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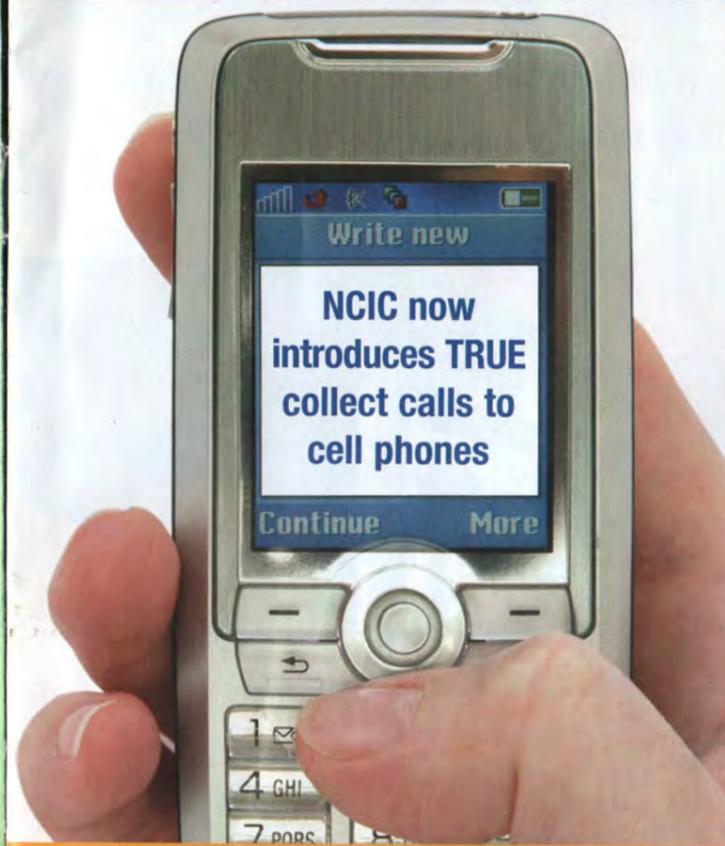
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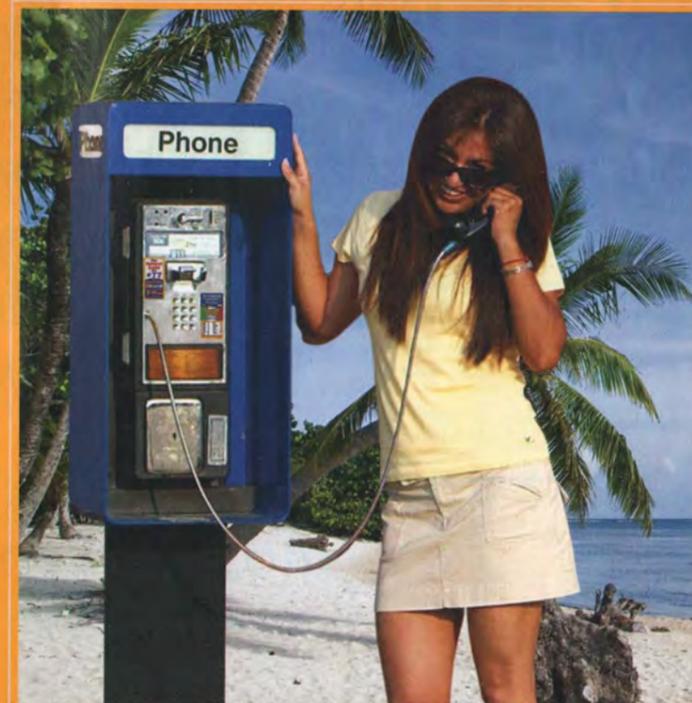
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PERSPECTIVES

ON PUBLIC COMMUNICATION • OFFICIAL MAGAZINE OF THE APCC

August 2007 • Volume 15 • Number 8

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'An Open Letter to Mr. Brooksher'

K. Dane Brooksher
Chairman, Audit Committee
Qwest Communications International Inc.
1801 California St.
Denver, CO 80202

Dear Mr. Brooksher:

In case your General Counsel or CFO might not have chosen to share with you the recent decision by the United States Supreme Court finding definitively — after years and years of obstruction and litigation — that payphone providers do have the right to sue carriers in federal court for past failures to pay dial-around compensation, I thought it appropriate to bring it to your attention as chairman of Qwest's Audit Committee.

On April 17, 2007, the Supreme Court in a 7-2 decision once and for all swept away the process and procedural arguments put forward to deny our rights to sue to collect the dial-around compensation that Qwest and the other carriers had failed to pay for so many years (*Global Crossing Telecommunications Inc. v Metrophones Telecommunications Inc.*, U.S. No. 05-705).

As I expect you recognize, a Supreme Court decision reached with such a large majority, and which included the chief justice as well as other justices of varying judicial philosophies, is particularly robust and definitive.

I imagine it is somewhat understandable (although clearly not appropriate or to be countenanced) why your former executives fought for so long to deny our ability to get to court, presumably having much of their own compensation, bonuses and corporate perks based on the overstated earnings resulting from the egregious failures to make mandated dial-around payments to independent competitive payphone providers. It is much harder to understand why this misbehavior would be allowed to continue under the newer leadership at Qwest, who presumably were not responsible for past failures to make these dial-around payments.

Make no mistake, our dispute is not a routine commercial disagreement like challenging paying for the development of a product that didn't meet the agreed-to specifications or a failure of timely delivery, where there might be a rationale for disputing payments. To the contrary, what is involved in our case appears to have been a determination by some Qwest executives not to comply with a federally-mandated payment obligation. Pure and simple, this is a serious violation of law.

editorial

I have no doubt that men and women such as you and the other members of the Audit Committee simply do not get elected to the prestigious positions as members of the boards of directors for Fortune 500 companies without extraordinary knowledge and experience as well as stellar character and ethics. Following the Supreme Court's decision, it does seem the time for you, in this post Enron, MCI and, yes, post Qwest era to ensure that responsibilities are being met and that these past violations are cleared up.

Perhaps the most direct way to ensure that Qwest is meeting its responsibilities, as well as its obligations under its own Governance Guidelines and Ethics and Compliance Program, would be simply to ask your CFO at the next opportunity:

"Just how much do our own records show that we owe for unpaid dial-around compensation?"

Since this information lives in your very own switch records, it's likely that a few keystrokes or writing a small data retrieval program would allow for a pretty definitive answer.

If that doesn't happen, and you get the "hide the pea" type of responses and non-responses we have become all too familiar with over the years of non-payment, such as "we can't be sure of the full scope of our underpayment because our switch data don't show completed (and therefore compensable) calls by our resellers," you might want to follow up and ask:

"OK. So tell me how many payphone calls do our records show as being over 30 seconds, or even 45 seconds, in duration?"

