Validation Database** timeout or **failure**, the incumbent company should forward the message unto the appropriate company."

- "Exchange Carrier Calls...it is the responsibility of the perceived EC/LSP to forward the calls to the correct LEC/LSP and not return them to the originating company for Return Code 50."

II. (ISSUE continued)

- "Interexchange Carrier/(independent ICS provider) calls...the perceived Local Service Provider will return the calls to the Interexchange Carrier using Return Code value 50, and if known, will populate the LSPID (Local Service Provider ID, e.g. Company Code) in positions 168-171."

*ICSPC*

*Exparte June 23, 2000*

**RESULT:**

**Clear discrimination against independent ICS providers.**

BOCs receive revenue for inmate collect calls to C-LEC customers, through existing settlement agreements.

On every inmate collect call to a C-LEC customer, independent ICS providers pay the BOC for a LIDB validation that says "billable call,"\* local measured service and billing and collection fees only to have the BOC return the calls (days to weeks later) to the independent ICS provider as unbillable Code 50 Rejects resulting in millions of losses every month. Today, C-LECs and Resellers do not provide billing agreements or bill name and address information.

**\*The LIDB data bases maintained by SBC made a format change in 1998 that notified ICS providers on a LIDB query when a billed to number was no longer an SBC customer. ICS providers then could choose to contact the customer to attempt to make satisfactory billing arrangements. In 1999 SBC started identifying the account owner (LEC or C-LEC) on LIDB queries, thereby providing the ICS provider with accurate information with which to make the correct business decision to block or to process the call.**

**Regrettably, all other LECs refused to implement the 1998 "SBC Format Change" and have not yet completed modifications to LIDB to identify the account owner.**

# Ordering and Billing Forum Issue Identification Form

OBF Issue Number	1553	
Date Submitted	8/12/97	
Date Accepted	8/13/97	at OBF #59
Initial Closure	4/21/98	at OBF #62
Final Closure	11/2/98	at OBF #64
Issue Category	Resolved	

Part A, Page 1

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**Issue Title: Processing of Misdirected Messages in a Post-LNP Environment**

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**Issue Statement:** : When an alternately billed message is directed incorrectly to the incumbent company due to a Billing Validation Database timeout or failure, the incumbent company should forward the message unto the appropriate company. The incumbent company is the only company with knowledge of the billing company ownership due to the regionality of the LSMS databases.

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**Impact of Other Issues or Procedures:**

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**Desired Results:** Determine how to process misdirected messages.

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**Committee Assignment:**

**Associated Committee:**

---

**Issue Champion:** Stephanie Cowart  
**Address:** 600 N 19<sup>TH</sup> Street  
Birmingham, AL 35244

**Company:** BellSouth  
**Telephone:** 205-321-6760

---

**Resolution:**

Section 7.3 Message Return Criteria and Section 7.8 Local Number Portability in the EMI Document will be updated to include "Special Processing Requirements for returns due to change in Local Service Provider (Return Code 50)" for exchange carrier and interexchange carrier calls.

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### 7.3 Message Return Criteria

#### General

Every effort should be made to return the message to the sender in its original format/content. This includes Unbillable, Post Billing Adjustments and Uncollectible records.

#### Special Processing Requirements for Returns Due to Change in Local Service (Return Code 50)

Note: This process does not apply to any other defined return codes.

