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Excess equipment

You probably have a lot of extra parts and payphones lying around. Now is probably a good time to do something about it.

by Sara G. Stephens

The late and brilliant comedian George Carlin created a wildly popular bit for his stand-up routine at Comedy Relief 1989. It was all about “stuff.”

“That’s all you need in life, a little place for your stuff,” he would say. “That’s all your house is: a place to keep your stuff. If you didn’t have so much stuff, you wouldn’t need a house. You could just walk around all the time....” and so on.

Payphone service providers (PSPs) today have quite a bit of “stuff” in storage. And this, of course, begs the question: What, exactly, do you do with it?

Retiring phones

David Lindgren of Coyote Call, Kansas City, has welcomed his fair share of stuff in the last few years. The PSP currently has more than 150 payphones in the field; he pulled about 40 percent of his route in 2009 and 2010. “Our policy has been to remove a payphone if, on a two-month rolling basis, it is nearing break-even,” he says. “Letting a payphone get in the negative hurts the company.”

For Lindgren, the aftermath is about as good as a PSP could hope for, with evidence that revenue from many of his pulled payphones seems to simply detour to neighboring Coyote Call payphones. Ending with an almost optimistic note, Lindgren says he hasn’t

removed any phones in 2011 because revenues seem to have “finally leveled.”

TCC Teleplex, of Brooklyn, N.Y., had 1,400 payphones operating as of December 2010. The phones are in good condition, says Alan Rothenstreich, director of projects.



"When the equipment doesn't look good, or doesn't function well, we replace it with equipment in storage."

— David Lindgren, Coyote Call

"If a phone is in poor condition, we replace it with one that is refurbished from a prior removal," he says. TCC Teleplex also re-uses boards from pulled phones, and if a board cannot be repaired, they will re-use its components to repair other boards.

Coyote Call takes the same approach to its phones. "When the equipment doesn't look good, or doesn't function well, we replace it with equipment in storage," Lindgren said.

It's no secret that payphone providers have pulled a lot of phones over the last few years. Obviously, the first big question to answer is: How much equipment do you need on hand to service your route? Once you've made that determination, you now have to decide what to do with the excess equipment.

There are two main options for handling this issue, and both are "green." The first option would be to sell excess inventory to either industry suppliers or other PSPs. Secondly, you can recycle equipment, which will garner some cash as well.

In terms of selling excess payphones and parts, G-Tel/Payphone.com is an example of a company that will buy some of the equipment that PSPs want to unload. According to Director of Marketing Walter Goff, "the market share for us is better than ever, as other companies are getting out of the business."

Goff says he is always in the market for payphone parts, especially main boards. If the payphone housings are new or are in "indoor condition," the company will consider purchasing them too. Relays and hoppers, however, are not in demand and are in fact in abundance. "In general," he says, "we are always glad to hear from PSPs to discuss options."

Among the options that Payphone.com and a few other companies offer are new equipment and parts. "Handsets and batteries are the most common items we sell to payphone providers, but we also sell new housings and new payphones," says Director of Operations Don McSwain. "In fact, we are scheduled to receive a shipment of several hundred new Protel and Elcotel payphone housings this month."

McSwain adds that Payphone.com has been receiving calls from schools and hospitals who want to buy payphones. "We've seen more of that as PSPs are getting out of the business," he said. "We are also selling a lot of explosion-proof and waterproof phones to oil rigs, which is a great niche for us."

Manufacturer Intellicall is another company that is selling new phones and parts. "We just don't manufacture boards anymore," said Intellicall CEO and President Steve Hall. "Rather, we're repairing boards we manufactured in the past." He goes on to state what he knows to be the obvious: "the call for parts just isn't what it used to be."

Hall recognizes the surplus of parts payphone providers have and the economic conditions in which they're operating. "They've got the inventory," he says. "It makes perfect business sense for them to use it. That's what I would do if I were a PSP."

Recycling is a good option

Recycling is another attractive option that payphone providers may not have explored of yet.

