Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the	)	
Pay Telephone Reclassification	)	**CC Docket No. 96-128**
and Compensation Provisions of	)	
The Telecommunications Act of 1996	)	

WORLDCOM, INC.
PETITION FOR CLARIFICATION AND RECONSIDERATION

In its Fourth Order on Reconsideration, the Commission increased the number of compensable calls made from payphones during the Interim Period (November 7, 1996 through October 6, 1997) from 131 to 148, incorporating additional data on calls made during the Interim Period submitted into the record.[1] The Commission also established a default amount of 18.67 compensable 0+ calls for the Interim Period for carriers that did not otherwise compensate payphone service providers (PSPs) for this type of call. WorldCom Inc. ("WorldCom") supports the Commission's method of relying on actual call records from payphones to set the number of compensable calls, including 0+ calls for the Interim Period, because it relies on data taken from the actual period in which the amount of compensation is due. WorldCom notes that the Commission rejected One Call's estimate of the number of 0+ calls for the Interim Period

---

[1] *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Fourth Order on Reconsideration and Order on Remand ("Fourth Reconsideration Order"), Released January 31, 2002, &11.

because One Call's data was taken from dates other than the Interim Period.[2] Similarly, the Commission allowed the interest rate associated with deferred payments to vary according to the year(s) over which the deferment is accrued.[3]

However, the Commission abandoned this correct methodology when it applied the call counts for the Interim Period, to subsequent periods for any payments for payphones for which Flex ANI was unavailable.[4] Average call volumes from payphones have been declining since 1998, and have been used by PSPs to justify increasing the coin rate or removing payphones from service. Verizon claims that monthly payphone usage declined by 23 percent from May 1998 to November 2000, a 9 percent annual decline.[5] WorldCom records similar declines in payphone calling volumes. The monthly average call volume for payphone calls that terminate on WorldCom's network has declined from an average of 31 calls per phone in 1998 to 16 calls per phone in 2001, an annual decline of 16.7%.

WorldCom hereby petitions the Commission to reconsider the default number of compensable calls for periods subsequent to the Interim Period to account for declining call volumes per phone. WorldCom recommends the Commission adopt an annual percent decline factor that would be applied to the call count figure established for the Interim Period. Thus, for example, if the decline factor is 10%, the compensation amounts for October 7, 1997 – October 6, 1998 would be 16.8 for the 0+ default, and 133.2 for other non-coin calls for which per call compensation was not paid. WorldCom' proposal is administratively efficient. All parties

---

[2] *Id*., at &23.

[3] *Id*., at &32.

[4] *Id*., at &36, and э64.1301(e).

[5] See Attachment 1: *Payphone Call to Cost 50 Cents Soon*, The Charleston Gazette, November 03, 2001, Page 3A.

would be able to easily calculate the "per phone" defaults for each compensation year. The Commission may ensure the representativeness of the percent decline factor by soliciting data on the monthly average number of completed calls per payphone from the major interexchange carriers (IXCs). WorldCom also recommends the Commission solicit data on the monthly average number of completed calls per payphone every three years to ensure ongoing accuracy in the call count applied to payphones that did not generate payphone specific coding digits.

The Commission does not have any record basis for presuming that call volumes for the Interim Period represent average monthly call volumes in subsequent periods. In fact it is common knowledge that the rapid growth in wireless usage since 1998 has significantly reduced call volumes from payphones.[6] If the Commission were to fail to account for the documented decline in the average number of calls made per payphone since the Interim Period, PSPs would be greatly overcompensated, and IXCs and their customers would be harmed. WorldCom estimates it alone would be overcompensating PSPs approximately $1 million a year between 1998 and 2001, based on the observed decline in payphone volumes terminated on its network since the Interim Period. Some overpayment could continue indefinitely, as the Commission has granted LECs with non-equal access switches permanent waivers from its Flex ANI requirements.[7]

WorldCom asks the Commission to reconsider the effective date of the Order. Currently, the effective date is listed as January 1, 2003. Calculating the various debits and credits for the

---

[6] See Attachment 2: Press Accounts of Wireless Substitution for Payphone Calling.