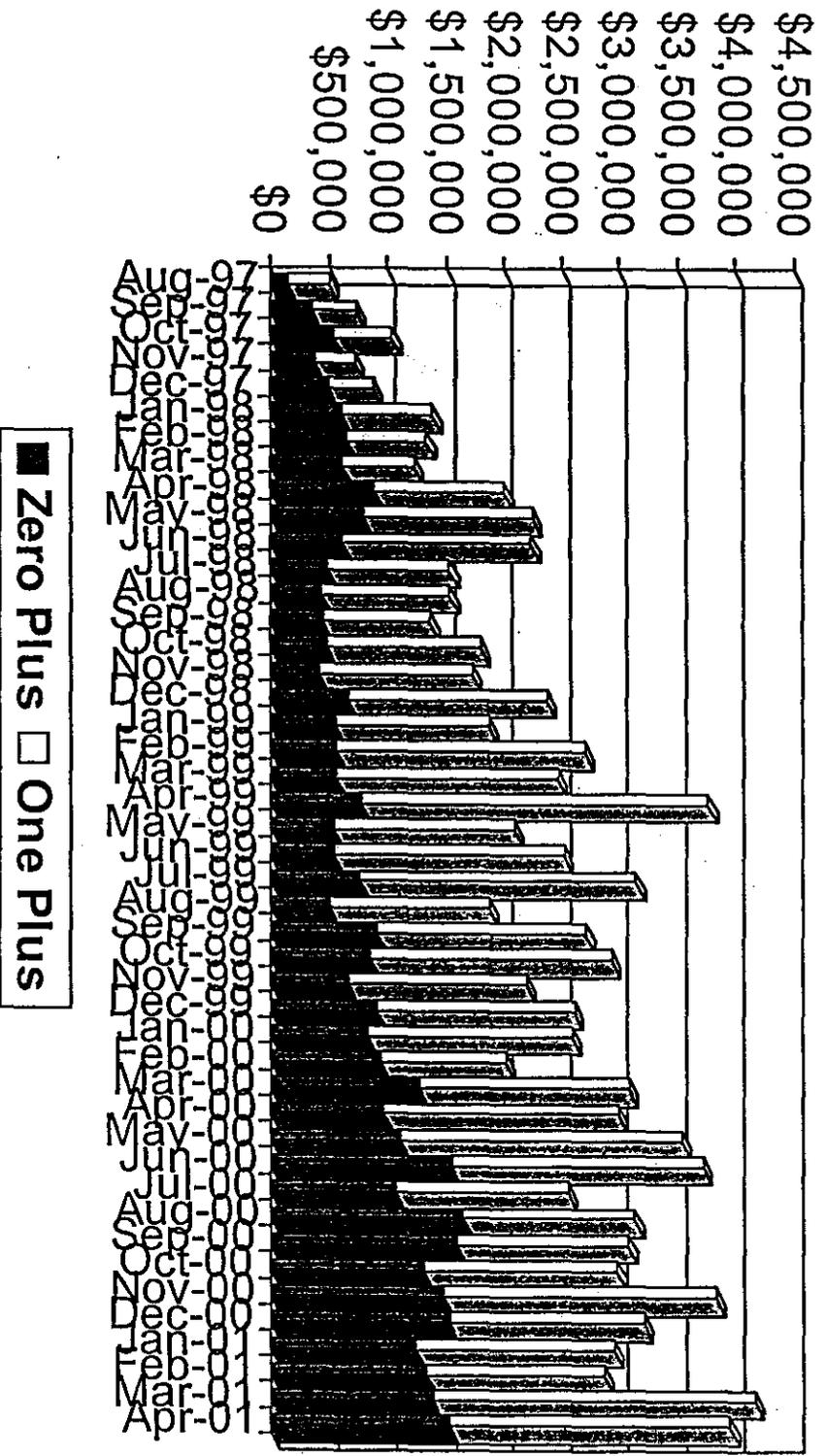
#### EC (Exchange Carrier) Calls

Traditionally, EC (Exchange Carrier) calls that bill outside the originating EC territory are sent to the perceived billing EC. If the calls are unbillable solely as a result of a change in EC/LSP (Local Service Provider), it is the responsibility of the perceived EC/LSP to forward the calls to the correct EC/LSP and not return them to the originating company for reason defined as Return Code 50.

