Bell Atlantic Response:

Bell Atlantic's commissions will be "based on 43 percent (43%) of all customer billed revenues (CBR). CBR is defined as all charges for originating inmate collect calls accepted by and billed to the customer, without deduction for fraudulent or uncollectible calls. Bell Atlantic shall not apply any facility surcharges to the cost of a call to cover these items."

H. *Provide your company's monthly average bad debt percentages for the last 24 months from the major telephone companies serving Virginia.*

Bell Atlantic Response:

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

At the close of the calendar month all data, as described above, are retrieved and totaled by the Commission System. The Commission System applies the predetermined commission percentage. A check is generated each month and forwarded to our Check Printing Center for distribution to the customer.

AT&T will accumulate all non-cash billing data from all public and inmate telephones in the Jail. This data is captured by telephone number and stored on tape for transmission at the end of each month to the commission system.

G. *The vendor shall directly handle all complaints from the parties called by the inmate. Provide a copy of a sample page from a customer's bill showing how the calls are billed.*

Bell Atlantic Response:

The Bell Atlantic Team will handle all complaints from parties called by the inmates. Please see a copy of Bell Atlantic's customer telephone bill in Appendix XIV.

H. *Provide Uncollectibles history with local telephone companies and describe how your company limits Uncollectibles.*

Bell Atlantic Response:

As the largest local telephone company in Virginia there is no uncollectable history to provide.

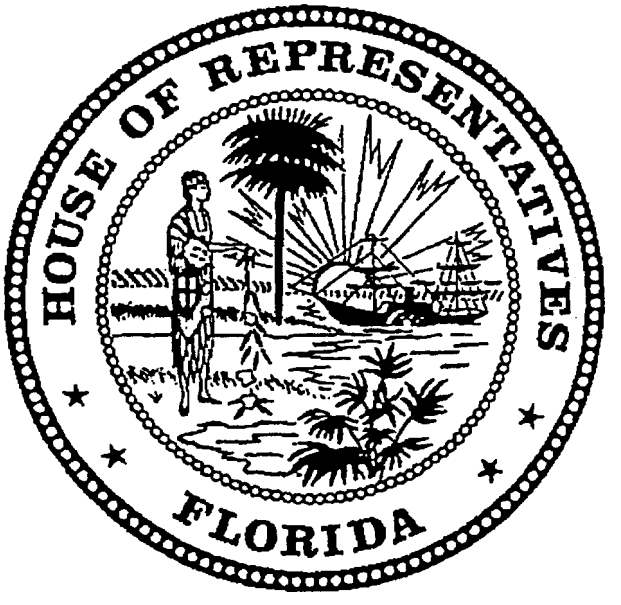
I. *The vendor shall be responsible for all costs associated with the inmate telephone system, including purchase, installation, service, maintenance, and operation. The facility shall bear no responsibility for any costs pertaining to the system.*

Bell Atlantic Response:

Bell Atlantic will be responsible for all costs associated with the inmate telephone system, including purchase, installation, service, maintenance and operation. The New River Valley Regional Jail will bear no responsibility for any costs pertaining to the system.

Maintaining Family Contact When a Family Member Goes to Prison

An Examination of State Policies on Mail, Visiting, and Telephone Access



Florida House of Representatives
Justice Council
Committee on Corrections
Representative Allen Trovillion, Chair

