

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.20554**

NETWORK COMMUNICATIONS INTERNATIONAL CORP. *
(“NCIC”) * WC Docket No. 12-375
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In Re: Rates for Interstate Inmate Calling Services *
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COMMENTS ON NOTICE OF PROPOSED RULEMAKING

NOW COMES Network Communications International Corp. (hereinafter “NCIC”) who files these Comments in response to the Commission Notice of Proposed Rulemaking – Rates for Interstate Inmate Calling Services (hereinafter “NPRM”) put forward by the Federal Communication Commission (hereinafter the “FCC”) in this matter.

NCIC first states that it is fundamentally critical that there is a guideline outlined for interstate inmate calling rates, both fairly and justifiably constructed for the consumer and the inmate telephone service provider contracted to provide extremely secure, investigative intelligent, economical state of the art telephone systems. NCIC concurs with the Commission’s efforts to ensure ICS rates are just and reasonable, respectfully recognizing that communication, between incarcerated persons with their families and friends, is extremely important and has an unequivocal correlation to recidivism.

With inmate service operations in almost every state in the contiguous US, NCIC has competitively and successfully bid and secured hundreds of contracts that are mindfully rate

and fee conscious. NCIC was the first large Inmate Service Provider (ISP) to obtain and maintain an A+ Better Business Bureau (BBB) rating. That being said, one would assume that the general population feels that the rates NCIC charges today are fair and justifiable. NCIC allows easy access to live US-based customer service representatives in order to alleviate the frustrations of maintaining contact with an incarcerated loved one alongside providing affordable services. Our live operators are always available to assist with the setup of inmate friends and family prepaid accounts, as well as live support for dropped calls or any explanation or help with funding accounts or obtaining refunds. NCIC has been a pioneer in proactively maintaining low rates and a customer-friendly billing policy such as commonly charging \$.50 per minute for all prepaid card and debit calling from almost 300 jails nationwide.

In response to Petitioners requests that the Commission “establish benchmark rates for domestic interstate interexchange inmate debit and collect calling” NCIC responds with the following comments:

The elements presented in the 2007 Alternative Wright Petition to substantiate the rate cap proposal are dated and inconclusive for multiple reasons. The cost of technology demands that facilitate the mandatory security requirements along with providing free services to the facilities and inmates, integration with other correctional service providers, increased taxes and labor costs, and the simply the various costs of providing the service to facilities have dramatically changed and increased. Examples of free services provided by NCIC are:

- Visitation phones (use the same recording and security features as the inmate phones)
- Indigent calling
- Free calls to public defenders, consulates, embassies and private counsel
- Free calls to bail bondsman
- Free calls to facility commissary providers for ordering
- Free booking calls
- Bonding/holding phones
- Customer service feature for inmates to report problems
- Free inmate voice mail broadcast from facility staff
- Cell phone detection and interception systems
- Free customer service system for inmates – lightens workload of facilities staff

Over 30% of the calls from inmate phones are free of charge to inmates; therefore need to be subsidized by the rates/calls that the inmate phone provider can charge for. There is a high demand from facilities for the ISP to interface with the facility's commissary provider of choice in order to provide the convenience of allowing inmates to transfer balances from their trust account over to their inmate phone account. Generally, this cost is about 5% of the balances transferred over and is completely out of the control of the ISP.

The Market Analysis explored by Petitioners using the Federal Bureau of Prisons and Department of Correction facilities to determine their benchmark rates completely disregards

the diversity of specific service costs relating to city holding facilities, county jails and privately owned facilities. Generally, for reasons illustrated below, it costs more to provide inmate telephone services to short-term stay inmates who generally stay in jail for as little as 1 hour, but require more management during their stay in jail than long-term DOC or Federal inmates.

- NCIC provides live operator assistance to family and friends on initial prepaid account establishment and 50% of the account recharges. With the regulatory requirements affiliated with PCI Compliance, CPNI, and NCIC's platform abilities to allow multiple destination numbers on one account, the necessity of live operator interaction is a necessity. With new governmental statutes in place, the cost of employment has significantly increased. We utilize live bilingual operators for the convenience of the users on mobile phones who may be driving, walking, shopping, etc and a live operator is much more forgiving while waiting for (and sometimes consoling) a distressed family member, who is just finding out their family member is in jail, to get their credit card and set up their prepaid account. We feel our live operators also do a better job of educating the family members on how to use our services. Currently, NCIC establishes accounts for 40% of the calls coming into our operators, which takes 10 minutes of live operator time for each account established. That's a cost of almost \$4.00 for each account established. Our secure billing system always requires full billing address, which allows the jail staff to map the actual house and street view of the house of the person establishing the account. Increase in minimum wage and insurance costs, which have more than doubled, are just two of the many factors that have caused our labor costs to increase.

- Prepaid collect accounts are in such high demand directly related to the elimination of land lines and the increased use of mobile phones in place of land lines. Traditional collect has almost become an obsolete method of billing that is out of the service provider's control. Where exchange carrier billing is still available, the cost of billing records has become so exorbitant due to the exchange carriers implementing exponential billing fees and reserves on such services, that it is cost prohibitive to the service provider. Currently, AT&T (formerly Bell South) charges a minimum of \$1.30 to bill a single collect call on a phone bill. On top of the \$1.30, bad debt and uncollectible rates for these traditional collect calls runs another 10%-20%. To put a pencil to it, a 15 minute interstate call using the Petitioners proposed per minute rate of \$.25 costs the inmate's family \$3.75 and AT&T charges \$1.50 to bill that call, resulting in a return of \$.37 to the inmate phone provider after billing fees and commissions (using 50%) to the facility have been accounted for. In 1998, NCIC could expect to collect approximately 85% of the charges on a traditional collect call. Today, the collection rate is below 70%. Local Exchange Carriers are less inclined to sustain call charges from 3rd Party billers, such as NCIC, and have even gone so far to impose a 90 day no-pay policy, where they immediately return the call charges as bad debt even if the customer pays for the charges after 90 days. All these costs have contributed to the increase in rates and fees over the past several years.
- Unfortunately, litigation costs for all carriers in the industry have gone through the roof in the past 14 years. Almost every inmate phone provider is engaged in litigation each year because of patent issues (usually frivolous), competitive litigation and inmate litigation. Based on information provided by the United States Court System, over half of the cases in

Federal courts are filed by inmates. In 2012, NCIC's average litigation cost is almost \$.10 of every call we completed.