#### Interexchange Carrier Calls

Interexchange Carrier calls that are billed by an EC will be sent to the perceived billing EC (Exchange Carrier). If the customer has changed Local Service Providers and the Interexchange Carrier does not know the true billing Local Service Provider, the perceived Local Service Provider will return the calls to the Interexchange Carrier using Return Code value 50 and if known will populate the LSPID (Local Service Provider ID, e.g. Company Code) in positions 168-171.

# Return Code 50 Rejects





# XCHANGE

THE STRATEGIC WINDOW ON LOCAL NETWORK COMMERCE

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Posted 09/15/2001

## Business and Finance

### Revenue Recovery

Bill Clearinghouses, OBF Tackle Return Code 50

By Chris Garifo

Despite tough economic times, the competitive local exchange carrier (CLEC) industry continues to provision plenty of local lines. As a result, incumbent carriers are returning plenty of billable calling records, because the end user now belongs to their competition.

Those rejected records are designated with "Return Code 50" (RC50).

The cost in lost revenue or money spent trying to resolve RC50 cases runs into the millions annually.

In fact, the inability to bill end-user long-distance charges through billing and collections contracts or by getting end-user name and address information is directly responsible for estimated loss of revenue, revenue opportunity, and increase operating costs in excess of \$1 billion annually, largely to long-distance providers, according to the Ordering and Billing Forum (OBF), part of the Alliance for Telecommunications Industry Solutions (ATIS).

To stop this hemorrhaging, billers are offering services that target RC50; and ATIS, through the OBF, is working to establish an industrywide solution.

The OBF plans to provide a national database of 10-digit numbers that could improve customer and billing record maintenance among carriers and service providers. The database, called the National Repository for a Line Level Database (NRLLED), will be a non-real time, non-call setup, data repository for line-, switch- and company-level information to help determine company ownership of individual lines.

The database will address the problems that are caused by the inability of the six-digit NPA/NXX to determine customer

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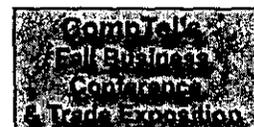
09/28/2001

[AT&T in Talks with Comcast, BOCs](#)

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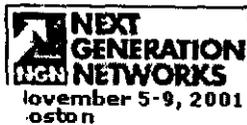
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ownership below the line level. As a result, when a long-distance company, or interexchange carrier (IXC), sends a bill to the ILEC the NPA/NXX says owns the customer, the ILEC will reject that record if a reseller or competitive carrier has gained that customer.



"The IXCs are impacted the most," says OBF director John Pautlitz. "But the CLECs and RBOCs are also impacted because, if I'm an interexchange carrier, and I don't know who to bill, then I'm ending up sending information, for instance, to an RBOC that I have billing and collection contracts with and say, 'Bill this end user.'



"And if that's not one of their end users, that's not covered by billing and collection, and so the RBOC gets the information, sends it back, and now the IXC doesn't know who to bill it to," Pautlitz says.



In April, the OBF requested proposals to build the database. The OBF task force created to oversee the project had expected a vendor would have been selected by the end of July, with final OBF approval slated for August.



"Once a vendor is selected, then we get into the implementation stage," Pautlitz says.

Eight vendors responded. They are: Illuminet Inc., Intrado Inc., NeuStar Inc., Revenue Communications Inc., Targus Inc., Telcordia Technologies Inc., The National LIDB Product Team and The Southern New England Telephone Diversified Group.



Pautlitz says that once a vendor is selected, the OBF expects the database can be implemented in six to 24 months.



Of course, populating the database with the necessary information will be a key to ensuring that it succeeds, Pautlitz says.

"One of the things we've asked for in the RFP is for the vendor to tell us how they would [motivate] companies to populate [the database]," Pautlitz says, adding that, because of non-disclosure agreements, he can't reveal what those incentives might be.

"Nobody's forced to implement [the database]," Pautlitz says. "But ... we kind of let the pressures of the industry drive implementation."