November 1998

Exhibit 12

TELEPHONE CONTRACTS AND COMMISSIONS			
State / Inmate Population	**Telephone Provider**	**Commission Rate**	**DOC Profits FY 97-98**
Texas Pop: 129,661	SW Bell	Not Applicable	
	AT&T		
California Pop: 124,813	MCI	43%	$15 million
	GTE	33%	
New York Pop: 69,529	MCI	60%	$20-21 million
	Bell Atlantic	60%	
Florida Pop: 65,117	MCI	50%	$13.8 million
	Sprint	57.5%	
Ohio Pop: 47,166	MCI	35%	$14.1 million
	Shawntech	35%	
Michigan Pop: 41,625	Sprint	34%	$10.3 million (3 quarters only)
	Ameritec	30%	
	GTE (local)	18%	
Illinois Pop: 40,686	Consolidated	50%	$12-16 million
	AT&T	50%	
	Ameritec	50%	
Georgia Pop: 36,753	Sprint	37%	$10-12 million
	Bell South	46%	
Pennsylvania Pop: 34,696	Tenetics	50%	$3 million
	Bell-Atlantic	50%	
	AT&T	50%	
	GTE	30%	
N. Carolina Pop: 31,312	Taltons	46%	$7 million (projection)
Virginia Pop: 24,629	MCI	39%	$10.4 million
Missouri Pop: 23,850	MCI	55%	$ 9-11 million
	Eagle Com.	25%	
	SW Bell	25%	

Source: Telephone survey conducted by committee staff from July to September, 1998

BellSouth Announces Plans For Public Communications Unit

Business Editors & Technology Writers

ATLANTA--(BUSINESS WIRE)--Feb. 2, 2001--BellSouth (NYSE:BLS) today announced that in a continuing effort to focus on strategic business objectives, the company has made the decision to exit the payphone business.

The company will begin transitioning out of the business immediately and will complete the transition by December 2002.

BellSouth is notifying the public and payphone location providers nearly two years in advance to allow sufficient opportunity for the identification of other technologies, or the selection of an alternative provider from the scores of independent payphone providers in the southeast.

"This decision will allow BellSouth to focus on its core broadband, Internet and digital network offerings, as well as domestic wireless data and voice business and Latin America," said Charlie Coe, President of BellSouth Network Services. "BellSouth has carefully evaluated the market trends in the payphone business which indicate that our customers are opting for the new technology options we provide, including wireless telephones and interactive pagers," Coe continued.

BellSouth has approximately 143,000 payphones in the southeastern United States. The payphone industry experienced declines in payphone usage for a number of years, but since 1998 usage levels have decreased dramatically. In addition, the payphone industry has had to contend with decreases in the rates long distance carriers pay to payphone service providers for 800- number and other "dial-around" types of calls.

About BellSouth Corporation

BellSouth Corporation is a Fortune 100 communications services company headquartered in Atlanta, GA, serving more than 44 million customers in the United States and 16 other countries.

Consistently recognized for customer satisfaction, BellSouth provides a full array of broadband data and e-commerce solutions to business customers, including Web hosting and other Internet services. In the residential market, BellSouth offers DSL high-speed Internet access, advanced voice features and other services. BellSouth also provides online and directory advertising services, including BellSouth(R) RealPages.com.

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GOAL FAIR COMPENSATION ON LOCAL CALLS

FCC TEAM	DISCUSSIONS WITH STAFF
1997 - Team 1	Deregulate the state imposed caps If we help you solve your below cost rate problem on local calls, will you help us bring down long distance rates? ***FCC Staff*** "Yes" coalition response.
1998 - Team 1	An inmate service fee of $.90 to be added to below cost local collect call rates in certain states
1998 - January	**VOLUNTARY REMAND**
1998 - Teams 2, 3, 4	How to apply $.90 fairly
1999 - Team 5	Bottoms-up cost based analysis to justify new rate for local collect calls
2000 - Team 5	A provider with below cost local collect call rates in a certain state would file tariffs for new rate and provide cost justification with bottoms-up cost based analysis. ***Coalition members agree to support applying same cost justification model to long distance call rates.*** Net effect to consumers. Local collect call rates in 15± states would increase $.25 - $1.00 toward nationwide average rate of $2.13 for 12 minute local collect call. Long distance rates for both intra-state and interstate rates would fall significantly. For example, inmate collect call inter-state rate of $12.23 ($3.95 surcharge + $.69 per minute) would fall to $5.79 even including a commission to the prison.
2000 - Team 6	Explained competitive differences between county jails with 80+% local calls averaging less than $2.00 per call and prisons with 97% long distance calls averaging $8.00 to $12.00. Most county jails are served by independent providers. Most prisons are served by major IXCs and BOCs.