[7] The Commission has also granted small and mid-sized LECs with digital switches waivers until 2008. See, *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, TDS Telecommunications Corporation Petition for Waiver of Coding Digit Requirement, International Telecard Association Petition for Reconsideration of Payphone Compensation Obligation, AirTouch Paging Petition for Waiver of Payphone Compensation Obligation, Memorandum Opinion and Order, Released March 9, 1998, &78.

Interim and Intermediate Periods for all PSPs and IXCs will be a very large and administratively difficult task that could take as much as nine months from the date at which the Commission determines how to allocate payment responsibility among carriers. The Commission would have had to have released the Order determining how per phone payment responsibility would be allocated among carriers by the end of March, 2002. Since that date has already passed, and since the effective date of the Order should be linked to the beginning of a compensation quarter, WorldCom recommends the Commission set the effective date as the beginning of the first compensation quarter nine months after the release date of the Order in which it determines how compensation obligations are to be allocated among carriers.

WorldCom also asks the Commission to clarify that, with the exception of inmate calls, PSPs may not submit new claims once the one-year deadline for submitting claims has passed.[8] In its First Reconsideration Order, the Commission rejected arguments that PSPs should be allowed to submit claims for inmate calls because they are not capable of originating either access code or subscriber 800 calls.[9] In response to the Court's rejection of this argument, the Commission now concludes that default compensation for inmate payphones must be paid if PSPs were not otherwise compensated.[10] In the case of inmate calls, PSPs may not have submitted claims for compensation due to the Commission's having rejected their ability to be compensated for such claims. It is therefore appropriate for PSPs to submit new claims for uncompensated inmate calls because they had no previous expectation they would be compensated for these claims. In contrast, PSPs were fully entitled to be compensated for all

---

[8] *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Order on Reconsideration ("First Reconsideration Order"), Released November 8, 1996, &52.

[9] *Id.*, &113.

[10] Fourth Reconsideration Order at &27.

other types of coinless calls, and were therefore able to comply with the Commission's one-year limit on the submission of compensation claims. It would therefore be inappropriate for PSPs to submit claims for all but inmate calls once the one-year window has passed.

Finally, WorldCom asks the Commission to clarify whether the rate established for the Interim Period, $.229, applies to payments made subsequent to the Interim period for carriers that compensated based on their ability to track "07" coding digits. In this Fourth Reconsideration Order, the Commission established the rate of $.229 to apply to compensation for payphones which did not transmit payphone-specific coding digits.[11] The Commission also states that during the Interim Period carriers must compensate PSPs on a per-payphone basis if they did not receive payphone-specific coding digits.[12] However, as the Commission knows, some carriers, such as WorldCom, quickly developed the capability of tracking payphone calls from payphones that transmitted a "07" coding digit, even though this was not a payphone-specific coding digit. WorldCom would then match call completions associated with these digits to ANI lists to calculate per-call compensation.[13] It would be unfair to penalize carriers such as WorldCom, who undertook the additional expense to quickly develop the ability to track coding digits (including "07" digits), by applying a higher rate for their compensation than carriers who were relatively delayed in developing this capability. WorldCom petitions the Commission to clarify that the rate of $.229 per compensable call applies to payments for payphones that do not

---

[11] *Id*., at &&10,36.

[12] *Id*., at &36.

[13] *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, AT&T Request for Limited Waiver of the Per-call Compensation Obligation*, Memorandum Opinion and Order, Released April 3, 1996, &18.

transmit payphone-specific coding digits, even if the carrier has compensated on a per-call, rather than per-payphone basis for those payphones.

Conclusion

For the reasons stated herein, WorldCom urges the Commission to adopt the positions advocated in this Petition.

Sincerely,

Larry Fenster

Larry Fenster

Attachment 1

The Charleston Gazette

November 03, 2001, Saturday

SECTION: News; Pg. P3A

LENGTH: 259 words

HEADLINE: Payphone call to cost 50 cents soon

BYLINE: The Associated Press

BODY:

Calls on Verizon Communication payphones in West Virginia will increase to 50 cents this month as the company combats competition from increased wireless use.

Local directory assistance calls from Verizon payphones also will increase to 50 cents. Switching the company's 7,600 payphones in West Virginia from the current 35 cents to 50 cents will take several months to complete, but the process will start this month, Verizon spokesman Harry Mitchell said Friday.