*Revenue Recovery Chart*

Source: Billing Concepts Inc . ([www.billingconcepts.com](http://www.billingconcepts.com))

### Interim Solutions

While the NRLLDB eventually may offer an industrywide solution to the RC50 problem, until the database is created, populated and comes into general use, the money being lost to carriers will continue.

As a stop-gap measure, some LEC billing clearinghouses have developed and are offering services to help.

In June, Billing Concepts Inc. introduced Revenue Recovery Service, which specifically targets RC50. The service is an automated direct billing process that uses an extensive billing name and address database to match rejected call records to end users. The bill is prepared and mailed to the customer on behalf of the client telephone company. The service also deals with other reject codes.

"Finding name and address has been one of the biggest challenges with all of the carriers affected by this, because there's no one good database that exists out there at a national level," says Craig Needels, Billing Concepts vice president of product technology. "We try to exhaust different alternatives to find name and address to make our match rate as high as possible. Once we've got that name and address, then we are able to establish an account."

Once it establishes an account for name and address, Billing Concepts then accumulates traffic to make it more cost-effective before actually billing out an invoice to the end users.

"Once we've met the threshold [for sending an invoice], we will process those calls ourselves in a billing cycle and send that then to our print vendor, who then sends it out for mail," Needels says. "Pretty much all of the process is automated; there really is no manual effort other than some manual handling of some files because some of the CLECs that we have to deal with to get name and address still use ... Excel spreadsheets or other alternative methods to provide name and address."

Billing Concepts tries to accumulate the records on a monthly basis, with the processing for any one month completed by the first week of the following month, with a billing run on the 15th of each month.

"So, the delay isn't very long for the time when we actually get it out to bill," Needels says.

Carriers are eager for services such as this because they "are looking for any way to recover their revenue," Needels adds.

The RC50 problem has been around since the Telecommunications Act of 1996 opened the local telecom market to competition, Needels says. "But, now with more and more CLECs infiltrating and getting more success in bringing the customer base over, it's become a larger problem, and continues to grow."

The OBF's efforts to establish a national database will go a long way toward solving the problem, Needels says, "but I personally don't see that occurring in the next few years."

And long-distance calls are not the only problem. Dial-around carriers, operator services, third-number, calling card and collect calls all add to the financial strain, says Needels. He says that the company bases its pricing for its Revenue Recovery Service on a percentage of revenue collected.

HBS Billing Services Inc. also recently rolled out Direct Billing, which specifically targets RC50. HBS identifies the consumer

billing name and address, calculates taxes, prints and mails consumer invoice statements on its clients' behalf.

Though RC50 is a serious problem for carriers nationwide, Dennis Killebrew, sales and marketing director for Highland Lakes Software Inc., suggests, "It may not be in the best interests of the small CLEC to even mess with this. It may be a lose-lose situation all the way around." That's because clearinghouse-related costs could be higher than the losses the CLEC incurred initially from RC50.

<b>The Links</b>
Alliance for Telecommunications
Industry Solutions (ATIS) <a href="http://www.atis.org">www.atis.org</a>
Billing Concepts Inc. <a href="http://www.billingconcepts.com">www.billingconcepts.com</a>
HBS Billing Services Inc. <a href="http://www.hbsltd.com">www.hbsltd.com</a>
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**BOC DISCRIMINATION AGAINST INDEPENDENT INMATE CALLING SERVICE (ICS) PROVIDERS IN FAVOR OF THEIR OWN ICS OPERATIONS.**

**III. ISSUE:** Preferential Billing for BOC Inmate Calls

**BOC Position:** "In some circumstances, the LEC uses the same facility to provide operator services to inmate institutions, as it uses to provide operator services to other end-users. Accordingly to force the LEC to attempt to distinguish the equipment or human resource costs associated with regulated or nonregulated operator services would be unnecessarily burdensome."

