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

Rates for Interstate Inmate Calling Services Pay Tel Communications, Inc.'s Petition For Waiver of Interim Interstate ICS Rates	WC Docket No. 12-375

TO THE WIRELINE COMPETITION BUREAU:

REPLY IN SUPPORT OF PETITION FOR LEAVE TO ADD FEE FOR VOICE BIOMETRICS TECHNOLOGY

Securus Technologies, Inc. ("Securus"), through counsel and pursuant to 47 C.F.R. § 1.3 and the Public Notice,[1] files this reply in support of its Petition for leave to add a per-minute fee of $0.02 to its interstate calls, dated February 19, 2014 ("Biometrics Petition"). This request was made under Paragraphs 82-84 of the *Inmate Rate Order*[2] which permit Inmate Calling Services ("ICS") providers to seek a waiver of the new interstate calling rates. Only two groups filed oppositions to this Petition, and neither provides a basis for denying Securus its requested relief.

DISCUSSION

The Biometrics Petition explained that Securus's voice biometrics technology, which is a crucial part of meeting "the security needs of correctional facilities,"[3] is "exactly the

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[1] WC Docket No. 12-375, Comment Sought on Securus Technologies, Inc. Inmate Calling Services Petitions, DA 14-296 (Mar. 4, 2014).

[2] WC Docket No. 12-375, *Rates for Interstate Inmate Calling Services*, Report and Order, FCC 13-113, published at 78 Fed. Reg. 69756 (2013).

[3] *Inmate Rate Order* ¶ 2.

same biometric product" that Pay Tel provides.[4] Pay Tel's cost for voice biometrics technology – $0.02 per minute – was "culled out and highlighted"[5] within the cost study underlying Pay Tel's successful Petition for Waiver, and the Commission made special note of this Pay Tel cost in the *Inmate Rate Order*.[6] Securus showed that it uses precisely the same voice biometrics technology, procures it from the same vendor (JLG Technologies), and pays exactly the same price to that vendor.[7] For all these reasons, Securus argued, it is "entitled to the same relief" that Pay Tel obtained – namely, the right to add $0.02 to its per-minute rates for interstate inmate calls.[8] This relief is not only appropriate but is necessary in order "not to skew the competitive landscape in the ICS market" by giving Pay Tel an enhanced "ability to innovate, offer additive calling products, and provide additional benefits to existing and potential correctional customers[.]"[9]

CenturyLink filed comments that fully agree with the Biometrics Petition.[10] Because Securus showed that it uses the same technology, at the same price, to provide voice biometrics, CenturyLink agrees that the Commission should grant the Biometrics Petition "in order to create a level playing field in the ICS market."[11] In fact, CenturyLink uses the very same technology. It is thus, as CenturyLink asserts, "a competitive necessity" that any ICS

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4 Biometrics Petition at 3.

5 *Id*. at 2.

6 *Inmate Rate Order* ¶ 27.

7 *Id*. at 2 (citing Declaration of Russell Roberts ¶ 3 (Feb. 19, 2014)).

8 *Id*. at 3.

9 *Id*. at 4.

10 WC Docket No. 12-375, Comments of CenturyLink Regarding Securus Technologies, Inc.'s Inmate Calling Service Petitions (Mar. 11, 2014). These CenturyLink Comments also support the Securus Petition to Expand Pay Tel Waiver, filed February 19, 2014 ("Petition to Expand Waiver"), for which Securus will file a separate reply today.

11 CenturyLink Comments at 4.

carrier which provides voice biometrics service using the JLG technology should be given the same relief Pay Tel obtained, particularly in order "to ensure that high cost city and county jails are served."[12]

Only two groups filed oppositions. Martha Wright, *et al*. filed an Opposition to Petition for Leave to Add Fee on February 28, 2014, which was largely echoed in the Opposition of Daniel Thomas Ream, *et al*. on March 7, 2014. Martha Wright, *et al*. then filed Consolidated Comments on March 11, 2014, in opposition to both Securus Petitions. All of these filings ignore the showing Securus made in the Biometrics Petition as well as the showing Securus made earlier in this docket through the Report of Stephen E. Siwek. None of them is persuasive.