Payphone calls have cost 35 cents since November 1997.

> "The increase to 50 cents is due to intense competition and the erosion of payphone usage," Mitchell said.
>
> "As wireless service has become more and more popular, our payphone usage has declined about 23 percent in the past two and a half years."

The number of payphones also has declined. Verizon now operates 430,000 payphones in its 33-state region, a 15 percent decline in three years, Mitchell said.

> "We are working to maintain a viable business to ensure our phones are located where people need them, that they work and they are clean," Mitchell said.

A Verizon news release noted that three other telephone companies - Qwest, SBC Communications and BellSouth - have raised payphone rates to 50 cents. The rate increase was not subject to state Public Service Commission approval, said PSC spokesman Bob Teets. Local payphone prices were deregulated in October 1997.

There are about 15,000 payphones in West Virginia, operated by several companies. Verizon is the largest payphone provider.

Attachment 2

Press Accounts of Wireless Substitution for Payphone Calling

The Knoxville News-Sentinel

March 27, 2002, Wednesday

KR-ACC-NO: KX-PAY-PHONES

LENGTH: 672 words

HEADLINE: BellSouth Continues to Withdraw from Payphone Business in Knoxville, Tenn.

BYLINE: By Larisa Brass

BODY:

It's 6 p.m. at Litton's Market and Restaurant in Fountain City, and customers begin to gather for dinner, meeting family members and business associates around hamburgers, baked potatoes and coconut cake.

The intermittent ringing of cell phones punctuates the murmur of conversation. But a BellSouth payphone at the back of the dining room sits silent. Soon, it won't be there anymore.

More than a year ago, BellSouth announced it would withdraw from the payphone business. And while a subsequent press release indicated the company wouldn't exit the business until 2003, the local phone company has been quietly removing payphones as its contracts with local establishments expire.

"At one point in time, our first initial comment on this was that we were going to end (payphone service) by 2002," said Dennis Wagner, spokesman for BellSouth's Knoxville office. "But based on location and customer feedback, because we had contracts that went into 2003," the company decided to get out of the business more gradually.

The proliferation of wireless phones drove BellSouth's decision, he said. And it's one local businesses aren't arguing with.

These days, most of Litton's customers use cell phones, said manager Erik Litton, and the restaurant's payphone is rarely used.

"Once they decide to take it we'll probably just let them take it," he said. "We don't make any money off of it."

Mike Murray, manager of the River Island Golf Club in Kodak, said he removed the payphones at his business when he first received the letter from BellSouth last year, informing customers of the company's decision. He said he did not get a subsequent letter stating the company would keep its existing payphones until his contract expired.

But golfers rarely used the phones, he said, and it's easy for the club to simply offer a company line to customers who don't have a cell phone.

"We had them (BellSouth) come and take them out early if they were going to take them out anyway," Murray said.

Wagner said business customers have an opportunity to extend their contracts on a month-to-month basis if they expire before 2003. They also have the option, he said, of turning the payphone over to another service provider.

"Our preference would be to sell the equipment to an alternative payphone provider that that payphone location customer has chosen," he said.

But Wagner said he didn't know of specific cases where a payphone was transferred to a competitor. He also declined to offer any specific figures on how many payphones BellSouth has pulled in the past year.

Wagner said there are just over 15,000 payphones in Tennessee, the same number the company reported when it announced its decision last year.

So what about customers who don't have wireless and depend on payphones for convenient communications?

Greg Mitchell, spokesman for the Tennessee Regulatory Authority, said the state organization does have authority to set up payphones in areas where demand exists but no payphone company has established business.

"There's a provision in the federal law, the 1996 (telecommunications) law, that allows the state to determine if public interest payphones are needed," he said. "We are constantly monitoring the need for public interest payphones."

The authority has found no such sites since BellSouth's announcement, however, because the demand for payphones has decreased so dramatically, Mitchell said.

"You've got to figure (the use of) cell phones plays a role," he said. "I can't remember the last time I've seen anyone use a pay phone."

Mitchell said the state has not received any calls complaining of fewer payphones.

Wagner said BellSouth has not gotten any negative reaction from the removal of payphones either.