An Approach to Fair Compensation and Reasonable Rates for Inmate Service

Pursuant to 47 U.S.C. § 276, the FCC must ensure that providers of telephone service to inmates of confinement facilities are fairly compensated for each call made from their phones. At the same time, under 47 U.S.C. § 201, inmates of confinement facilities and their families are entitled to reasonable rates. In the pending inmate service remand, the Commission has an opportunity to promote both objectives: (1) *fair compensation* and (2) *reasonable rates* for inmates and their families.

I. The Problem: High Long Distance Rates in Most States and Low Local Rate Ceilings in Some States

- *Long distance rates* for service to inmates in most states are very high. The FCC does not currently regulate rates for interstate long distance calls, and in many states there is no active regulation of long distance rates.

- In the proceeding immediately before the FCC, CC Docket No. 96-128, which deals with Section 276, inmate service providers are requesting fair compensation for service to jails in those states where *artificially low state rate ceilings* preclude recovery of the full cost of *local* collect calls.

  - For example, Tennessee imposes a rate ceiling of $.85, which does not cover the cost of a local collect call from confinement facilities.

  - Local calls make up over 80% of the calls from city and county jails.

- The two problems are related: in states with low local call rate ceilings, providers of service to jails cannot recover their costs without charging high long distance rates.

- Requiring providers to charge below-cost rates on *local* calls and thereby forcing them to charge rates above cost on *interstate* calls conflicts with the FCC's recent finding that "it would be an undue burden on interstate commerce to have costs of providing intrastate service to prison inmates cross-subsidized by interstate service ratepayers." *Billed Party Preference for InterLATA 0+ Calls, CC Docket No. 92-*

77, Second Report and Order and Order on Reconsideration, FCC 98-9, released January 29, 1998, ¶¶ 55, 61.

II. Addressing the Problem in Docket No. 96-128

In Docket No. 96-128, the Commission can simultaneously address both the local rate ceiling problem and a potential solution to the broader problem of excessive long distance rates.

- The Commission should rule that, pursuant to Section 276, it will authorize an inmate service providers to exceed a particular state's *local* collect call rate ceiling if the inmate service provider submits cost data showing that the individual provider's per-call costs exceed the rate ceiling in a particular state.

- To ensure that the provider's rates for *long distance* calls are also fair to inmates and their families, the Commission should require the service provider, as a condition of being allowed to exceed the *local* call rate ceiling in a particular state, to commit to charging cost-based rates for all *other* calls – local, intraLATA, and interLATA (intrastate and interstate) – from facilities served in that state.

- While the Commission does not directly regulate long distance rates, the Commission may require inmate service providers in this proceeding to develop cost-based rates as a condition of receiving fair compensation for local calls.

- A provider would demonstrate its costs for local, intraLATA, and interLATA calls, and submit proposed rates for each type of call.

- A provider's per-call costs for each type of call would be developed, including the following cost categories:

  - line charge
  - usage charges
  - validation
  - maintenance and repairs
  - equipment depreciation
  - overhead

- return
- commission payments to facilities
- unbillables/uncollectables

- The provider would use consistent methodologies to develop costs for each type of call.

- To limit commission costs, the FCC could require that commission payments to facilities must not exceed a "range of reasonableness" determined by the FCC based on appropriate factors.