I doubt that even one of your senior network engineers would challenge that 90+% of calls lasting this long are in fact completed. They know it and your board of directors should know it as well, since it is simply inconceivable that your network would be designed or allowed to be wasted by not completing calls within such lengthy time parameters.

We look forward to Qwest meeting its responsibilities and legal obligations.

Sincerely,

Willard R. Nichols
President

cc: Dave Heller
Qwest Chief Ethics and Compliance Officer &
Vice President, Ethics, Compliance and Risk
Management

by Flori Meeks

Holding the line on handsets

Payphone providers discuss their handsets in detail



In most cases, Cliff Gelb isn't one to spend a lot of money on handset replacements. But the president and owner of GTI has found himself wondering if somebody else knows something he doesn't.

"I scratch my head a lot about handsets," says Gelb, whose Baltimore-based company operates about 750 payphones in the Northeast.

Gelb has wondered on more than one occasion how others in the payphone industry approach handsets. Do they invest large sums in them? Have they had success with colored handsets? *Perspectives'* staff thought he had some good questions, so we decided to pose them to a sampling of payphone service providers (PSPs) across the country.

The providers we spoke with include:

- Charles Elders, owner, Liberty Bell Group, Copperas Cove, Texas; 30 payphones
- Elizabeth Gaytan, owner, American Payphone Services, Belle Chasse, La.; 65 payphones
- Cliff Gelb, owner/president, GTI, Baltimore; 750 payphones
- David Stobbe, owner, XChange Communication, Southfield, Mich.; 1,100 payphones
- Josh Thomas, operations manager, Synergy Telecom Service Co., San Antonio, Texas; 800 coin payphones and 400 collect-only phones

- Barry Trost, president, B&D Enterprise, Queens, N.Y.; 41 payphones
- Dennis Williams, operations manager, FCT Communications Inc., Toronto, Ontario, Canada; 2,100 payphones

The questions

1 What's your philosophy on cheap vs. expensive handsets?

Elders: "I have not been buying the cheap ones, and as soon as I find one is not working I change it. I just ordered six today."

Gaytan: "What I have is re-used equipment I got when we started in 2005 — mostly BellSouth equipment. We ordered a few handsets from [an industry supplier]. They're working fine. I haven't had to replace enough to have an opinion on that."

Gelb: "I buy cheap handsets for my outdoor locations, and I buy expensive handsets for my few indoor locations."

Stobbe: "When you say cheap, that almost implies poor quality. Cheaper is better as long as the quality is tolerable. You can have expensive handsets where the quality is intolerable. I happen to be riding the fence with the cheapest ones I can find that are tolerable."

Trost: "Neither. My phones are in some tough areas in Brooklyn and Long Island. They do get

smashed up. In the rough areas, I'll rebuild it (the handset) or buy a re-built. In the other areas I buy new, and I pay in the mid-price range."

Williams: "I think it depends on the location of the payphone. Being inside or outside, and subject to wet or dry conditions, does make a difference. There are differences in the quality of the handsets, whether cheap or expensive, so to speak. It also depends on the supplier you use and the best deal

you can make.

"Cheaper handsets are usually carbon-based and do not work well in cold or wet weather. They create many false alarms from the payphone and can cause extra site visits. Typically a dynamic-based handset is superior. Also Lexan vs. Zenoy will cause a price difference as well. The Zenoy material is superior! Over the past two years we've switched to all dynamic Zenoy handsets, and our number of service tickets has decreased dramatically. I estimate a 60 to 65 percent decrease in tickets because of this switch."

2 Do you think using colored handsets makes any difference? How so?

Elders: "I've seen that, and I haven't got an opinion one way or the other. I just use the black ones."

Gaytan: "I don't like the colored handsets. I guess I'm an old Bell employee, and I like the black ones."

They're (colored handsets) eye-catching, but I'm used to old school."

Gelb: "I don't use them. I've tried yellow and placed them by black ones, side by side. There was no difference. I remember way back when people tried colored enclosures. It probably cost them more down the road. But handsets are different."

Stobbe: "I haven't tried any colored ones, so I don't have an opinion, but I don't think it makes a difference."

Thomas: "I don't think the colored ones make a difference. We use all black."

Trost: "I use the blacks and the reds. When I replace a black handset, I install a red one. If the phones have been out of service for a day or two, people can see it's been repaired."



Williams: "This is a very good question. I have been involved in many debates over this. Red or yellow handsets definitely are more noticeable. When first installed, the colored handsets look enticing, but over time dirt will appear more noticeable and the handset should be changed. In other words, due to the increased visibility, revenue will probably increase, but you'll have to spend more on repairing parts, as

the handset may need to be replaced sooner. We have always used black handsets, but a recent client of ours would like to install red handsets, which will affect 50 phones. I guess I will find out if my opinion is correct."

3 How many handsets do you replace each month?

Elders: "On the average, one per month."

Gaytan: "We haven't had to make regular replacements. We test our phones when we're out there (about once a week). They're all in a 35 to 45 mile radius. We also have them hooked up to our computer. I don't want people getting frustrated with them and busting them up. If you keep your equipment working well, people won't damage it. If there's no sound, the first instinct people have is to slam the handset down."

Gelb: "Twenty to 25 a month. I have less indoor payphones than outdoor payphones, and I replace the indoor handsets less."

Stobbe: "About 30 a month, maybe 40."

Thomas: "I'd say less than 10. We don't go through many. Our phones don't get vandalized a lot. We keep them in pretty secure areas."

Trost: "I replace about three a month."

Williams: "We replace an average of 38 handsets per month, so that means 2 percent of our phones require a new handset every month. We have payphones all across Canada and find that we replace handsets more often in certain areas; some areas can go months or years without a handset change. Phones at high schools and gas stations go through handsets more frequently than phones located in secured areas of shopping malls and government buildings."

4 How does the weather affect your handsets? Are any of them exposed to harsh conditions?

Elders: "I have all outside payphones but one. The Killeen area is humid and muggy. I clean and test my payphones every two weeks."

Gaytan: "Mine are in booths. Even if there's rain, the booths protect the phones and the handsets. I have 15 payphones inside and 50 in the field in booths. They're pretty well protected. We get a little blowing rain, but it's not a problem."

Gelb: "I don't think the weather has any effect on the handsets. But in the winter, if you have more trouble with phones working and with your batteries, people take it out on the handsets."

Stobbe: "To some degree or another. Certainly it doesn't have an appreciable or noticeable effect."

Thomas: "Most of our phones are indoor phones. The ones that are outdoors aren't affected very much.

We try to keep them sheltered if they are outside."

Trost: "We deal with corrosion and humidity. Moisture is an enemy of everything."

Williams: "Does weather affect the operation of a handset? Absolutely! Phones located in Canada or even in many of the northern states are subject to weather patterns that change almost daily. During any given year the temperature will range from the single digits or possibly negative numbers to the triple digits, and with this kind of change, any electronic device placed outside in the elements will have issues."