"We're trying to make this transition as orderly as possible, and currently we have had no complaints," he said.

JOURNAL-CODE: KX

IAC (SM) Newsletter Database (TM)

The Telecom Manager's Voice Report

June 4, 2001

SECTION: No. 11, Vol. 22; Pg. 6

IAC-ACC-NO: 75644915

LENGTH: 119 words

HEADLINE: Payphone Charges Up Too -- with Enhancements.

AUTHOR-ABSTRACT: THIS IS THE FULL TEXT: COPYRIGHT 2001 United Communications Group Subscription: $379.00 per year. Published semimonthly. 11300 Rockville Pike, Suite 1100, Rockville, MD 20852-3030.

BODY:

Payphone rates also are on the rise, as Qwest raised its charge to 50[cts.] from 35[cts.] at its 96,000 booths, and AT&T will begin charging $1 (25[cts.]/minute with a 4-minute minimum) for its newfangled Public Phone 2000i that allows simultaneous voice and Internet access. The AT&T phone will be used in airports and already is up in New York, Atlanta and Dallas. It accepts $1, $5, $10 and $20 bills, and will carry full-motion video screens for advertising. AT&T will keep 'its regular payphone rate of 35[cts.]/call. Payphone use has plummeted with the rise in wireless and calling card use. BellSouth is getting out of the payphone business. Verizon's and SBC's rates are not changing.

IAC-CREATE-DATE: June 20, 2001

ISP BUSINESS NEWS

May 28, 2001

SECTION: Vol. 7, No. 21

LENGTH: 328 words

HEADLINE: Next-Gen Payphones Target Business Travelers

BODY:

By Bruce Sullivan

Things are looking up for Superman. The public phone booth is nearly extinct, but Internet-enabled phone kiosks are starting to show up at airports and other public places.

AT&T [T] has installed high-speed Internet telephones at JFK Airport in New York, Hartsfield Airport in Atlanta, and Dallas-Fort Worth International Airport. Additional installations of AT&T's Public Phone 2000i are planned for Phoenix, Miami, Fort Lauderdale and Newark, N.J., airports, says AT&T spokesman Paul La Plante.

"We're very much gearing toward the business travelers. People who have a lot of dwell time on their hands," La Plante says.

The rise in wireless telephone use has taken a toll on the public payphone. According to the American Public Communications Council, a Fairfax, Va.-based trade association of payphone owners, the number of payphones in the United States has fallen from 2.6 million in 1996 to only 2.1 million this year.

By jazzing up the payphone with broadband access, AT&T is trying to capture some of those travelers who have migrated to wireless. For 25 cents a minute, using cash or a credit card, travelers can quickly check e-mail or surf the Web.

Cahners In Stat Senior Analyst Brian O'Rourke says the jury is still out on Internet payphones: "A target audience really has to emerge here."

AT&T developed the Public Phone 2000i jointly with NCR Corp. [NCR] and NetNearU, a privately held communications systems firm based in Bryan, Texas.

NCR supplied most of the hardware for the devices and NetNearU developed the software, which tracks billing and usage.

Who knows if Internet kiosks will start sprouting up everywhere? But one thing is for sure: The high-speed Internet will be as commonplace as two other extinct relics from the past used to be - doctors who made house calls and home-delivered milk bottles.

Newsbytes

February 13, 2001, Tuesday

LENGTH: 680 words

HEADLINE: Jeff Kagan - Payphone Business Killed Itself

BYLINE: Jeff Kagan; Newsbytes

DATELINE: ATLANTA, GEORGIA, U.S.A.

BODY:

COMMENTARY. The Payphone business is dying. BellSouth is just the latest big brand name to announce they were exiting the business. Many people blame the cellphone in the old "asteroid causing the dinosaurs to become extinct" analogy. As much as the cellphone industry would like to take credit for being that all-powerful, I think the payphone business itself is just as much to blame. They are killing themselves.

Remember in those quieter, pre-cellphone days or the early 1980's? We all used payphones like they were going out of style. They were everywhere, and usually worked. The anyplace, anytime communications of the wired world.

Then the business was deregulated. New service providers popped up on the scene. So did cheaper, less reliable phones. Phones were still everywhere, but increasingly they were out of order or at best, poor quality. Customers started losing money in phones that didn't work, and getting a refund from the new service providers was nearly impossible.