First, the two coalitions argue that Securus has failed to show that the Interim Rate Caps adopted in the *Inmate Rate Order* are below its costs of service.[13] The Wright coalition first ignored, and then mischaracterized, the Siwek Report. Where initially they asserted that "Securus utterly failed to demonstrate that the rate caps … are below its cost of providing service,"[14] the Wright Coalition now argues only that Mr. Siwek did not attach "foundational cost data."[15] The fact is that Mr. Siwek gave a more granular cost analysis than Pay Tel by dividing his analysis into four categories of correctional facility[16] and reporting costs per minute, costs per call, the proportion of costs comprised of site commissions, as well as

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12 CenturyLink Comments at 4.

13 Wright Opp. at 2; Ream Opp. at 1; Wright Comments at 2.

14 Wright Opp. at 2.

15 Wright Comments at 2.

16 Mr. Siwek analyzed costs for the eight State DOC facilities that Securus served in 2012-13 and then divided city and county facilities into Low Volume (by number of calling minutes), Medium Volume, and High Volume categories, choosing ten sites from each category.

calculating the effect of other factors such as bad debt. Pay Tel itself relied on the Siwek Report to show how disadvantaged it is.[17] Among Mr. Siwek's findings are:

Table 2: ICS Costs per Minute

Category	ICS Costs	Total Minutes	ICS Costs per Minute
High 10 Simple Average	$ 1,759,901	10,068,670	**$ 0.1748**
Medium 10 Simple Average	$ 34,258	68,403	**$ 0.5008**
Low 10 Simple Average	$ 2,207	1,290	**$ 1.7106**
State DOC Simple Average	$ 4,605,001	43,083,108	**$ 0.1069**

Table 8: Average Bad Debt Costs as a Percent of ICS Revenue

Category	Total Bad Debt Costs	ICS Revenue	Bad Debt as a Percent of ICS Revenue
High 10 Simple Average	$ 85,090	$ 2,260,788	**3.8%**
Medium 10 Simple Average	$ 1,725	$ 29,465	**5.9%**
Low 10 Simple Average	$ 212	$ 1,204	**17.6%**
State DOC Simple Average	$ 167,573	$ 5,742,182	**2.9%**

Mr. Siwek's tables plainly show that the Interim Rate Caps are below Securus's costs at most of its non-DOC facilities.

As for the Ream coalition, they assert that Securus "has not submitted any such cost studies"[18] which simply ignores the record and should be given no weight.

Secondly, the Wright coalition makes much of the fact that Securus has stated that it no longer can pay site commissions on interstate traffic.[19] This fact actually supports the Biometrics Petition. Pay Tel promised, in order to get its waiver, that it will not pay site

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17 Petition to Expand Waiver at 4-5.

18 Ream Opp. at 1.

19 Wright Comments at 3 (quoting and attaching Securus memorandum to correctional facilities).

commissions out of the additional interstate call revenue.[20] So Securus and Pay Tel are, again, completely similarly situated as ICS providers. What was granted to Pay Tel therefore should be granted to Securus.

Moreover, the Siwek Report shows that the Interim Rate Caps are below Securus's costs even without site commissions.