Seventy-five percent of our payphones are outside, and that is why we use dynamic-type transmitters in our handsets. They work much better in cold climates. We also deal a lot with vandalism, especially in the summer months when the kids are out of school and have nothing to do but try to destroy the local payphone. Using handsets made of Zenoy does improve the amount of time we get from a handset in the field; Lexan does not do it for us anymore."

5 Do you do your own refurbishing?

Elders: "I was doing refurbishing, but it didn't work out as well as buying a quality handset. Handsets are a major problem for me. I found my (call) volume goes down as the condition of my handsets goes down. I don't play around with them."

Gaytan: "My husband did talk about cutting a handset with a Dremel, replacing the receiver and re-gluing it with a C-clamp, but no, I always buy new. But we do try to clean them and keep them presentable looking."

Gelb: "No. I don't think it's cost-effective. My handsets are basically pretty cheap."

Stobbe: "Where they're repairable, I usually repair them on the road. We haven't really repaired them in-house. We would if we could, but we don't have the manpower. To tie a person up on that, I can't justify that."

Thomas: "We refurbish some of them. We don't like to keep a lot of stuff in stock because our phones are so spread out. We do a little bit, but not enough to be a big deal."

Trost: "I do my own refurbishing, everything but the boards. If you get a new handset for \$12, you can get it rebuilt for \$6. If someone makes an unbreakable one, I'll buy it."

Trost added the following tip: "If you're going to rebuild an earpiece, a drop of epoxy or silicone on

the connections stops the corrosion. They won't rust or corrode, and you get a better connection."

Williams: "Over the past 10 years, we have tried many ways to save a few bucks. But when I crunched the numbers, refurbishing handsets did not pay. I could buy a handset for the same amount as it would cost to refurbish one, so why refurbish? One time we even sourced all of the parts and built them in-house. It saved us about 5 cents a handset, and we had another employee to deal with. It was not worth it. I also noticed that refurbishing used handsets created more service issues."

Williams closed with the following thoughts: "We spent years trying to decrease our service tickets. When I first got involved in the administrative side of things, we had about 5 percent of our phones



out of service at any given time. Now we are comfortably at one and a half to two and a half percent on any given day, our goal being two percent as this is the industry standard in Canada. The major contributor to decreasing our percentage was the type and quality of handset used." □

Flori Meeks is a freelance writer who is based in Houston.

Buying and selling

The payphone industry is seeing an increase in consolidation as large PSPs are buying more routes

Pam Dennison has found herself taking quite a few calls in recent months from payphone service providers (PSPs) looking to sell their routes.

The majority of them are mid-size companies, with 200 to 1,000 payphones, hoping to sell to a larger operation.

"And it's for all kinds of reasons," says Dennison, director of payphone operations for the Louisville, Ky. branch of Hays Financial Consulting LLC. The Atlanta-based firm specializes in managing distressed, insolvent and bankrupt companies from a broad spectrum of industries. The firm also manages payphone routes for other companies, in whole or in part.

"Most of the companies interested in selling want to focus on other aspects of their business, such as ATMs or air vacs," Dennison says. Others are looking to retire, or simply to cut their losses.

A number of industry veterans say this trend of consolidation is occurring throughout the country. "I think that is the trend, and it's going to continue to be the trend," says Jim Bimonte, owner of Southeast Pay Telephone Inc. in Pompano Beach, Fla. "However, I don't think that will last forever. I think there's a window. The industry is not growing; it's shrinking.

"In the early 1990s, this wasn't a good business, it was a great business," Bimonte says. "But people lost sight of the question, where will we be five years from now? New technology was on their heels, in the form of cell phones, of course."

And as a result, increasing numbers of independent providers have found it difficult to retain their payphone routes. And those who remain have been jumping at the opportunity to acquire them.

Eyeing the market

Dennison says she has spoken with a number of PSPs who are looking to buy more routes. "Generally, they want to grow in a certain area, to strengthen their footprint," she says. A small (200 payphones or less) or mid-size company may have a concentration of phones in an area the buyer is considering.

Others in the market are hoping to increase their overall base — or their buying power. "It's a strategic move for some, rather than a financial one," Dennison says. "At certain size levels, a company can ask for better percentages from OSPs [operator service providers] or other service providers. It's tough to compete against that kind of buyer."

From what Bimonte is seeing, most of the buyers in today's market are larger players, those with 1,000 payphones and more. "It's only going to be the larger guys who can handle these purchases because they're multi-state," he says. Plus, they have the resources required to operate the additional payphone sites.

Tom Rose is the president and CEO of Coin Phone Management Co., a 3,800-payphone company in Louisville, Ky. His company has been evaluating potential acquisitions since the beginning of the year to help it remain competitive. "The industry is declining," Rose says. "We need more phones to cover overhead and turn a profit."

