AT&T

Michael F. Del Casino
Regulatory Division Manager

Suite 1000
1120 20th Street, N.W.
Washington, DC 20036
202 457-2023
FAX 202 457-2165

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 9, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., Room TWB-204
Washington, D.C. 20554

Re: AT&T's Proposed Final Transition Plan for the Discontinuance of Payphone Coin Service

Dear Ms. Salas:

Set forth below is AT&T's proposed Final Transition Plan for the discontinuance of payphone coin long distance service. AT&T has made additional modifications to its proposal that address the issues raised by some commenting parties as well as to provide certain additions and clarifications highlighted by the Commission Staff in recent discussions. This document represents AT&T's third revision of its proposed transition plan. At the request of the Staff, AT&T will include all data previously submitted in support of its prior revisions so that the commission can review this proposal in a single package.

Throughout this process, AT&T has attempted to address concerns in a manner that balances the commenting parties' views with the stark financial reality that AT&T faces in maintaining this highly unprofitable service -- AT&T incurs approximately $77M annual net access costs solely to support this service and revenue that has been declining at +30% annually to a projected level below $10M this year for both inter- and intrastate calling.[1] Attachment 1 provides a breakdown of how AT&T calculated

[1] Significantly, none of the commenting incumbent LECs, the entities that charge and receive the revenues from those Feature Group C access trunks, has responded to AT&T's cost-sharing proposal or otherwise offered to share these financial burdens during any part of the transition phase by significantly reducing Feature Group C access rates. Indeed, those commenting ILEC's main concerns appeared to be aimed at delaying AT&T's ability to retire this obsolete and costly charging mechanism. .

the net Feature Group C access cost. This information is identical to that provided to the Commission in AT&T's EX Patre filed on September 25th. This document describes how AT&T proposes to adjust its transition plan in the two major areas addressed by Commission Staff and commenting parties: the implementation schedule and the proposed notice.

Implementation Schedule

AT&T's original transition plan was designed to remove Feature Group C trunking on a project basis in specific geographic areas because AT&T believes that a geographic/project-based approach is the most efficient manner to remove/convert Feature Group C trunking. By altering the transition plan from a geographic/project based trunk removal schedule to a usage-based trunk removal schedule (eliminating zero usage offices first), AT&T will be losing some of the efficiencies that were originally built into the process. Nevertheless, in order to be responsive to some of the concerns expressed by various commenters, AT&T is willing to revise its initial proposal and to implement the discontinuance in three stages that are based not on geography, but rather on usage. Attachments 2,3 and 4 detail the end offices involved in each phase of this transition plan. These are the same attachments that AT&T provided in its original transition plan filed as an Ex Parte on September 18th. They are included here again for completeness. The three phases are as follows:

Immediate Phase – Zero Usage Offices (over 8,500 offices)

- AT&T has identified over 8500 end offices from which AT&T received *zero* sent paid traffic for the first six months of 2001. AT&T requests the Commission to permit AT&T to begin taking those trunks down immediately upon receiving the necessary state approvals.[2] Regardless of when such approval is obtained, AT&T will not discontinue coin long distance calling from any dumb payphone during any phase of its transition plan until the recording notifying customers of that discontinuance has been available for at least 60 days. AT&T has provided a list of such offices for the public record, as Attachment 2.

Intermediate Phase – " Non-Significant Usage" Offices (over 8200 offices)

- Over 8200 offices have a minimal amount of coin calling -- on average less than 1 call per day per central office (which generally supports multiple payphones) for the three-month period ending June 30. AT&T requests permission to begin removing Feature Group C trunks from these offices beginning in January 2002, with a

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2 As previously noted, the same trunk arrangements are used to provide both interstate and intrastate calls. Consequently, AT&T must comply with the required state processes before it can proceed in any area.

goal of completing that phase of the project by the end of 1Q02. Notably, this phase would not even begin until more than 7 months after AT&T's initial application to the Commission.[3] A list of these offices has been provided as Attachment 3.

Final Phase – All Remaining Offices (approximately 1,600 offices)

- AT&T proposes to postpone the final phase, for the remaining 1600 offices, i.e., those that have more than one call per day per central office for the quarter ending June 30,[4] until the end of the transition plan. AT&T proposes to begin this phase of the schedule in April 2002 and end by June 2002. Notably again, this phase will not begin until almost one full year after the filing date of this application.[5] This extended timeframe should provide more than adequate time for PSPs to determine whether they wish to provide alternatives to AT&T coin long distance calling and to implement such plans. A list of these offices has been provided as Attachment 4. AT&T will provide information to individual PSPs on the total usage from specific offices and payphones on request.