"Heck most of the product we use is made of metal," Rothenstreich says. "I would say at least 90 percent of it is metal, and with metal being at a high price, it is a great time to recycle it."

Coyote Call scrapped (i.e. recycled) 30 percent of pulled payphone housings due mostly to rust, and he stored the rest in his basement and garage. Eighty-five percent of the enclosures and 95 percent of the pedestals



This photo shows some of TCC Teleplex's excess inventory.

ALAN ROTHENSTREICH



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were also scrapped. "The last thing we want to do is pay for storage," he says. "The revenue can't support it."

Lindgren takes pedestals, housings and other steel parts to a local steel salvage company. Enclosures, masts, and signs are delivered to an aluminum salvage company in town. The materials are weighed, and cash is paid per pound of scraps.

Lindgren adds that he has seen cases where local police have advised caution to salvage companies about accepting payphone equipment. Lindgren helps alleviate this pressure by presenting a letter on Coyote Call letterhead that notifies what equipment he will be bringing in the future.

The money made from scrapping depends on prices for the related commodities (steel, aluminum, etc.) on the market. "I think it's 53 cents per pound for aluminum," Lindgren says. "I can't remember what I get for steel. The prices vary day by day."

To maximize his return, Lindgren says he makes

the steel and aluminum "clean," which means it's 99 percent aluminum or 99 percent steel. This effort yields much more money per pound.

TCC Teleplex executes a different philosophy when it comes to scrapping phones. The company has a local person pick up the scrap metal and deliver it to the salvage yard. For these efforts, the worker gets to keep all the money from the scrap. "We see it as giving back to others by letting them make something while saving us the labor and hassle of bringing it to a yard," Rothenstreich says.

In terms of what it keeps, TCC Teleplex has several hundred retired payphones in storage, and plenty of parts, too. "We store sardine cans, phones, keypad wraps, pedestals, handsets, coin mechanisms, etc.," Rothenstreich says.

The company also stores batteries in boxes, along with several types of chargers. "It is great that we can reuse them in the field when needed," Rothenstreich says. TCC Teleplex has also started to examine ways of

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"I found there is a difference between your standard scrap dealer and a circuit board scrap dealer. The circuit board dealers want to harvest older chips and copper out of the board."

— Steve Hall, Intellicall

discarding the batteries, but has not found a place willing to take them.

Intellicall recently found a place to scrap circuit board products, including some that were around 20 years old. "I found there is a difference between your standard scrap dealer and a circuit board scrap dealer," Hall says. "The circuit board dealers want to harvest older chips and copper out of the board," he explains,

suggesting that PSPs will probably get a better deal on their scrap by going to a circuit board scrap dealer. "We were lucky to find someone who did both, and we found him with a simple Google search," he says with a laugh.

So while it may not be a barrel of laughs to handle excess equipment, now is probably a good time to put a plan in place for doing so. ■

Ideas outside the box

We've all seen interesting stories about what people have done with payphones and enclosures over the years. Here are a few examples.

- People sell payphones on eBay. The one-to-one mall of the Internet is crawling with enthusiasts of every sort, and payphone enthusiasts are no exception. Posting your retired phones for sale could yield surprising returns (if you're patient).
- PSPs have sold phones to Hollywood. The film industry is in frequent demand of payphone equipment for its movie sets. Rothenstreich said he has sold some of his payphone equipment to movie production houses, who, from time to time, are looking for the "New York" style phone booth.



Payphone parts have been used to create whimsical jewelry. Jewelry designer 19 Moons takes Operator/0 payphone keys and recycles them into "eco-friendly, chic" rings. The vintage Operator key is polished and then secured to an adjustable oak leaf ring. The rings are sold on www.etsy.com for \$34.99.

- In 2009, St. Mary's College students tried to break the payphone booth stuff recording set by their predecessors in 1959 and made famous by the now iconic *Life* magazine photo.