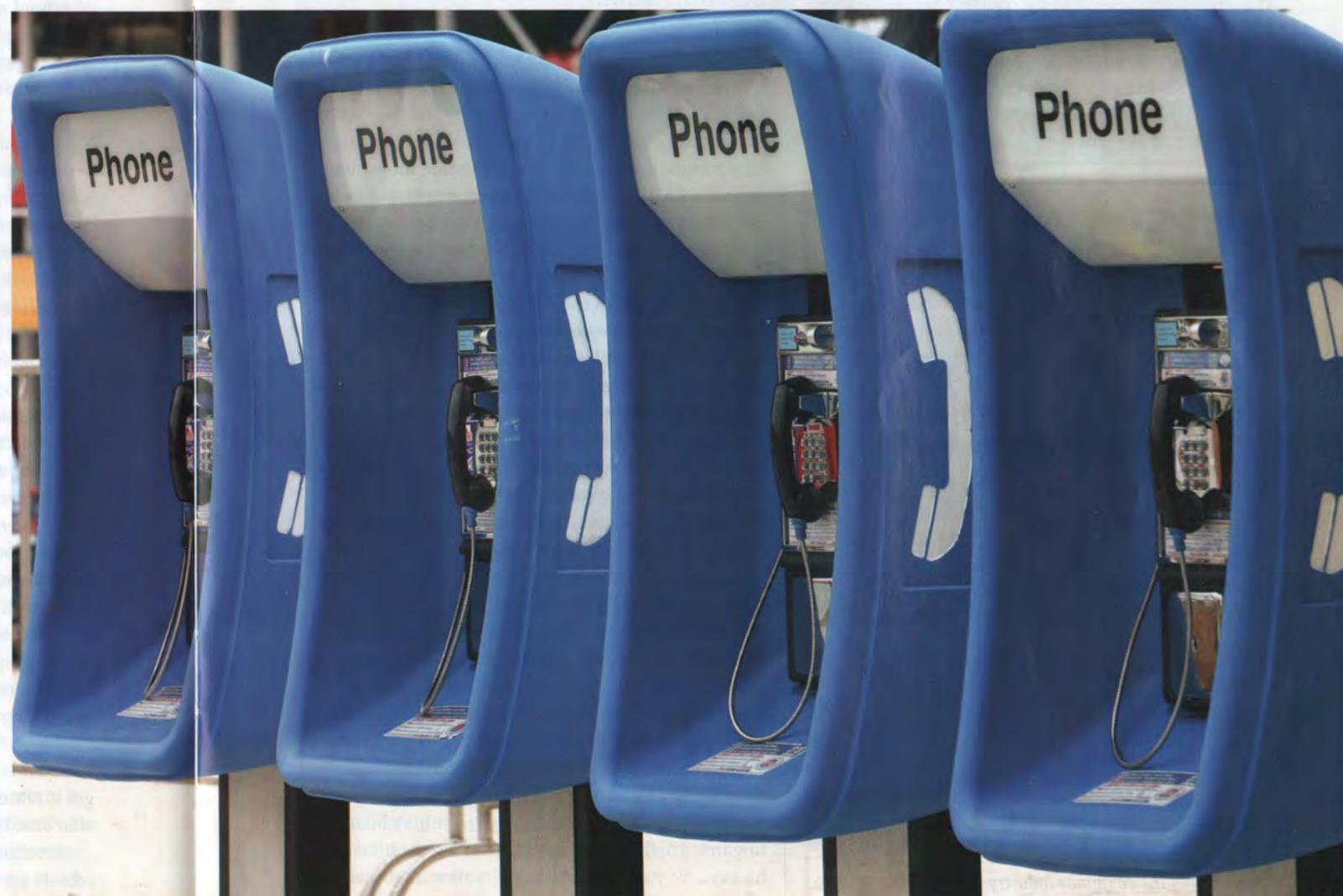
Naming a price

Bimonte urges those who do want to sell their route to aim for the best deal possible. "Some phones could see \$500 apiece; some could see \$800," he says. "Ask yourself how much the phone is generating a month. You've got to be realistic as far as what you ask for and what you expect to get."

Dennison says she regularly encounters payphone providers with an overly optimistic picture

of what today's market will bear. "Some owners want \$1,000 to \$2,500 a payphone," she says. "They're not getting that." Depending on the site, it would be reasonable to ask for \$50 to \$750 a phone, she says. She encourages PSPs to set a price based on their operation's unadjusted cash flow, which is calculated by adding coin revenue, OSP payments and dial-around compensation together, and then subtracting local exchange carrier (LEC) charges, long distance payments and commission payments.

There could be factors that bump a company's value one way or the other. For example, if a PSP has a contract that includes expenses that are beyond accepted industry practices, that would be considered more of a liability. On the other hand, if a company has a lot of standard, long-term contracts in place, that is considered a plus.



Painting a complete picture

It's also wise to take a "buyer friendly" approach to presenting your company. In other words, be ready to provide a detailed, easy to understand picture of your payphone operation. "Buyers want to see great books," Dennison says. "You should be able to provide an accounting system for the last 12 months with records per ANI, per site and by account."

Rose says he won't even consider buying a route without at least 12 months of records detailing monthly revenues and expenses for each phone. "We're evaluating the business by its past performance, and we're relying on that information to project the future," he says.

He also wants proof of the route's revenue, including dial-around and OSP statements and records of coin deposits. "We've got to be able to follow the money trail," Rose says. "We evaluated a company a few months ago. They told us what their revenues were, and we couldn't prove it out. We came to find there was internal fraud there."

The more information a seller can provide, the better, he emphasizes. "Ideally, we'd even like to look at 24 months of records. That would give you a wonderful picture of what the route is doing."



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Buyers take care

Dennison advises all companies looking to buy to research the routes they're considering carefully. And buyers need to be realistic, too. If they don't know the ins and outs of operating in other states, they might want to reconsider moving beyond their own state lines. Buyers also should consider the costs associated with maintaining a widespread network of phones, including labor and gas.

For those who are beginning the search for a route to purchase, a state payphone association is a good way to get the word out, Dennison says. State associations can provide opportunities to network with other PSPs, including those who are just starting the process of preparing their business to be sold. "Some who want to sell, they want to make sure they're selling to someone who will take good care of their customers," Dennison says. "It's personal to them."

Standing strong

David Cotton, executive director of the Southern Public Communication Association, says he hasn't noticed a lot of consolidation activity. Most of the PSPs he knows want to remain in operation. "We've had a couple of the smaller guys sell out to the larger ones, but I don't see a wholesale movement in this area," Cotton says. "Everyone is trying to hold on to what they've got and make the best of it."

Sometimes it's the basics that help a company remain competitive, Cotton says. He advises PSPs to remain attentive to their phone's appearance and functionality and to retain good relations with site owners. "The people in the industry now will survive if they handle their business correctly," Cotton says.

Equally important is detailed attention to expenses and revenue, Dennison says. "Costs must be kept to a minimum. How many phones does it take to justify each person on staff? We manage close to 2,000 phones, and nearly everything is handled back office with three people."

Regarding revenue, Dennison says it should be monitored carefully to ensure it doesn't decrease. PSPs should be testing their phones and their services regularly. "And be cognizant of the effect of extravagant charges," she says. "If you're relying on steady customers, you can't afford to alienate them with a \$20 charge if their teen-ager's cell phone is dead."

But even those with the best of business practices should think about diversifying their revenue stream, Bimonte says. "You have to think about getting into other aspects like ATMs or air/vac machines," he says. "If you opened a supermarket that just sold



milk and someone else came out with an alternative to milk, you'd have to fill that gap. You can't just be in one facet of business."

Ongoing opportunities

In the midst of this activity, a number of LECs have been quietly exiting certain payphone markets. And independent PSPs have been stepping in to fill the void.

In fact, independent payphone providers now own half the payphones in the United States, according to the latest figures from the Federal Communications Commission (FCC). The total number of payphones in the country as of March 2006 was 1,006,802 — with 503,846 owned by LECs and 502,956 owned by independents.

As time progresses, PSPs may see even more opportunities to grab former LEC locations. Rose says his company grew as a result of BellSouth's exit from the payphone business, but he would encourage other PSPs to proceed carefully. If large companies choose to give up some of their phones, independent providers should ask themselves what they're leaving behind. "Don't go in with your eyes closed. Be skeptical." And if a phone doesn't show a history of profitability, don't hesitate to ask the site owner to pay you for providing it, he says.

Making a difference

The PSPs that remain in business today should be commended for the responsibility they shoulder as public communications providers, says Bruce Renard, executive director of the Florida Public Telecommunications Association (FPTA). "With the majors leaving the industry, independents are taking more of the load," Renard says. "We now have half the burden of providing public communications in this country."