Costs of payphone service spun out of control. Service providers charged obscene rates and often customers didn't even know how much they were getting ripped off till they got their phone bill months later.

To make matters worse, the phones themselves were dirty, crusty, germ covered things nobody wanted to touch with a ten-foot pole.

This isn't ancient history either. Ever visit a payphone lately?

Sure there are still quality service providers like BellSouth, Verizon, Qwest, SBC and many of the other local phone companies, but the entrepreneurial newcomers didn't have the same respect for the customer. Bottom line the payphone experience deteriorated to a point where customers would just assume do anything else other than use payphones.

While the payphone industry was busy shooting itself in the foot like they didn't have a care in the world, technology snuck up and bit them in the fanny.

First it was cellphones. They were expensive in the 1980's, but in recent years have become so cheap that in a nation of 250 million or so people, there are roughly 100 million cellphones in use.

Not only that but even newer technology like wireless Palm VII's and Blackberry pagers allow users to send and receive messages and e-mail cutting further into the need for payphones.

The trend is clear. Portable, wireless voice and data technology are taking over where the payphone industry dropped the ball. Sure there will always be a market for payphones, but it's a shrinking market. More and more customers are opting for the convenience, portability and lower cost of making calls on wireless phones which are getting cheaper all the time.

Can we blame the demise of the payphone business on cellphones and new wireless devices? Sure that's part of it. But the payphone business itself is also guilty, of suicide. I can't believe I am saying this, but I guess deregulation isn't always a good thing. It gave the new players in the payphone business enough rope to hang themselves. If they had more respect for customers, and actually took care of customers instead of abusing them, perhaps they'd still be a viable communications alternative, instead of the choice of last resort.

Payphones can still remain viable for a smaller universe of customers, but they have to change their ways. They have to take care of their customers and treat them with respect. They have to provide services other than voice. Services like Web access, e-mail access and messaging using touch screens and keyboards.

If not... the payphone business is dead.

Jeff Kagan is an Atlanta-based telecom industry analyst, commentator, and self-described provocateur. He is a frequent speaker at industry conferences and corporate meetings and author of 'Winning Communications Strategies' (Aegis Publishing). He can be reached at jeff£jeffkagan.com or on the web at http://www.jeffkagan.com

Reported by Newsbytes.com, http://www.newsbytes.com

10:43 CST

(20010213/WIRES TELECOM, LEGAL, ONLINE, BUSINESS/KAGAN/PHOTO)

TYPE: NEWS

Statement of Verification

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on April 3, 2002

Larry Fenster

Larry Fenster
1133 19th St., NW
Washington, DC 20036
202-736-6513

Certificate of Service

I, Elizabeth Bryant, do hereby certify that copies of the foregoing Petition for Reconsideration of WorldCom Inc. were sent on this 3rd day of April, 2002, via first-class mail, postage pre-paid, to the following:

Michael K. Kellogg
Aaron M. Panner
Kellogg, Huber, Hansen, Todd & Evans, P.L.L.C.
1301 K Street, N.W., Suite 1000 West
Washington, D.C. 20005

Steven A. Augustino
Darius B. Withers
Kelley Drye & Warren, LLP
For Cable & Wireless, Global Crossing
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036

Albert H. Kramer
Robert F. Aldrich
Dickstein Shapiro Morin & Oshinsky LLP
For American Public Communications Council
2101 L Street, N.W.
Washington, D.C. 20037-1526

Ky E. Kirby
Kathleen L. Greenan
Gregg Strumberger
Swidler Berlin Shereff Friedman, LLP
For Excel, IDT, Network Plus, Starpower, RCN
3000 K Street, N.W., Suite 300
Washington, D.C. 20007

Cheryl A. Tritt
Frank W. Krogh
Morrison & Foerster LLP
For OneCall Communications
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20007

Richard H. Rubin

AT&T Corp.
Room 325213
295 North Maple Avenue
Basking Ridge, NJ 07920

Jeb Benedict
H. Richard Juhnke
Sprint Corporation
401 9th Street, N.W., Suite 400
Washington, D.C. 20004

Elizabeth Bryant

Elizabeth Bryant