

**STATEMENT OF
CHAIRMAN AJIT PAI**

Re: *Modernization of Payphone Compensation Rules*, WC Docket No. 17-141; *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128; *2016 Biennial Review of Telecommunications Regulations*, WC Docket No. 16-132.

In Maroon 5's 2012 chart-topper "Payphone," Adam Levine sang "I'm at a payphone trying to call home. All of my change I spent on you." But those lyrics become more anachronistic with each passing year. As mobile connectivity explodes, the number of payphones in the United States has dropped precipitously, from a peak of 2,121,526 in 1999 to 99,832 at the end of 2016. That's a decrease of over 95%.

In light of these developments, we are beginning a rulemaking to consider whether certain payphone audit requirements have outlived their usefulness. You see, notwithstanding the Maroon 5 song, payphone owners often aren't compensated by a caller inserting change into a phone. Instead, when callers use coinless access codes (such as calling cards) or make toll-free calls from a payphone, it is often the companies that carry those calls, or "completing carriers," that compensate payphone owners.

The FCC currently requires audits of completing carriers to make sure such payments owed to payphone owners are accurate. But we've heard that compliance with these rules now costs carriers a large fraction of, if not more than, the total compensation the audits are meant to verify. For example, in at least one case, a completing carrier that conducted such an audit spent *five times* more than the total compensation it owed to payphone owners. On top of all that, there haven't been any complaints about insufficient payphone compensation in years.

If ever a situation called for examining whether a regulation was outdated—whether the marketplace had changed, whether the costs outweighed the benefits—this is it. We'll figure out if these audits are net beneficial. And if they aren't, we'll clear them off the books.

I'd like to thank the staff who contributed to this item, including Michele Berlove, Madeleine Findley, Dan Kahn, Doug Klein, Rick Mallen, Kris Monteith, Eric Ralph, and Terri Natoli. As we proceed with our efforts to modernize the Commission's rules to match today's marketplace, we will continue to rely on your expertise.