STATEMENT OF
COMMISSIONER AJIT PAI

Re: *Petition of GCB Communications, Inc. d/b/a Pacific Communications and Lake Country Communications, Inc. for Declaratory Ruling*, WC Docket No. 11-141.

Incumbent local exchange carriers (ILECs) and intermediate carriers send long-distance calls from payphones to long-distance carriers, who then send these calls to their destinations. In doing so, ILECs and intermediate carriers pass along "automatic number identification"—the unique fingerprint of a call, so to speak—including coding digits. When someone places a call from a payphone, coding digits help identify that call as having been placed specifically from a payphone. The question underlying today's order is a bit technical and somewhat arcane: If a long distance call is made from a payphone, is the long-distance carrier that completes the call responsible for compensating a payphone service provider if the ILEC or intermediate carrier fails to deliver the appropriate coding digits? Our precedent says yes, as ably laid out in today's order and the Wireline Competition Bureau's declaratory ruling. I agree, and am thus voting to approve this item.

Looming on the horizon is another question: Does this identification-and-compensation scheme make sense anymore? Common sense says no, for at least two reasons. *First*, the requirement to transmit coding digits along with other automatic number identification is premised on the continued dominance of the public switched telephone network and the continued use of Signaling System No. 7 to set up calls over that network. But the number of access lines is steadily declining. And the network of the future—indeed, the network of today for many providers—is based on the Internet Protocol (IP), which frees providers from the less efficient signaling mechanisms of the past. As telephone operators transition their networks from time-division multiplexing to IP, the coding digit requirement is going to become increasingly burdensome and, many surmise, increasingly unlikely to work.

Second, the communications marketplace has changed dramatically since the Commission adopted the coding-digit requirement seventeen years ago. Back then, incumbents dominated local markets and could reasonably expect to recoup from their customers the cost of upgrading and maintaining the equipment needed to comply with this requirement. Now, incumbents face competition on all fronts and are mere middle-men in the transaction between completing carriers and payphone service providers, which renders outdated the one-sided, payphone-related regulatory burdens they face. Similarly, back then, most consumers had long-term relationships with their long-distance carriers, so if the coding digits did not transmit correctly, a carrier could bill its customer later for payphone use today.[1] Now, consumers increasingly use automatically decremented prepaid calling cards to make long-distance calls, so if the coding digits aren't transmitted correctly, the provider *cannot* bill the customer for using a payphone—it's now or never, as it were.

For these reasons, I hope we will soon consider revising our payphone compensation rules. Ensuring that payphone service providers are compensated for each and every completed call is not just fair, it is the law.[2] To stay true to that command, we must accept that the IP transition is underway and adapt our rules to the realities of the modern marketplace.

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[1] *Cf.* J. Wellington Wimpy, *Thimble Theatre* (Mar. 20, 1932) ("I'll gladly pay you Tuesday for a hamburger today.").

[2] *See* 47 U.S.C. § 276(b)(1)(A).