Table 7a: Average Gross Margins with and without Recovery of Site Commissions

Category	ICS Revenue	ICS Costs	Gross Margin	Gross Margin as Percent of ICS Revenue
State DOC Simple Average	$ 5,742,182	$ 4,605,001	$ 1,137,181	19.8%

Category	Adjusted ICS Revenue (ICS Revenue less Site Commission)	ICS Costs	Adjusted Margin*	Adjusted Margin* as Percent of Adjusted ICS Revenue*
State DOC Simple Average	$ 3,012,078	$ 4,605,001	$ (1,592,924)	-52.9%

Table 7b: Average Gross Margins with and without Recovery of Site Commissions

Category	ICS Revenue	ICS Costs	Gross Margin	Gross Margin as Percent of ICS Revenue
High 10 Simple Average	$ 2,260,788	$ 1,759,901	$ 500,888	22.2%
Medium 10 Simple Average	$ 29,465	$ 34,258	$ (4,793)	-16.3%
Low 10 Simple Average	$ 1,204	$ 2,207	$ (1,003)	-83.3%

Category	Adjusted ICS Revenue (ICS Revenue less Site Commission)	ICS Costs	Adjusted Margin*	Adjusted Margin* as Percent of Adjusted ICS Revenue*
High 10 Simple Average	$ 934,258	$ 1,759,901	$ (825,643)	-88.4%
Medium 10 Simple Average	$ 6,367	$ 34,258	$ (27,891)	-438.0%
Low 10 Simple Average	$ 796	$ 2,207	$ (1,411)	-177.3%

Here again, the oppositions simply ignore record evidence and thus present no grounds to deny the requested relief.

Third, the Wright coalition asserts that Securus is already recovering the cost of

[20] WC Docket No. 12-375, DA 14-1287, Order ¶ 17 (WCB Feb. 11, 2014) (citing Pay Tel Third Supplemental Filing).

voice biometrics through a "$0.40 per call ancillary fee."[21] This assertion is incorrect. The tariff excerpt on which Wright relies is about a completely different service. The Biometrics Petition is about the "Continuous Voice Verification" product.[22] The tariff excerpt is about "SECUREvoice" which is not the same product. Moreover, Securus is not charging the $0.40 on any interstate calls. It is simply not true that Securus is already recouping the $0.02 per-minute cost through any additional, special, or "ancillary" fee.

Finally, the coalitions discuss Securus's offer of June 18, 2013, to the Florida Department of Corrections – which was not successful – to perform voice biometrics within a per-minute calling rate of **$0.095**.[23] There is, however, no "contract to the Florida DoC"[24] from Securus resulting from that bid. Moreover, that offer in no way refutes Securus's showing that it incurs a cost of $0.02 per minute to do CVV. In fact, Securus presently charges **$0.07** per minute for interstate calls from FL DOC facilities under the contract it won in 2008. Our opponents' reliance on this failed June 2013 bid is therefore misplaced and ineffectual.

Securus has demonstrated that it is entitled, at a minimum, to add $0.02 per minute to its interstate calling rates. It has provided evidence that it incurs an external cost to provide CVV just as Pay Tel does. It is situated exactly the same as Pay Tel with regard to the intrastate rate caps that govern its services and the fact that site commissions are not being paid out of interstate calling revenue. As CenturyLink argues, it is "a competitive necessity"[25] that similarly situated ICS providers be able to charge the same rates for the same services. The

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21 Wright Comments at 2.

22 Biometrics Petition at 2.

23 Wright Opp. at 3 (citing Wright July 18, 2013 *Ex Parte* Submission); Ream Opp. at 2 (citing, erroneously, "Securus's July 18, 2013 Ex Parte submission to the FCC").

24 Ream Opp. at 2.

25 CenturyLink Comments at 4.

Bureau has ample evidence and reason to grant the Biometrics Petition, and neither opponent provides a credible argument otherwise.

CONCLUSION

For all these reasons, the Wireline Competition Bureau should issue an order stating that Securus may add $0.02 per minute to its rates for interstate calls, for a total of $0.23 per minute (debit) and $0.27 per minute (collect), in order to cover the cost of CVV service.

Securus had requested a decision on its petition by **March 19, 2014**. In light of the comment cycle that the Bureau established, Securus now respectfully seeks a decision as soon as is practicable.

Dated: March 17, 2014

Respectfully submitted,

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