INMATE SERVICE FEE - 12 Minute Local Call
COST ANALYSIS

VARIABLES		Pay Phone Local Collect Call	Inmate Local Collect Call
Call Revenue		$ 1.750	$ 2.100
Local Service Charges	2	$ 52.53	$ 64.05
Flex-ANI Charge		$ 1.08	$ 1.08
Number of Calls		439	268
Billing & Collection Fees	3	$ 0.18	$ 0.18
Maintenance		$ 18.90	$ 24.12
Equipment Depreciation		$ 12.73	$ 29.48
Overhead Total		$ 19.62	$ 59.96
Return (profit)	4	$ 15.31	$ 22.10
Commission %	5	30%	30%
Unbillables %	6	0%	5%
Uncollectibles %	7	2%	14%
Tax			

		(1) Pay Phone Local Collect Call	(2) Inmate Local Collect Call
Local Service Charges	8	$ 0.122	$ 0.243
Billing & Collection Fees		$ 0.180	$ 0.180
Validation	9	$ 0.113	$ 0.170
Maintenance & Repairs		$ 0.043	$ 0.090
Equipment Depreciation		$ 0.029	$ 0.110
Overhead		$ 0.045	$ 0.224
Return (profit)		$ 0.035	$ 0.082
Total Costs		$ 0.567	$ 1.099
Commission @ 30%		$ 0.254	$ 0.647
Unbillables/Uncollectibles @ 19%		$ 0.025	$ 0.410
TOTAL		$ 0.846	$ 2.155

FOOTNOTES:

1) Except where indicated, average figures for payphone services are taken from the FCC's Third Report and Order, and average figures for inmate services are taken from prior Coalition filings

2) Local service charges for payphone services include usage charges as estimated by the RBOC/GTE/SNET Coalition. Local service charges for inmate services are estimated based on analysis of ILEC tariffs in the 13 states w/ the lowest local collect call rates.

3) Estimate based on review of LEC and clearinghouse fees

4) Payphone returns calculated at 11% and inmate returns at 15%

5) Commission % for payphone services is assumed to be equal to commission % for inmate services

6) Unbillables for payphone services are estimated to be negligible. Estimated unbillables for inmate services have increased from 3% to 5% since previous Commission filings

7) Uncollectibles for payphone services are based on estimate provided by clearinghouse

8) Flex ANI fees are included in Local Service Charge per-call calculations

9) Validation estimates based on estimated call completion ratios for payphone services and inmate services

INMATE SERVICE FEE - 12 Minute Interstate Call
COST ANALYSIS - NC, SC, TN

VARIABLES		Pay Phone Interstate Collect Call	Inmate Interstate Collect Call
Call Revenue		$ 1.750	$ 2.100
Local Service Charges	2	$ 31.00	$ 35.51
Flex-ANI Charge		$ 1.08	$ 1.08
Long Distance Charges (per call)	3	$ 0.32	$ 1.04
Number of Calls		439	268
Billing & Collection Fees	4	$ 0.18	$ 0.18
Maintenance		$ 18.90	$ 24.12
Equipment Depreciation		$ 12.73	$ 29.48
Overhead Total		$ 19.62	$ 59.96
Return (profit)	5	$ 15.31	$ 22.24
Commission %	6	30%	40%
Unbillables %	7	0%	5%
Uncollectibles %	8	2%	14%
USF Contribution %		5.9%	5.9%
Taxes			

		(1) Pay Phone Interstate Collect Call	(2) Inmate Interstate Collect Call
Local Service Charges	9	$ 0.073	$ 0.137
Long Distance Charges		$ 0.320	$ 1.040
Billing & Collection Fees		$ 0.180	$ 0.180
Validation	10	$ 0.113	$ 0.170
Maintenance & Repairs		$ 0.043	$ 0.090
Equipment Depreciation		$ 0.029	$ 0.110
Overhead		$ 0.045	$ 0.224
Return (profit)		$ 0.035	$ 0.083
Total Costs		$ 0.838	$ 2.033
Commission @ 30/40%		$ 0.405	$ 2.317
Unbillables/Uncollectibles @ 2%/19%		$ 0.027	$ 1.101
USF Contribution @ 5.9%		$ 0.080	$ 0.342
TOTAL		$ 1.349	$ 5.793

FOOTNOTES:

1) Except where indicated, average figures for payphone services are taken from the FCC's Third Report and Order, and average figures for inmate services are taken from available industry estimates.