- Payphones have been incorporated into art-work. For example, artists Benoit Deseille and Benedetto Bufalino transformed a retired phone booth into a work of art as part of the Lyon Light Festival in France. The oversized fish tank is full of exotic, colorful fish, and serves tourists "an invitation to escape and travel," say the artists.



- Payphones have found their way into antique and vintage stores. A payphone would certainly be an excellent finishing touch for a game room or basement make-over.

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TPI is emphasizing security for air/vac/water machines with two new products. The first is an under-vault system that sits under an air/vac/water machine. The money goes into a payment tower and gets funneled into the concrete base money chamber below. The second offering is a stand-alone vault that sits next to the machine.

"Vandalism is really bad right now," said Marketing Manager Bobby Silber. "We want to help protect our customers' money and keep the equipment safe."

TPI also has a new remote monitoring system available for air/vac/water machines. "Our customers will be able to determine how much money is in each machine, and also ensure that the machine is always working," Silber said. "We want our customers to eliminate route costs and down time, which means they'll be able to increase profit and decrease expenses."

Another new feature being offered is sure to be a hit with consumers who use air/vac/water machines.

The new digital display lets consumers punch in a certain tire pressure, and the air hose automatically fills the tires to the desired level.

All of the aforementioned new products and services can be retrofitted for existing equipment, or purchased with a new machine.

"The most important feature in this industry is reliability," Silber said. "If your equipment is down, you're not making money. We feel that our equipment is the most reliable on the market. It's always up and running."

In other news, TPI now has a secure vault cover for ATMs. "It covers the base of the ATM to deter vandals from getting into the machine," Silber said. "If they see it, they just move on to the next one because the cover is a hassle for them. It provides a very good protective layer, as it is bolted down into the concrete."

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LEGAL & REGULATORY NEWS

APCC fights to level the playing field for PSPs

Association files petitions at FCC, lobbies Congress over 'free' cell phones

by Dan Collins

Since 2008 when the Federal Communications Commission (FCC) first allowed Universal Service Fund (USF) subsidies for free wireless phone service, the number of payphones deployed across the country has precipitously decreased from more than 800,000 to less than 475,000 today. In response, the American Public Communications Council Inc. (APCC) has taken several steps to have the FCC level the playing field for payphone service providers (PSPs) when it comes to USF subsidies.

In November 2009 and then again in April 2010, APCC submitted comments to the FCC urging the agency to carefully consider the availability of USF support for payphones as a complementary solution to free wireless phone service in providing essential communication services for low income citizens. APCC also asked the FCC to consider the use of USF support to assure the widespread deployment of payphones to serve the most vulnerable and economically challenged citizens,

who clearly are the ones USF was intended to support.

APCC also encouraged the FCC to evaluate the limitations of wireless handsets for serving the needs of low income citizens, especially given the small increment of free minutes being provided. APCC also stated in its comments that providing a limited amount of wireless usage per month is not a substitute for having widely deployed payphones that are available on a 24/7/365 basis at a comparatively cheaper price (typically 50 cents per call).

APCC files Emergency Petition

As the impact of USF-subsidized wireless phones continued to negatively impact the payphone industry, APCC took the important step of filing an Emergency Petition with the FCC on Dec. 6, 2010. The petition requested that the agency immediately allow USF subsidies for payphones on an interim basis in order

to halt the precipitous decline in the number of payphones before the decline became irreversible and payphones ceased to exist.

APCC reminded the FCC that payphones continue to play a critical universal service role by providing access to telephone services for millions of Americans without their own phones and providing important communications infrastructure in times of disaster or emergencies. APCC also informed the FCC that if it did not act on an emergency basis, there was every reason to believe that payphones will disappear, which would result in a communications crisis for millions of Americans who still rely on payphones for access to critical emergency and social services.

In addition, APCC noted that continuing to provide USF subsidies for wireless phones without providing assistance to payphones would directly contribute to the demise of payphones, which would completely contradict Congress' mandate contained in Section 276 of the Communications Act that the FCC "ensure the

widespread deployment of payphone services to the benefit of the general public."

