



July 17, 2014

VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Stephanie A. Joyce

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Re: WC Docket No. 12-375, Response to Mandatory Data Collection

Dear Ms. Dortch:

Securus Technologies, Inc. (“Securus”), through counsel, submits its cost study that was created in response to and in compliance with the Commission’s Instructions¹ and the requirements of Paragraph 125 of the *Inmate Rate Order*.²

This filing is comprised of three documents: the Report of FTI Consulting, Inc.; a set of Attachments; and the cost data requested by the Commission in a native .xls file and in .pdf format.

Securus files these documents in redacted format via ECFS. Unredacted, Proprietary versions of each document are being filed in compliance with the Instructions and the Protective Order entered December 19, 2013, in this docket (DA 13-2434). Securus has filed a Request for Confidential Treatment to protect the Proprietary versions of its submission.

Securus wishes to make several points regarding the Commission’s ongoing review of inmate calling rates:

¹ WC Docket No. 12-375, *Instructions for Inmate Calling Services Mandatory Data Collection*, OMB Approval 3060-1196 (rel. June 16, 2014); *see also* WC Docket No. 12-375, *Commission Announces Inmate Calling Services Data Due Date*, DA 14-429 (rel. June 17, 2014). Securus is aware that the Wireline Competition Bureau has since granted a 30-day extension of time to file submissions for the Mandatory Data Collection. Securus will file the additional required data before that modified due date of August 18, 2014. Order, DA 14-993 (rel. July 11, 2014).

² WC Docket No. 12-375, Report and Order and Further Notice of Proposed Rulemaking, FCC 13-113 (rel. Sept. 26, 2013), published at 78 Fed. Reg. 67956 (Nov. 13, 2014) (“*Inmate Rate Order*”).

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1. Securus filed a detailed cost study and supporting documents on time and in compliance with the FCC's request, using a highly reputable economic consulting firm, because it wants to work with the FCC, inmates, friends and family members, law enforcement entities, and correctional facilities to develop **a balanced approach to inmate rates** and consistent with long term policy goals;
2. A **postalized rate cap** should be developed and should be applied to all Inmate Calling Services ("ICS") carriers, that is, **all ICS carriers should be subject to the same rate caps**;
3. **Price caps must be set higher than average costs**, or many facilities that entail higher costs of service will not be served;
4. **Site commissions must be addressed**, because they have the effect of raising rates by 40% to 50% on average. As Securus previously has stated, site commissions present a public policy question of who pays prison and jail costs: the general tax base, or the friends and family members that pay for inmate calls;
5. If Commissions are eliminated, **there must be a transition period** that will allow facilities to replace these funds with other revenue streams. An orderly transition is in the best interests of all constituents;
6. If site commissions are maintained, **rates will be forced up to the rate caps** as ICS carriers are pushed to maximize commission payments. Moreover, the rate caps must be much higher than Securus's average per-minute costs of service that are shown in the cost study filed herewith; indeed, they must be higher than the present Interim Rate Caps. If commissions are eliminated, however, competition will force rates down to levels below the rate caps;
7. As Securus stated during the July 9 Workshop, its net income as a percentage of revenue is far below that of AT&T, CenturyLink, Time Warner, and Verizon. Securus is **not earning excessive profits**;
8. With regard to "ancillary fees", Securus maintains its position that **the FCC does not have jurisdiction over these fees**. Securus is willing, however, to **eliminate all mandatory fees** and cap convenience and funding fees for five (5) years to ensure lower overall costs of service for inmates, friends and family members;
9. The FCC **should consider a single rate** instead of a complex tiered structure in order to reduce opportunities for rate arbitrage;

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10. The **FCC must monitor and enforce aggressively** both the existing *Inmate Rate Order* and any forthcoming rules in order to establish and maintain a stable competitive environment; and
11. The FCC needs to consider carefully and **allow for all security features** that protect inmates, friends and family, officers, and society. Some level of incremental addition to the rate caps should be allowed for higher-cost security features.

Please do not hesitate to contact me with any questions: 202.857.6081.

Sincerely,

s/Stephanie A. Joyce

Counsel to Securus Technologies, Inc.

Cc: Kalpak Gude, Chief, Pricing Policy Division, Wireline Competition Bureau
Lynne Engledow, Assistant Chief, Pricing Policy Division, Wireline Competition Bureau
Via Hand Delivery