***RBOC/GTE Payphone Coalition  
Exparte June 7, 2000 Page 3***

**Reality:** BOC Inmate local collect call bills are included in BOC local bill section. *US West Bill, Exhibit B, Page 2*

Customers must pay BOC local bill with inmate calls resulting in higher revenue collections. *US West Bill, Page 2*

Independent ICS providers must purchase separate expensive billing and collection agreements to have a separate bill page(s) included with the BOC bill to the customer. Example: *MCI Bill, Page 10 included in US West Bill*

***ICSPC, Exhibit B  
Exparte December 20, 2000***

The bill page provided to Independent ICS Providers is clearly marked as items in the bill that the customer does not have to pay to continue local service.

**Result:** **Clear discrimination against Independent ICS Providers**

Independent ICS Providers have much more difficulty in collecting revenues, thereby resulting in high uncollectables.

Independent ICS Providers also have to pay high billing and collection fees

Questions: Do BOCs pay billing and collection fees when inmate calls are included in the local portion of the bill?

Can BOCs identify inmate call bad debt when inmate revenues are included in the total of a customer's local bill?

**BOC DISCRIMINATION AGAINST INDEPENDENT INMATE CALLING SERVICE (ICS) PROVIDERS IN FAVOR OF THEIR OWN ICS OPERATIONS.**

**IV ISSUE:** BOC's failure to account for expenses against revenue is resulting in improper cross subsidization of bad debt from inmate operations.

**RBOC Position:** "Misconception of the relationship between LEC operator services and LEC payphone operations."

***RBOC/GTE Payphone Coalition  
Exparte June 7, 2000 Page 1***

**Reality:** BOCs admit they do not identify uncollectables or bad debt from inmate operations.

"As the major telephone company of Virginia there is no bad debt percentages to provide."

"As the largest local telephone company in Virginia there is no uncollectable history to provide." *Bell Atlantic RFP response to provide inmate phone services: answers to questions regarding company bad debt.*

***ICSPC  
Exparte May 9, 2000***

With no bad debt expense, Bell Atlantic has a history of offering some of the highest commissions in the industry to provide inmate phone service in prisons.

**BOC joint venture partner acknowledges cross-subsidization and discrimination in favor of their inmate operations.**

In a Securities and Exchange Commission filing made in connection with the merger with T-Netix, Inc., Gateway discloses."

"This petition requires the LECs to provide separate accounting records for their public communications segments which include inmate calling. The regulations that may result from the petition could require LECs to allocate more of their costs to inmate calling service, thereby making the RBOC customers of Gateway less competitive in the market, which in turn could have a material adverse effect on Gateway." *Proxy Statement, T-Netix, Inc., May 13, 1999, Page 39.*

***ICSPC  
Exparte May 9, 2000***

**IV. ISSUE (continued)**

**One BOC is different.**

Bell South Public Telecommunications is the only BOC inmate phone operation that set up a subsidiary, which has separate accounting of expenses and revenues. Bell South Public Telecommunications faces the same challenges independent ICS providers face every day.

- High phone line bills with local measured service.
- No preferential billing of inmate calls on BOC local bill.
- Costly Billing and Collection Agreement with high billing fees.
- Code 50 Rejects of all collect calls to C-LEC customers resulting in escalating unbillables.
- High uncollectables charged back against inmate revenues instead of being allocated over all regulated revenues.

After the first full year of operations (1998) the President of Bell South Public Communications was replaced and it is widely understood that attempts were made to sell their payphone and inmate phone business units.

In February 2001, Bell South announced it is quitting the payphone and inmate phone business by December 2002.

**Result:**

**Clear discrimination against Independent ICS Providers.**

Lack of cost separation takes away all BOC incentive to address the problems discussed above.

Bell Atlantic Bid No.2



PROPOSAL FOR  
INMATE TELEPHONE  
SYSTEM  
FOR  
THE NEW RIVER  
VALLEY REGIONAL  
JAIL