Notice to Customers

A number of commenters also addressed AT&T's proposed notice plans. Below, AT&T fully sets forth its proposed notice plan, supplementing its prior filings with additional information, modifications and some clarifications.

- AT&T has proposed to play the current automated announcement regarding the cessation of coin calling for at least 60 days before such calling is terminated at any payphone during any phase of its transition plan. AT&T will continue to provide that sixty-day proposed recorded announcement for all payphones at each step of our implementation schedule.[6]

- In addition, to address concerns that AT&T's recorded announcement is only in English, AT&T proposes the following:

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3 Given the lead time required in the ordering process, AT&T must be able to begin issuing orders for trunk removal to ILECs in mid-November, for implementation in January.

4 AT&T initially proposed to include offices in this phase if it was requested to do so by the PSP and there were 3 payphones served by that central office with at least 10 calls per month. AT&T has simplified the proposal to include all offices for which AT&T received an average of one call per day per central office.

5 This would require the issuance of orders beginning in about mid-February 2002.

6 Given the manner in which such notice is implemented in AT&T's network, it is not possible to provide actual dates for the planned cessation of calling at any individual phone. Thus, the recorded announcement will inform customers that the cessation will occur "soon."

- First, AT&T will commit to provide PSPs with a sticker that explains that AT&T will no longer provide coin long distance service from that payphone but that calls can be made using other alternatives such as prepaid telephone cards, calling cards or other credit cards. Each sticker will provide that notice in both English and Spanish. AT&T will work with PSP's to provide selected other languages where requested by the PSP.[7] AT&T has the names and addresses of the affected PSPs and has information regarding the number of payphones deployed by each. AT&T plans to contact several payphone providers to obtain their views on the content and technical matters related to the provision of the stickers. AT&T will produce the stickers and provide an appropriate number (based on the number of payphones) to each payphone provider. The stickers will be accompanied by a letter describing the purpose of the sticker and contact information should any payphone provider require additional information. AT&T notes, however, that it does not control the PSPs' payphones and that the payphone owners must be responsible for affixing those stickers. Because the replacement of Feature Group C trunks will roll out over time and PSPs will be able to place these stickers on their payphones during regular coin collection/maintenance visits, this should not impose any significant costs on PSPs that choose to use such stickers.

- Second, beginning in the intermediate phase of the transition plan, AT&T proposes to replace our current automated announcement with an announcement that conveys AT&T's message in both English and Spanish. Because the lead-time necessary to record new messages for use in AT&T's OSPS switches is approximately 4-5 months, AT&T does not anticipate having this capability until some time after the intermediate phase begins. However, because the initial phase of the project involves payphones with *zero usage* for the first six months of 2001, the sticker provided to payphone owners should give possible occasional users sufficient notice.

- In addition, from the beginning of its implementation process, AT&T has been requesting the ILECs to provide a post-implementation announcement that will inform callers that AT&T

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7 AT&T commits to work with representative PSPs on the details relating to sticker wording, size and other technical requirements. AT&T is also willing to work with the Commission or interested parties regarding the wording of the sticker.

long distance coin calling is no longer available.[8] AT&T will continue to request that the LECs provide a post-implementation announcement regarding the withdrawal of coin calling from network-controlled payphones. There are a number of factors that determine how this will be accomplished and those factors vary by LEC. Because AT&T cannot control the implementation process adopted by any LEC, it works with each LEC to address the specific circumstances regarding its provision of a post-implementation announcement (Once the trunking has been removed, AT&T is no longer receiving those telephone calls made by the affected payphones and consequently cannot control the recorded announcement). In general, where an existing standardized announcement is available, AT&T requests that the LEC provide that announcement and AT&T will pay the applicable rate (if any). Where a customized announcement is necessary (this is generally the case for smaller LECs), AT&T will provide that announcement to the LEC and request that the LEC play that announcement. In such cases, AT&T will pay the applicable rate (if any). For circumstances where software or equipment limitations do not enable the LEC to provide the announcement without the addition of new software or equipment, AT&T will agree to pay reasonable costs to support the necessary additions. Since the circumstances will vary by LEC and central office, AT&T will address each situation on a case-by-case basis. AT&T will request that LECs make the post-implementation announcement available to customers for at least six months after AT&T long distance coin calling is discontinued. It should be noted that LECs generally continue to play requested announcements until AT&T requests that they be removed. In AT&T's initial discussions with BellSouth, Ameritech, Qwest, Alltel and Sprint, this has not generated any significant issues, in large part because the very limited amount of AT&T coin calling places little demand on ILEC capacity.