And a significant number of people rely on these services. Most estimates indicate that about 4.5 to 5 million calls are made from payphones in the United States every day: a total of 1.6 to 1.8 billion calls a year.

Rose says he realizes the numbers of PSPs in this industry may continue to decline, but he fully expects the payphone industry to survive.

"I like to use the example of buggy whips," Rose says. "They haven't been what they used to be since the invention of the automobile, but somebody's still making them, and making a profit making them, because someone still needs them." □

Flori Meeks is a freelance writer who is based in Houston.

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tech talk

by Dennis Williams

The essentials

Five essential tools any payphone technician must have

Don't worry — there is no need to be Bob Vila to handle these tools, but you do not want to be Tim “the tool man” Taylor either. At least there is no electricity involved, so there will not be any eyes popping, hair standing or visiting the dictionary to see if that was actually a word that just came out of your mouth. Nonetheless, I compiled a list of five essential tools that I think any payphone technician must have on hand. These are not listed in order of importance.

1. **Telephone test set.** Give yourself five points, because you knew this would be the first tool listed. When I service a payphone that has no dial tone, the first tool I reach for is the test set, also known as the buttset. Why change a handset or spend time troubleshooting a problem if the problem has nothing to do with your equipment?

If there is no dial tone through the handset, go to the demarcation point where your cable connects to the telco's cable and disconnect your end of the cable. Connect the buttset to the telco's side and check for dial tone. If there is no dial tone, then it is the telco's problem. Call in the trouble to its repair center and follow up a few days later when the problem should be fixed.

If, however, you do find dial tone at this point, then it is not a telco problem, but a problem with the equipment or the cable between the payphone and the demarcation. Either way, sad to say, it is your problem. The evaluation I just described is simple and requires little time — it would take much longer if the buttset were not available.

2. **Tone generator and probe.** So you think I'm cheating and putting two tools together? Have you ever heard of one pea in a pod? No. I did not think so. You cannot have one of these devices without the other. The tone generator produces the tone, while the probe produces the sound of the tone when placed next to the generator or any cable the generator is attached to.

If you ever have dial tone at the demarcation point but not at the inside connection of the payphone, this is a great tool to troubleshoot the problem. Connect the tone generator to the demarcation point with the payphone cable connected as well. This allows a complete circuit from the demarcation to the payphone and back again. Follow the cable from the demarcation to the payphone, listening for the tone created by the probe. Once



Dennis Williams continues his never-ending quest for dial tone.

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—Buddy Childers
Grant Communications

"We use FPTA Technologies' excellent vendor programs for many of our service needs—and are fully satisfied with their quality and performance. Our company believes in supporting those who support our industry and FPTA Technologies is certainly a leader in this area."

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— tech talk

the tone has disappeared, chances are this is the place where the cable is damaged and needs to be repaired.

3. **Digital multimeter.** This tool is more useful than most people think. If you have power in the booth, or a payphone that works on power other than dial tone, this tool is great for checking the voltage and current measurements or continuity of the circuit. Maybe the ballast is defective for the light bulb that is illuminating the booth. Maybe the transformer powering the payphone is not outputting the correct voltage. Many troubleshooting techniques can be performed using this device. Maybe these will be discussed in detail in a future column. I guess you will have to wait to find out!

4. **BIX punch down tool and BIX clip.** OK, I'm busted — I am cheating on this one. These should be listed as two different tools, but five essential tools sounds better than six. They both have the word BIX, so that's my story and I'm sticking to it.

At any rate, these devices are used to terminate/connect the telco's wiring with the payphone wiring if there is no demarcation jack provided by the telco. Some telephone companies will not provide a jack, but will instead terminate their wire on a BIX block, and the payphone provider must continue from there.

The punch down tool is self-explanatory. It punches down or terminates the payphone side of the cable to the telco side, giving a secure connection. I would rather call it a punch down tool, because a "terminate tool" just doesn't sound right! The BIX clip, when used in combination with the buttset, will confirm dial tone across the BIX block if troubleshooting is required.

5. **Straight head screwdriver.** Also known as a flat head screwdriver, this is a very basic yet crucial tool for servicing payphones. When you have to troubleshoot the internal organs of a payphone, you need this tool to remove or loosen many parts — the main board, the coin mechanism, and the anti-stuffing device, just to name a few.

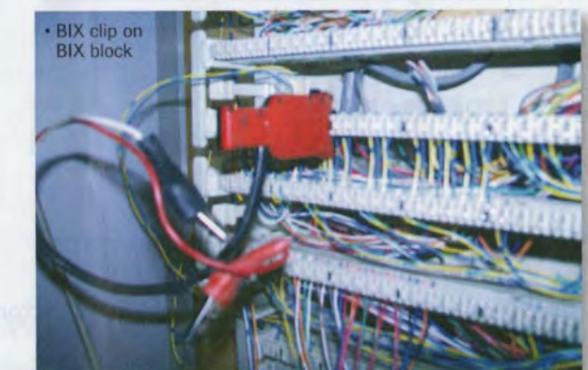
I suppose if MacGyver were to service a payphone, he could use a quarter or dime to loosen parts as needed or create some kind of contraption from a toothpick and dental floss like he always does. But that's MacGyver and Hollywood; I will stick to the basics.

Bob Vila only wished he had it this simple. No matter how big or small your toolbox may be, I would hope the tools mentioned above are a part of the inventory. I know they are and always will be a part of mine. If you have tools you would like to add to this list, please contact me at the address listed above the photos. □

Dennis Williams has been involved in the payphone industry for nine years and is currently operations manager for FCT Communications Inc., which is based in Toronto, Ontario, Canada. He can be reached at dwilliams7@tampabay.rr.com.



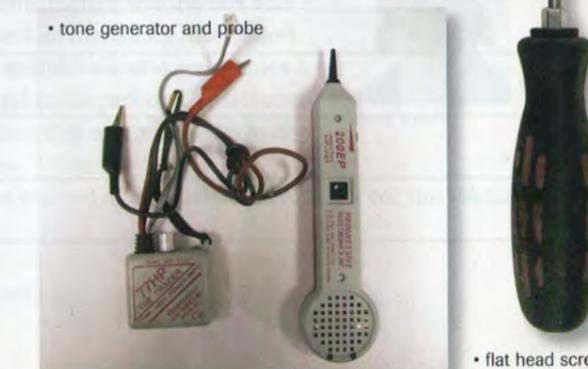
• buttset



• BIX clip on BIX block



• digital multimeter



• tone generator and probe

• flat head screwdriver



APCC 2008 survey

APCC is very interested in your input regarding the location of our 2008 conference and expo. Please complete this survey and fax it back to (703) 739-1041 no later than Friday, August 17. Thank you very much for taking the time to provide feedback.

