



PINNACLE

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My name is Kevin O'Neil. I am a Payphone Service Provider. I just read Gene Retske's comments on the Locus Petition. I just wanted to comment on a few points that were made by Gene Retske.

1. Atlanta's Hartsfield International Airport- The decline of Public Telephones at this airport – as in any other airport in the United States, is in all likelihood due to Wireless Usage from the Consumers. Mr. Retske alludes to this fact by observing the vast decline in per-minute cellular rates since 1996..
2. Jeffrey Carlisle – The Commission's DAC rules do not require end-users or toll-free subscribers to pay DAC; instead the rules provide total discretion to carriers on how they might recover DAC costs, if at all. In practice, most carriers do charge the DAC to their toll free subscribers on a per-call basis in order to recover their DAC costs, so if Hertz has a toll free number that allows inbound calls from payphones they will be charged the same DAC FEE. Whether Hertz builds this cost into the cost of its car rentals is a matter of speculation. Irregardless, the end-users of Pre-Paid service are mistreated by the Pre-Paid industry because most Pre-Paid providers charge the consumer usually 2 to 3 times the cost of DAC to recuperate their costs. So the Pre-Paid industry has turned DAC into it a profit center for themselves, to the detriment of the consumer.
3. Two Different Rates – Not all payphones charge \$0.25 for a local call, in fact the common practice for most payphones is to charge 50 cents, except to compete with other payphones in saturated areas, which is rare anymore. Mr. Retske's attempt to compare coin rates for local calls to the rate of DAC charged by PSPs to the Pre-Paid calling provider is a bad attempt at accusing PSPs of discriminating against Pre-Paid calling providers. Notwithstanding the fact that most coin calls are aligned with DAC charges, most Pre-paid card providers charge between \$0.79 - \$1.89 to their cardholders for calls from payphones even though they only pay the PSP \$0.49. The discrimination perceived by Mr. Retske is actually carried out by the Pre-Paid carriers, who usually blame the "charges" on PSPs who in fact charge much less that what is being charged to the end-user..

4. Public's ability to access prepaid services has been dramatically reduced- This is just not true. Today's consumers can find pre-paid in more locations than ever before. Now consumers have access to Pre-Paid Long Distance, Pre-Paid Wireless, Pre-Paid Financial Products, and Pre-Paid gift cards from most retail outlets in the US.
5. The cost of making calls from the few remaining payphones has dramatically increased- even still, the charge levied by PSPs for a coin call from a payphone has dramatically been reduced in the last few years to make it more appealing to the customer. In fact I estimate 40-50% of the payphones offer a coin call 7-10 minutes for four quarters now. The Pre-paid call has increased because the Pre-Paid providers are charging the consumers double to triple the DAC FEE.
6. Payphones are not as accessible as they were before- This is because of WIRELESS services cutting into the demand for payphone services. The costs of payphones is directly proportional to the number of calls placed on the payphones, as the Commission found in its Third Report and Order in the payphone docket. As the number of calls placed at the payphones continues to decline, the cost of a PSP to provide each call increases.
7. Mr. Retske speaks about the Public's point of view being negative. I do not feel that the Public's point of view is negative. I think the Public's point of view would be negative of the Pre-Paid industry if they new that they had been charged \$1.79 DAC FEE to complete a call from a public Telephone and then the Pre-Paid provider was supposed to pay the Payphone owner only \$0.49 and that this fee only gets paid about 62% of the time, according to my company's DAC records.
8. Mr. Retske also speaks about the APCC and the Payphone Industry not working with the Prepaid Industry on their bad debt. This is crazy! It has come to this because the Prepaid Industry as a whole has refused to pay DAC in the past, before the Toll Gate, and many such providers even try to avoid their obligations now. We would be more than willing to work with them in a business like manner if they were willing to sit down and negotiate. But they have to be willing to pay something. If Prepaid Operators cannot afford to pay to the PSP what is owed to them even after they have deducted MORE THAN ENOUGH charges to cover the DAC from their end-users, then the "competitively low" per-minute rates referenced by Mr. Retsky are obviously too low, and any urge to feel sympathy for such providers who would be financially devastated by being forced to pay what they rightfully owe, is a situation that they have brought upon themselves due to their own bad business practices, namely luring customers to their below-than-cost rates.. If being forced to pay the DAC causes such providers to go out of business, this is exactly what the consequence should be.

In closing, I feel the best way for this to work out is get the Pre-Paid industry realize that they should pay the DAC fee of \$0.49 per completed call but restrict the amount they

charge their customer to under \$0.59. Ten cents will cover their cost of administering this process.

Thanks for your time.

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