2) Local service charges for payphone services include usage charges as estimated by the RBOC/GTE/SNET Coalition. Local service charges for inmate services are estimated based on analysis of ILEC tariffs.

3) Long distance usage based on a rate of $.08 per minute with an additional minute added for a call answered and not accepted

4) Estimate based on review of LEC and clearinghouse fees

5) Payphone returns calculated at 11% and inmate returns at 15%

6) Commission % for payphone services is assumed to be equal to commission % for inmate services

7) Unbillables for payphone services are estimated to be negligible. Estimated unbillables for inmate services have increased from 3% to 5% since previous Commission filings

8) Uncollectibles for payphone services are based on estimate provided by clearinghouse

9) Flex ANI fees are included in Local Service Charge per-call calculations

10) Validation estimates based on estimated call completion ratios for payphone services and inmate services

EXPLANATION NOTES:
INMATE SERVICE FEE COST ANALYSIS

A. (Footnote 2) Local Service Charges are based on an actual average of Local Exchange Carrier fees for a payphone line, including (but not limited to) basic line charges, End User Common Line Charge (EUCL), Primary Interexchange Carrier Charges (PICC), blocking and screening, Relay (TRS) and 911 fees. The charges for the "Local Inmate Call" chart include charges incurred for Local Measured Service.

B. (Footnote 3) Industry statistics show that for each inmate collect call that is actually "answered and accepted", there is also one call that is "answered and not accepted". "Answered and not accepted" normally means that the call was answered by an answering machine, triggering the automated system to consider the call answered, thus delivering the automated message announcing the call and asking for positive acceptance. Since an answering machine cannot positively accept the call, the system will "time out" and disconnect the call. These calls are not billed to the consumer. The inmate service provider is still billed for the first minute increment by its long distance carrier. This means that on average, the provider is billed one additional minute for a separate call per call that is actually answered and accepted.

C. (Footnote 4) Billing and Collection Fees estimates are based on a review of current fees charged by LECs and clearinghouses. Charges include "bill rendering fees" (charge for including records in LEC customer's bill, regardless of number of records) and "per message fees", which are based on the number of records for each customer's bill, and clearinghouse fees where applicable.

D. (Equipment Depreciation) Figure based on an average of $1,768 in equipment expense per line depreciated over 5 years. (Inmate: $1,768 / 60 months = $29.48 per month). This monthly figure is further divided by the number of inmate calls per line.

E. (Overhead Total) Overhead is based on industry averages and includes all traditional overhead items, plus the cost of such support items as database management, fraud investigation and traffic analysis, fraud investigation blocking, facility support, customer support, and billing and collection support that is inherent and required in the inmate service provider environment.

F. (Validation) All calls are "validated" through the Line Information Data Base (LIDB) to ensure that the number is billable. Each call is validated prior to the call being dialed from the inmate equipment. This means that each attempt is validated, regardless of the outcome of the call. Industry statistics show that for each call that is "answered and accepted" (as in B. above), there is one call "answered and not accepted (or rejected)", and one call that reaches a busy signal or a no answer. This means that for each call that is successfully completed and billed, there are on average 3 separate validations.

G. (Return/profit) Return/profit is calculated as an annual percentage "return on investment". In the case of the inmate example, the "equipment expense per line" of $1,768 is multiplied by 15% to arrive at an "annual return" amount ($1,768 x 15% = $268.20). This annual return is then divided by 12 to arrive at a monthly return figure ($268.20 / 12 = $22.10).

Short Term Approach Partially Addressing Fair Compensation for Local Inmate Calling Service

- Three years ago, the Commission requested a voluntary remand from the court of appeals in order to address the unresolved issues of fair compensation and safeguards for competitive inmate telephone service under Section 276 of the Act. If the Commission is still unable to determine a means to ensure fair compensation for providers of local service to inmates at confinement facilities, the following approach would partially addresss the issue pending a more comprehensive resolution.