1. I am an attendee.
 I am an exhibitor.

2. Which location would you choose for future APCC Conference & Expo events?
 - Atlanta, Ga.
 - Chicago, Ill.
 - Las Vegas, Nev.
 - Miami Beach, Fla.
 - Orlando, Fla.
 - San Antonio, Texas
 - Washington, D.C.
 - other _____

3. Place a check mark next to the top three factors in your decision to attend APCC trade show events:
 - location
 - registration/exhibitor prices
 - room rates
 - content of conference program
 - variety of exhibitors
 - networking opportunity
 - time of year
 - other _____

4. Please add any additional comments or suggestions.



legal & regulatory

by Dan Collins

Supreme Court remands DAC cases for reconsideration

In a follow-up to its decision in *Global Crossing Telecommunications Inc. vs. Metrophones Telecommunications Inc.*, the U.S. Supreme Court granted APCC Services Inc.'s Petition for Writ of Certiorari on May 25 and remanded APCC Services' cases against Sprint and AT&T back to the U.S. Court of Appeals for the District of Columbia Circuit for further consideration in light of the Court's finding in *Global Crossing* that PSPs have the right to sue carriers in federal court for their failures to pay dial-around compensation. The D.C. Court of Appeals immediately returned the cases to the District Court for trial. The District Court previously found in favor of APCC Services.

Yocum joins Commissioner Adelstein's staff

On May 31, Commissioner Jonathan Adelstein of the Federal Communications Commission (FCC) announced that Katie Yocum had joined his staff as confidential assistant and as director of outreach. Yocum's responsibilities will include coordinating Adelstein's schedule as well as managing interaction with organizations, governments, individuals and companies interested in the role of the FCC and its impact on the telecommunications and media marketplace. She also will serve as the primary contact for press inquiries.



Katie Yocum

Prior to joining the FCC, Yocum worked as campaign coordinator for the Media and Democracy Coalition. □

Dan Collins is corporate counsel for the APCC.



state briefs

Florida

The Florida Public Telecommunications Association (FPTA) has been working closely with the Florida Public Service Commission (PSC) on a new rate cap proposal for operator service provider (OSP) calls from payphones.

The FPTA has been providing data to the Florida commission that should be of assistance in demonstrating the need for a rate cap adjustment and in formulating a new go-forward rate cap structure. "The staff is now fully focused on this issue and we expect to see a recommendation for commission action very soon," said FPTA Executive Director Bruce Renard. "We've provided staff members with extensive information on why it's in the public interest to adjust the rate caps and the help this will provide in maintaining a viable payphone base for Florida."

The FPTA also continues to work in conjunction with the American Public Communications Council Inc. (APCC) and other state associations on new services test (NST) refund relief for payphone service providers (PSPs). The FPTA has been striving to convince the Federal Communications Commission (FCC) to order BellSouth to provide refunds to Florida PSPs for payphone line overcharges. "It's the right thing to do, and it would go far to improve financial staying power for many independent payphone providers," Renard said.

The case remains a challenging one, he added. "We have our work cut out for us considering the dollars involved and the political strength of our opposition in this case. We will nonetheless continue to pursue every available avenue of relief for our industry on this matter of vital importance."

FPTA members continue to work with the Florida Department of Transportation (FDOT) on the implementation of a new payphone permitting program on state owned rights of way. Since convincing FDOT of the need to authorize payphone placement on state roads, FPTA has been working to help the department establish a reasonable and workable permit process. "We want to flesh out the details on how the permitting system will work and what will be required to ensure a smooth implementation for our members," Renard said.

The association also is continuing its efforts in working with the city of Miami, which has been updating its payphone ordinance. "We're cautiously optimistic that we will see improvements in the ordinance with express permission for payphone advertising included as a new component," Renard said.

Indiana

The Indiana Supreme Court in April voted unanimously to deny AT&T's and Verizon's Petitions to Transfer, thus ending more than two years of appeals of the Indiana Utility Regulatory Commission's (IURC's) ruling in favor of the Indiana Payphone Association (IPA) regarding the application of the new services test.

As a result of the court's decision, the new services test will be applied to Verizon and AT&T/SBC in Indiana and refunds will be paid for excess charges billed to payphone providers from 1997 to 2004. End user common line (EUCL) charges will be refunded back to 1997 in a lump sum payment, and payphone line rates for Verizon and AT&T/SBC will be lowered starting back to 2004.

The Court of Appeals instructed the IURC to award interest on the EUCL refunds and on the difference between the prior rates and the NST rates back to 2004 if it finds that the refund amounts were "readily ascertainable" and "not in dispute." Arguments on the interest award were expected to be filed at press time, and a ruling is expected by late summer or early fall.

The IPA first challenged the carriers before the IURC in 1999, and the commission rejected the challenge, finding that the rates appeared to be reasonable. The association went back to the IURC in 2002, and the commission then found in favor of the IPA. AT&T and other carriers took the issue to court in 2004, and the court ultimately found in favor of the commission. With the Indiana Supreme Court's decision in April, the matter should finally be settled, except for the interest payments.

New York

The Independent Payphone Association of New York (IPANY) presented New York City's Department of Information Technology and Telecommunications (DoITT) with a proposed fine schedule for notices of violations (NOVs) at the department's May 16 meeting.

IPANY has met with DoITT repeatedly to discuss the fines that the city issues for payphone code violations. IPANY members maintain that these fines are excessive and unreasonable. For instance, the city fines PSPs \$2,000 where there is no return of a caller's 25 cents after a call does not connect.

The association researched the fine schedules filed by other city agencies before submitting its proposal. IPANY's proposal includes mitigated penalties, which would be ordered when an admin-

istrative law judge feels a lesser penalty is due because the violation is not the fault of the defendant or the defendant has remedied the violation after receiving the NOV.

IPANY's proposal also calls for a second offense penalty. By using a two-tier fine schedule, PSPs attempting to do the best job possible will not be penalized as severely as the few PSPs who continually ignore warnings or violations issued by the city, said Lester Shafran, IPANY's executive director.

"We're recommending a moderate, reasonable fine structure that penalizes the real culprits, those who don't take care of their phones," Shafran said.

DoITT members agreed to consider IPANY's proposal.

IPANY members held their annual board election during the association's June 20 membership meeting at the Crowne Plaza La Guardia Hotel in East Elmhurst, N.Y.

IPANY's nominating committee presented board members with the following candidates to serve three-year terms: Richard Scarinci, R&B Communications Inc.; Alex Steiner, Phone Management Enterprises Inc.; and Bruce Sandys, BAS Communications Inc.

The committee recommended Doug Wohl of Nexus Payphones to serve on the board for two years to complete the term of Doug Clark of Crystal Public Payphones. Clark stepped down from the board May 31 after the sale of his company's assets.

The following directors will continue to serve on the board: Ray Mastroianni, Clemson Brown, John Sweeney, Kurt Lowenstein and Dennis Novick.