- Our first goal of the inmate phone industry is to ensure the safety and security of the people receiving calls and the staff of the jail. With that said, since 1998, every provider has implemented extensive recording systems that can maintain recordings for years, often at a cost of \$.005 per call per month to store in both onsite and off-site (cloud) storage. Due to recidivism rates in excess of 60%, the recordings have to be stored during the complete term of the contract and often stored many years after at the jail. What is the cost to the jail to allow inmates the privilege to make phone calls and transporting inmates to the visitation phone area? Usually, the phones are not in the cells because of potential suicide risk or breaking the phone handset in order to fashion a weapon, so a guard is often required to transport an inmate to use the telephone. When that is the case, you can expect part of that guard's salary must be attributed to the cost of offering phone service. This is also the case when investigators have to listen to phone calls when someone has used them to commit a crime, is attempting to commit a crime or has threatened someone. Larger facilities often have a full-time staff member assigned to listen to calls, download recordings for use in court or search for calls terminating to accomplices. All of these costs add up to as much as \$.50 per call.
- Many of the industry's security products require licensing fees, such as voice biometrics, video visitation, interfacing with commissary providers and jail management software providers. In the worst-case scenario, these fees add up to another 7% of revenues. One of the largest providers of commissary services charges 5% of revenues to the inmate phone providers for the privilege of moving funds from the inmate trust fund to the

inmates' phone calling accounts. NCIC's solution for biometrics averages about \$.10 per call.

The costs associated with providing inmate phone service differ from traditional exchange carrier wire line service for many reasons such as:

- Licensing for security features, such as Voice Biometrics, to prevent inmates from stealing each other's prepaid PINs. As much as 15% of the call price.
- Recording and storing the inmate calls for up to five years. As much as 5% of the call of call.
- Offer a web-accessible call management system with real-time live monitoring.
- Replacing phones and handsets after damaged by inmates
- Cleaning phones on a regular basis
- Transporting inmates to visitation phones
- Cost to listen to call recordings for investigative purposes
- Labor to establish prepaid collect accounts
- Universal Service Fund increases(both federal and state)
- State taxes (both sales and gross receipts)
- State mandated fees (such as Tennessee inmate fund, relay services, etc)
- Competitive bidding continues to drive down the margins of inmate phone providers, but not necessarily the prices charged.
- Free calling services continue to increase

In response to the Commission's request for comments on per call charges and per minute rates, NCIC suggests the following:

1. The industry should be allowed a "per-call" charge for traditional collect calls to simply cover the costs of billing the actual call records. Service providers are at the mercy of the exchange carriers, therefore is not a way to control these costs. NCIC suggests a per-call fee of \$2.75 to cover the costs of billing the call record and the commission associated with the per call fee. NCIC also suggests a flat per minute rate, in addition to the per-call charge, for traditional collect calls of \$.25 per minute.

2. NCIC supports a flat rate per minute fee for inmate debit and pre-paid collect interstate calls. NCIC proposes \$.50/minute, 1 minute billing increments for inmate debit /commissary and \$.50/minute, 5 minute billing increments, for pre-paid collect.

3. NCIC supports lower rates for long-term Federal Prisons and DOC facilities. The costs to provide telephone service to a DOC, long-term, inmate is lower because they use their phone accounts for a longer period than the short-term facility and city inmates who may only place a few calls during their stay.

NCIC has experienced, first hand, if the inmate has the funds to make telephone calls, whether it is inmate debit, commissary or pre-paid collect, they will utilize the available balances. NCIC rarely experiences dropped call complaints, but as part of our common practice, we credit back all or part of the dropped call, which allows the inmate to make a

subsequent call with the same funds. NCIC maintains extremely low pre-paid collect account fees, in order to maximize the usage of the account balance for actual telephone calls.

NCIC Prepaid Account Set-up Fee:	\$4.95
NCIC Live-Op Recharge Fee:	\$2.50
NCIC Auto-Op Recharge Fee:	\$1.50
NCIC Web account set up / recharge:	\$1.50

NCIC feels very strongly that the FCC could proactively and immediately help to reduce rates by as much as 17% for the inmates by exempting inmate calling revenues from the Universal Service Fund contribution. Studies document that incarcerated individuals generally come from the lowest income families, so exemption from the Federal Universal Service Fund tax would substantially decrease their costs of calling and improve billing and collections for providing these services.

In conclusion, we think the recommendation of a benchmark of \$.50 per minute would be fair to the inmate service providers, the prison's budgeting needs and the inmate families. Keep in mind that the \$.50 is only a benchmark as the highest rate and that many DOC's, counties, cities will often continue to charge less than this benchmark rate, but still allows those facilities that need the commissions to continue to do so without having to cut staff or free phone services they currently have available to inmates. Additionally, the fees used to establish prepaid collect accounts need to be set at costs based on use of live personnel, in order to be reasonable for the families as well. Once the FCC makes a decision on rates, many

state public service commission's can easily adopt those rates without a need for hearings, so fair and universal rates needs to be considered.

Respectfully submitted,

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