- Finally, Consumer Action has committed to distribute printed copies of the education fact sheet regarding prepaid cards via 6,000 community-based organizations nationally. This material will be available in English, Spanish and selected Asian languages. Once the fact sheet is printed and available, Consumer Action will issue a press release, mentioning AT&T as sponsor. A draft of the planned brochure is provided as Attachment5. In addition, AT&T Consumer Public Relations plans to issue an audio news release (ANR) that talks about some of the alternatives to coin long distance calling (prepaid phone cards, calling cards and collect). A draft of the proposed text of that ANR is provided as Attachment 6. We plan to

8 Once the service is no longer available, the ILEC is the only entity that can provide such a message, because 1+ dialed calls will not route to the AT&T network.

distribute this nationwide in both English and Spanish when we proceed with the project. AT&T makes audio releases available in a manner similar to press releases and formatted as a radio news story. AT&T plans to make this audio release available to hundreds of radio stations nationwide. The individual stations decide whether to utilize the recording and determine when and how often it will be provided. Previous "consumer tip" audio recordings have reached an average of a million listeners. Spanish language releases offered to less than 100 stations reached an average of over 30 million listeners. AT&T's current plan calls for this release in the mid-November to early December timeframe, close to the start of Phase-2 of the Transition Plan. This timing was selected because it will not overlap with the initial distribution of the Consumer Action release regarding pre-paid cards and not occur too close to the holidays.

In addition, AT&T will also provide additional customer information during the final phase of the Transition Plan. Specifically, AT&T will do an additional nationwide audio release and additional informational press releases in both English and Spanish. AT&T plans to target the press releases to the 5 states (CA, NY, NJ, IL and OH) that contain almost three quarters (73%) of the higher use payphones. These releases will be scheduled in the February to March timeframe, just prior to the start of Phase 3 implementation.

Identification of Areas with Payphones with "Significant" Coin Usage

As several payphone providers clarified in the joint meeting held at the Commission in July, there are only two methods to provide the functionality necessary to make long distance coin telephone calls from the affected payphones: either an entity must purchase Feature Group C access or the unregulated payphone owner must upgrade the dumb payphone to a smart payphone. As explained above, the first solution (continuing to purchase Feature Group C access service) is not a viable option given that the cost of Feature Group C access service from the ILEC grossly outstrips the revenues derived from that service today and coin revenues have been declining for several years at greater than 30% annually. The other alternative, upgrading to a smart payphone is not in AT&T's control because AT&T is not the payphone owner. AT&T made the assumption that owners of payphones having zero sent paid toll traffic for the past six months would not be inclined to upgrade those telephones.

Given that, AT&T created a transition plan designed to allow payphone owners who have payphones with a minimum level of usage to request additional time to either assume the expense associated with Feature Group C access or spend the monies necessary to deploy smart payphones at those locations. AT&T's August 10 proposal based its definition of "substantial usage" on several factors. As an initial matter, given the very limited -- and substantially declining -- usage of AT&T coin calling from "dumb" phones, AT&T had no reason to believe that there is an appreciable number of "pockets" of significant interstate coin calling from such phones. Moreover, the data referenced above shows that only a small percentage of end offices generates, on average, a total of one or more calls per day. Nevertheless, in order to accommodate the concerns of some commenters, AT&T has simplified its original plan further and is willing to defer the retirement of coin calling from "dumb" payphones if all of the "dumb" payphones in a central office *combined* delivered an average of 1 or more coin call per day (either interstate or intrastate) during the second quarter of this year.[9] This criterion was not based on the location of specific phones or other demographics, because AT&T does not know the specific location or users of any "dumb" payphones. Thus, it includes all areas where there is even this minimal amount of calling, regardless of the demographic profile of the area where the phones are located.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commissions rules.

Sincerely,

Attachments

cc: Jeff Carlisle
Diane Harmon
Chris Libertelli
John Minkoff

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9 Notably, none of the parties commenting on AT&T's initial plan proposed an alternative definition of "significant" coin usage.