The June 20 meeting also featured reports on local, state and federal developments, including 211 usage in the city; the latest news on the NST rate and refunds; Verizon's dial-around shortfall to PSPs; and presentations by manufacturers, suppliers, OSPs and CLECs.

The association's next meeting is scheduled for Sept. 19.

SPCA, TPOA

The Southern Public Communication Association (SPCA), representing Alabama, Louisiana and Mississippi, will conduct a joint meeting with the Tennessee Payphone Owners Association (TPOA) this month. Arkansas PSPs are expected to attend as well.

The meeting will take place the evening of Wednesday, Aug. 29, and the morning of Thursday, Aug. 30, at the Hilton Birmingham Perimeter Park

Hotel in Birmingham, Ala.

Meeting participants will hear updates on legal and regulatory issues, including dial-around compensation. The program also will feature revenue enhancement sessions, an "Inmate 101" session, vendor exhibits, a vendor reception and a hospitality suite.

For more information, call (866) 305-0836 or e-mail veronica@southernpublic.org.

For room reservations, which must be made by Aug. 15, call (205) 967-2700. Callers should make it clear they are with the Southern Public Communication Association or refer to group code SPA.

Texas

A bill passed by state lawmakers in May is expected to remove payphone coin revenue from the state's sales tax base.

Bill 1459 represents an extensive, long-term campaign by the Texas Payphone Association (TPA). It was expected to become law and go into effect Sept. 1, barring a veto by Gov. Rick Perry.

"The TPA has been toying with this idea for a

state payphone association meetings calendar

Atlantic Payphone Association

(717) 790-9533
5:30 p.m. registration
6:15 p.m. dinner/meeting
Clyde's of Tysons Corner
December 6

Central Atlantic Payphone Association

(888) 930-9277
9 a.m. board meeting
11 a.m. general membership meeting
Sheraton Harrisburg-Hershey
Harrisburg, Pa.
December 5

Illinois Public Telecommunications Association

(847) 808-8988
Jimmy's Charhouse, Riverwoods, Ill.
August 17
November 13

Independent Payphone Association of New York

(914) 725-8500
6-8 p.m.
Crowne Plaza LaGuardia
September 19

Kansas Payphone Association

(913) 583-3119
6:30 p.m.
Wyndham Hotel
Overland Park
October 11

Midwest Independent Coin Payphone Association

(636) 922-5213
7 p.m.
Holiday Inn-Airport
St. Louis
September 12
December 5

Payphone Association of Ohio

(440) 951-0604
10:30 a.m.
Marriott Columbus Airport
October 4

San Diego Payphone Association

(877) 539-9604
9:30 a.m.
Cocos Restaurant
Genesee (San Diego)
August 19
September 20
November 15

Southern Public Communication Association

(866) 305-0836
Tennessee Payphone Owners Association
(901) 758-8000
Aug. 29-30
Hilton Birmingham Perimeter Park Hotel
Birmingham, Ala.

number of years, figuring out how payphones could be eliminated from the state tax base," said TPA President Gary Pierce.

Association members felt it would be a mistake to push the legislation in 2005, when Texas lawmakers were faced with a significant budget deficit. But this year's session saw Texas in the midst of a surplus. "We thought this would be a good time to pursue this," Pierce said.

TPA decided to put its lobbying team and its political action fund to work. Lobbyists were instructed to find lawmakers who would be willing to sponsor the bill.

Meanwhile, the TPA's membership set the stage for a successful outcome. During the association's February meeting in Austin, members staged a "Capitol Blitz." About 40 members visited their legislators and made a case for exempting payphone coin revenue from sales tax. "If the state wanted any semblance of a public communications system, the payphone industry would need some kind of break," Pierce said.

TPA members received a positive response dur-

ing their blitz, but the bill still faced an uphill battle. "It got down to the final hours before it passed,"

Pierce said. "The Senate had 150 bills and a day and a half to pass them all. We figured in that small time frame, they wouldn't get around to our bill."

But Senators did get to the bill, and they passed it unanimously.

"I have to recognize our executive director Scott Pospisil for all of the time he put into this," Pierce said. "He worked on this non-stop."

Prior to the bill, Texas PSPs had paid 7³/₄ to 8³/₄ percent sales tax on their coin revenue. Pierce said he has paid as much as \$1,200 to \$1,500 a month for his small route. For larger companies, the cost is significantly higher.

Once the new legislation goes into effect, PSPs will be freed from that expense. "This is going to help tremendously," Pierce said. "This could be the difference between staying in business or going under, keeping phones out or not keeping phones out."

The TPA always is looking for avenues to help its membership, and it frequently works through the state Legislature, Pierce said. □

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industry briefs

product news



Myrmidon Corp.

Myrmidon Corp. now offers the M1 coin vault, a stand-alone coin vault for air/water/vac machines.

The vaults, which are designed to be impenetrable, are installed in concrete and placed to the side of the air/water/vac machines. Up to now, most coin vaults have been built into the machines themselves.

"We've taken the money out of the machine," said Dee Murphey, Myrmidon's operations director for the payphone and air/water division. "Therefore, it takes away the incentive to tear up the machine. Your investment is protected."

The M1s, which are nearly a half-inch thick, are built like M1 Abrams tanks — the type that the military uses, Murphey said. They stand 32 inches high and feature large capacity coin boxes with stainless steel coin mechanisms designed not to jam.

"Guys in high crime areas, you put one of these vaults in, and nobody will mess with it," Murphey said. "It's maximum security."

For more information, call (800) 880-0771, or visit www.myrmcorp.com.

people & places



Prime Point Media

A PepsiCo Inc. advertising campaign being delivered by Prime Point Media is using payphone kiosks and Prime Point's Bluetooth solution, PrimeCasting, to deliver video clips to mobile phones in Philadelphia and Pittsburgh.

PrimeCasting has the ability to send messages to more than 250 types of cell phones and PDAs. Users are asked if they want to receive the content as they pass by the payphone, and it's not sent as a text message, so it's free.

The Bluetooth portion of the Pepsi campaign features five "Pass the Mic" video clips developed by Yahoo! Music. Initial Bluetooth download statistics for the video clips show an 11 percent opt in rate among users, which is a higher response rate than what has been seen on Bluetooth campaigns using

other formats. Downloaded video clips remain on the users' mobile phone and can be sent to friends' phones.

Prime Point has affixed the Qwikker Bluetooth transmitters to payphone kiosks near convenience stores. As a result, consumers receive the Pepsi brand message via Bluetooth and static messaging on the payphone kiosks as they enter the store.

"According to a study by BBDO Worldwide, 75 percent of mobile phone owners keep their device turned on and within reach for 16 hours or more each day," said Prime Point CEO Karen Robinson. "PrimeCasting provides advertisers with an opportunity to deliver brand-driven content to consumers' mobile phones which, in turn, places the advertiser's brand at the consumer's fingertips for up to 16 hours each day."

