

REQUEST TO ESTABLISH DOCKET

(PLEASE TYPE)

Date February 27, 1996

Docket No. 96-0254 -71

- 1. Division Name/Staff Name Communications/Strong
- 2. CSE Sally Simmons EML
- 3. CSE Strong, Brew Jim Strong, Steve Brown, Sky Lygo, Alan Taylor, Tom Williams, Mike Lester
- 4. Suggested Docket Title Establishment of Appropriate Regulatory Policy for ~~the~~ Companies Which Issue Prepaid Debit Cards

5. Suggested Docket Calling List (attach separate sheet if necessary)

- A. Provide NAMES ONLY for regulated companies or AGENCIES ONLY regulated industries, as shown in Rule 25-22.104, F.A.C.
- B. Provide COMPLETE name and address for all others. (Attach representative to clients.)

1. Parties and their representatives (if any)

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Interested Persons and their representatives (if any)

*Ti*

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
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6. Check one:
- Documentation is attached.
  - Documentation will be provided with the recommendation.

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

MEMORANDUM

March 7, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (SIDONS, TAYLOR, STRONG, *SAS*, *ST*, *JS*)  
DIVISION OF LEGAL SERVICES (LUGO) *R*  
DIVISION OF ACCOUNTING AND FINANCE (LESTER) *PL* *ALM* *APC*

RE: DOCKET NO. ~~960254~~ - ESTABLISHMENT OF  
APPROPRIATE REGULATORY POLICY FOR  
INTEREXCHANGE COMPANIES WHICH ISSUE PREPAID  
DEBIT CARDS. *mt*

AGENDA: MARCH 19, 1996 - REGULAR AGENDA - INTERESTED PERSONS MAY  
PARTICIPATE - PROPOSED AGENCY ACTION.

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CSU\WP\960254TI.RCM

CASE BACKGROUND

Despite their great popularity and availability in Europe for more than 15 years, until only a few years ago the words "telephone prepaid debit cards" (PDCs) were largely unknown in the United States. Such a telecommunications product simply did not exist in our country until about 1991. With a PDC, a caller can purchase a block of time in advance and be able to place calls from virtually any telephone in any state. Such an arrangement can be attractive to those individuals who do not subscribe to basic telephone service or those individuals who are very mobile, yet not candidates for a mobile phone. Prices for PDCs have been falling rapidly, although the per minute rate is usually significantly higher than would apply on a calling credit card. PDCs, however, have an advantage over calling credit cards in that no surcharges apply. In addition, with many PDCs, the user may purchase additional time once the initial allotment is exhausted. The additional purchase can be made with a simple telephone transaction and a credit card.

DOCUMENT NUMBER-DATE

02027 MAR-78

FPSC-RECORDS/REPORTING

DOCKET NO. 960254TI  
DATE: March 7, 1996

#### **PROVIDERS OF PREPAID DEBIT CARDS**

Of the roughly 400 certificated interexchange carriers operating in Florida, 84 of these companies have tariffed PDC services. Of these 84 companies, 13 firms offer solely PDC services. The companies that offer PDCs typically rely on the facilities of an underlying carrier, rather than their own network, in order to complete calls.

PDCs may be distributed directly by the initial issuer or through one or more intermediaries. The latter approach is by far the more frequently used method. One method of distribution is the card issuer selling the cards to a reseller at a reduced rate. Hypothetically, a PDC selling for \$20 would be sold to the reseller for \$15. The reseller would then sell the cards for \$20 as marked on the cards and keep the \$5 difference as commission for selling the cards. This type of resale of PDCs does not place the reseller in a position of being considered a telephone company under Chapter 364.02 Definitions, Florida Statutes, since the company is not offering two-way telecommunications service to the public for hire by the use of a telecommunications facility. Furthermore, the service is provided by a certificated underlying carrier whose relationship is with the end user if service problems exist. Therefore, certification is not required. Examples of this type of reseller would be drug stores, convenience stores, department stores, and others. These companies are often able to place their own advertisements on the cards at no charge. In many cases, the cards are given away to end users to entice the end user to use the company's products or services. Staff does not have any estimates of the percentage of cards that are sold versus given away.

#### **INTERCOMPANY BILLING AND PAYMENT ARRANGEMENTS**

When a PDC provider relies on the facilities of an underlying carrier, the former compensates the latter on a minutes of use basis. The PDC provider purchases 800 number access from a long distance carrier, encodes the debit card with a personal identification number (PIN), and sells the PDC at a higher per minute rate than is being charged by the underlying carrier. The end user then dials the 800 number listed on the card, inputs the PIN number, enters the telephone number of the party being called, and completes the call. The minutes of use are drawn down based on the PIN number of the account by the underlying carrier, and the reseller is billed for the minutes of use. There is considerable potential for fraud because it is possible to issue cards with an 800 number that does not work at all or that draw down time for unanswered calls and busy signals.