- In 1997, the Commission deregulated local coin rates at public payphones, but there was inconsistency in local exchange carriers' ("LECs") application of the local coin rate deregulation to the local calling *element* of local inmate collect call rates, which LEC tariffs linked to the local coin rate for payphones. The Commission should clarify that the 1997 deregulation of local coin rates also applies to the local calling rate element of inmate collect calling services – a rate element that in many states remains capped at the pre-1997 regulated local coin rate level of $.25, $.20, or $.10 per local call. The Commission should rule that this rate element may be set at the same market-determined level as the deregulated local coin rate used at the service provider's public payphones. Under this approach, the operator surcharge rate element of inmate collect calling services would remain capped at current regulated levels, and the local calling rate element also would be effectively capped – at the market-determined local coin rate.

I. The Problem

- In many states, local inmate calling rates (i.e., local "collect" calls) are capped by LEC tariffs at rates which are too low to permit inmate service providers to recover their costs.

- These low rates are forcing independent inmate telephone service providers to curtail or cease providing service to jails in many states. In addition, BellSouth has announced that it will terminate the provision of payphone service, including inmate telephone service, in nine Southeastern states.

II. The Tariffs

- The capped rate for local inmate collect calls is composed of two rate elements: an operator surcharge and a local calling rate element. Prior to 1997, the local calling rate element was set equal to the LEC's local coin rate. In 1997, the FCC deregulated the local coin rate, which is now generally at the level of $.35.

- In most states, LECs then revised their tariffs to provide that the local call element of an inmate collect call equals the deregulated local coin rate. *See* Attachment 1. But in some states, LECs maintained the existing caps on the local call element of inmate service rates at pre-1997 regulated local coin rate (rates of $.10-$.25 per call, initially set by the LECs some 20 or more years ago). *See* Attachment 2. For example:

North Carolina Rates - Capped at the Tariffed Rate of the LEC Operator Surcharge + Local Call Element

	Pre-1997 Local Coin Rate	Local Coin Rate Today	Local Collect Call Rate Element Today	Local Collect Call Operator Surcharge	Total Local Inmate Call Rate
BellSouth	$0.25	$0.35	$0.25	$0.80	$1.05
Sprint	$0.20	$0.35	$0.20	$0.65	$0.85
North State	$0.10	$0.25	$0.10	$0.68	$0.78

III. Partially Addressing the Problem in the Short Term

- Ultimately, the problem of non-compensatory local calling rates must be dealt with in a manner that allows inmate service providers to fully recover their costs. In the short term, if a complete solution to the problem has not yet been devised, the Commission can provide partial relief, by ***clarifying that deregulation of the local coin rate includes deregulation of the local coin rate element of local inmate calling service rates.***

- The Commission should clarify that the deregulation of the local calling rate which was adopted in the First Report and Order applies with equal force to the local call element of inmate service rates. Therefore, where payphone service providers ("PSPs") offer local inmate service at a rate consisting of an operator surcharge plus a local call element, then, notwithstanding any inconsistent language in ILEC tariffs, the inmate service provider may charge, for the local call element of the rate, an amount equal to the local coin calling rate that the PSP is charging at its public payphones. If the PSP does not provide public payphone service, then the PSP may charge, for the local call element, an amount equal to the prevailing local coin calling rate at public payphones in the state where the PSP is offering inmate service.

- The Inmate Calling Service Providers Coalition maintains its position that a comprehensive cost-based pricing structure for inmate calls is necessary to establish fair compensation under Section 276. However, the limited approach described above would provide partial relief pending a more comprehensive solution. ***This approach would protect the consumer by maintaining effective caps on both rate elements of local inmate collect calls.*** It would allow the local calling rate element to be updated to reflect the current market-determined level of the deregulated local coin rate, but would not alter the regulated operator surcharge element of local inmate service rates.