The program enables consumers to respond directly to a brand marketing message on the street and leave with a piece of entertaining digital content, all for free, said Saul Kato, CTO and founder of Qwikker.

"This is the simplest way for brands to leverage the power of the mobile phone as a rich media channel living right in the pockets of their audiences," Kato said. "Outdoor media locations are transformed into points of instant digital gratification."

The Pepsi campaign is Prime Point's third Bluetooth effort for a national advertiser to date. The company has deployed more than 70 PrimeCasting Bluetooth transmitters in markets across the country, and it has the capability to add PrimeCasting to virtually any of its payphone kiosk locations.

Also as part of this current Pepsi campaign, Prime Point is handling kiosk advertising in 16 additional markets.

For more information, visit www.primepointmedia.com.

Telstra

Telstra has awarded Service Stream a contract to provide payphone activation, repairs and general maintenance. The company said that Service Stream has performed other network-related work on Telstra's behalf and was awarded the contract after a selection process based on its track record.

"Telstra has been reducing payphones over many years in line with the continued reduction in payphone usage primarily through the growth in mobile phones, and this has obviously led to a reduction in the volume of payphone activations and fault repairs," said Michael Rocca, group managing director, Telstra Services.

"Activation and fault repairs are the only payphone-related activities not already outsourced. Given that Telstra already has a number of contracts with suppliers in place for payphone activity, we have taken the opportunity to consolidate these arrangements in urban and selected major regional areas."

Although this will result in redeployment or retrenchments to around 90 employees nationally, it means Telstra can align its internal workforce with other services and products.

This decision will not impact the operation or current total number of payphones, Telstra emphasized.

Wireless, landline surveys

A report released May 15 by the University of Michigan explores customer satisfaction with the wireless and fixed line phone industries.

The university's American Customer Satisfaction Index (ACSI) measures customer satisfaction with more than 200 companies across 43 industries every first quarter.

ACSI gave the wireless phone industry a score of 68 on a 100-point scale. Fixed line phone providers earned a score of 70 out of 100.

Weeks after this report was issued, a study on customer contact centers showed significant numbers of consumers are dissatisfied with the customer call centers provided by the cell phone industry.

The study, the Call Center Satisfaction Index, was completed by CFI Group of Ann Arbor, Mich. The company used the same methodology as ACSI. This study gave wireless call centers a score of 69 on the 100-point scale.

The study's authors urge the wireless industry to monitor its customer satisfaction scores carefully. "The research shows that 74 percent of people who have a bad experience with their cell phone provider's contact center will consider switching companies," the report says.

Another concern for the wireless industry: CFI Group's report states that nearly 20 percent of all callers who contact a cell phone call center hang up without getting their concern resolved.

For more information about ACSI's report, visit www.theacsi.org. For more information about CFI Group, visit www.cfigroup.com.

ATM Marketplace

ATM Marketplace has released a report that explores the convenience and advantages that self-service bill payment kiosks are providing consumers and retailers. The report, "Beyond the ATM," explores the revenue-generating opportunities bill payment kiosks provide, especially when used as a complementary ATM service.

For independent sales organizations working to supplement their ATM income, additional self-service transactions provide lucrative opportunities, said Hamed Shahbazi, chairman and CEO of TIO Networks Corp., which sponsored the report.

Off premises ATM placements, such as those in convenience stores, supermarkets and other retail locations, account for nearly half of all ATM placements in the United States, ATM Marketplace reports. Those locations are prime for services that target unbanked and underbanked consumers, a segment that is estimated to exceed 44 million in the United States.

For more information, visit www.atmmarketplace.com. □

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last word

by Flori Meeks

A payphone dialogue down under

Telstra blog has people talking about payphones

Payphones have been the subject of animated discussion down under lately.

Well, it's digital discussion, but it has been lively.

Since Australian telco Telstra launched the Payphone Perspectives blog on its Web site (www.nowwearetalking.com.au), visitors have been reading about the day-to-day challenges that come with the payphone industry. And so far, people seem to be responding. A number of these readers are company shareholders, but the company says members of the general public are posting comments, too.

"Our target audience is the general public, community interest groups, politicians — state and federal — and local government bodies," said blog author John Stroud, who spoke with *Perspectives* via e-mail. "The majority of the feedback we have received through the blog has been quite supportive. There has also been quite a number of people who have been surprised by the level and cost of vandalism on payphones."

'Payphones of the Year'

Stroud talks about vandalism and other maintenance issues in an entry called "USO (Universal Service Obligation) Payphones of the Year." In it, he spotlights the Telstra payphone with the lowest use; it averages 1.5 calls per day. The phone brings in \$274 per year, but costs \$5,750 to maintain. He also mentions the payphone with the most technician visits (once per week); the phone costs \$11,004 per year to maintain but takes in just \$4,148. He gives first prize to the payphone with the highest cost and vandalism. The phone has been replaced four times in the past two years due to vandalism, for a cost of \$16,000. The phone takes in \$3,435 in annual revenue, but costs \$5,438 per year to maintain.

"The blog aims to educate the community about the challenges confronting Telstra's payphone business and to correct public misperception about why Telstra removes some payphones," said Stroud, whose titles at Telstra include business manager provisioning, payphones, and Telstra consumer marketing and channels.

Not all of the blog readers see eye to eye with Telstra. An entry about payphone vandalism got a rather irritated response.

"So what's the problem?" the response reads. "The



other carriers contribute MILLIONS of dollars in USO payments. This more than makes up for these 'costs.' Quit whining, or give the USO payments to a competitor, and I'll bet they'll quite happily fix the payphones for \$150M!"

Others have had a more sympathetic viewpoint. "Australia needs to get tougher on crime to stop this rubbish from happening," comments one reader.

On the road again...

More recently, Stroud wrote about Payphone Provisioning Manager Chippy Miller, who spends much of his time on the road serving Australia's remote indigenous communities. "Sometimes these 'big city folk' don't appreciate the time and expense Telstra undergoes to ensure all services are in working order," a reader responds.

Stroud says readers can expect to see more profiles like these. "The intention is to put a human face on the payphone business," he says.

Stroud does this through humor, too. "Challenges aside, we've encountered quite a few funny things over the years when we've been installing or maintaining payphones," one of his entries says. "One incident I recall before the mobile phone era was when we were running a program to increase the number of payphones in the Melbourne CBD. To do this we'd identify new sites with a yellow painted 'T' on the footpath. One day we went to install the payphone and found the council had planted a tree in the proposed payphone location. We changed the label to a 'P' after this!!"

To check out Stroud's blog, visit www.nowwearetalking.com.au/Home/PageBlog.aspx?mid=278. □

Flori Meeks is a freelance writer who is based in Houston.

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