Fifth Reconsideration Order Dramatically Increased MCI's Payphone Compensation Obligation

- Five years after Flex ANI was supposed to be completed, 12% of all payphones do not transmit coding digits
- These 12% account for 25% of MCI's compensation
- Retroactive aspect of the Order imposed a $25M payment obligation on MCI back to July 22, 2002
- Additional $26.4M annual obligation beginning July 2003
- Total one-year additional recovery requirement is $50M+

MCI's Recovery Of This Additional Obligation Is Legitimate

- "The first facilities-based …carrier…may obtain reimbursement from its reseller and debit card customers for the compensation amounts paid to payphone service providers for calls carried on their account and the cost of tracking compensable calls." (47 CFR §64.1300(a))
- MCI's per-phone compensation payment includes payments made on behalf of its SBRs
  - MCI's per-phone obligation was determined by its share of payphone calls routed to its CICs.
  - All MCI's SBR traffic is routed through MCI CICs
  - MCI responsible for SBR per-phone compensation since November 2001.
  - New obligation effective for MCI since July 22, 2002

Surcharge Calculated By Allocating Obligation Equally To Identifiable Payphone Calls

- By its nature, per-phone compensation cannot be directly linked to dial around number
  - Per-phone compensation is only paid when it appears as if there is *zero traffic to any dial around number* from a payphone ANI
- Reasonable to suppose that every dial around number has an equal chance of receiving a call from a payphone that does not transmit coding digits.
- Allocating its additional obligation equally to every dial around call, including calls to MCI's prepaid numbers, yielded an increase of $.17

Infeasible To Recover Increased Obligation From Prepaid Customers

- Industry practice is to retain constant surcharges and prices for each prepaid card for the term of the card, which lasts years.
  - Contracts with retailers fix prices and surcharges
  - Changing all card backs and card carrier contracts – infeasible
- Declining industry rates

MCI's Recovery Is Fair

MCI loses $.17 per pre-paid call, as do its competitors if they do not pass on the surcharge increase

Recovery By Customer Class Assuming Increased Obligation Is $170			
Customer Class	Call Volume	Surcharge Increase	Recovery
Residential	250	$.17	$42.50
Business	250	$.17	$42.50
Wholesale	250	$.17	$42.50
MCI Prepaid	250	$.00	$00.00
Total	1000	$.1275 (net)	$127.50