As a start to leveling the playing field, APCC proposed that payphone line service be eligible for USF support of \$10 per month per line at a total annual cost of \$57 million (based on an estimate of 475,000 payphones). This amount is less than *one-fifth* of the current \$385 million annual cost of USF subsidies for wireless phones.

Letter to FCC Chairman Genachowski

To press the issue with the FCC, APCC President Randy Nichols sent a letter to FCC Chairman Julius Genachowski on Feb. 9, 2011. In the letter, Nichols described the immediate and urgent crisis facing the payphone industry due to the FCC allowing USF subsidies for free wireless phone service. Nichols noted that, however well-intentioned the agency's decision to allow USF subsidies for wireless phones, the decision inadvertently created a competitive imbalance. This imbalance

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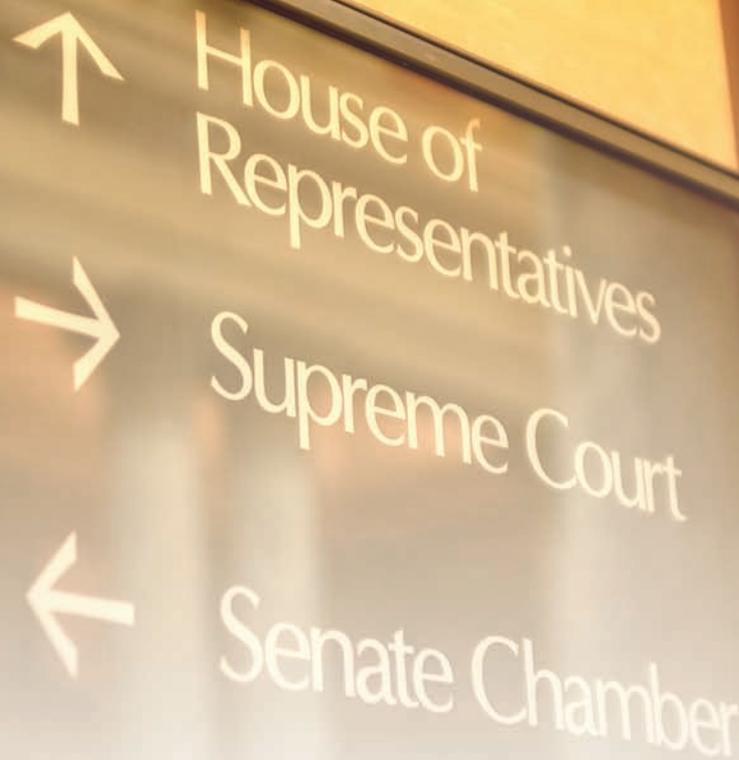
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APCC President Randy Nichols pointed out that a single USF support payment for a payphone would be a far more efficient way to provide access to the network for multiple consumers than subsidies for the wireless phones of individual consumers.

resulted in a decline in the number of payphones, as many became no longer economically viable. Nichols further noted that once a payphone is removed from service, all the users of that payphone who do not have wireless phone service are totally deprived of any access to the telecommunications network.

Nichols also pointed out that a single USF support payment for a payphone would in many instances be a far more efficient way to provide access to the network for multiple consumers than subsidies for the wireless phones of an individual, because the wireless subsidies only assist one low income consumer at a time.

Lobbying Congress

APCC has also worked to raise awareness in Congress

about the fact that USF subsidies for wireless phone service have had a detrimental impact on payphones, and the association is also working on ways to use congressional support to press the FCC to address the problem. In addition, APCC continues to work to ensure that favorable treatment of payphones is included in any USF legislation that moves through Congress this year.

APCC recognizes the critical importance of leveling the playing field for payphones when it comes to USF subsidies and will continue to push the issue with the FCC and Congress. ■

Dan Collins is corporate counsel for the APCC.