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Matilda Sanders

From:	terry.scobie@verizon.com
Sent:	Friday, September 15, 2006 2:16 PM
To:	Filings@psc.state.fl.us
Cc:	Samantha Cibula; de.oroark@verizon.com; David Christian; frank.app@verizon.com; joan.gage@verizon.com
Subject:	Docket No. 060476-TL - Comments of Verizon Florida Inc.
Attachments:	060476 VZ FL Payphone Comments 91506.pdf

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The attached filing is submitted in Docket No. 060476-TL on behalf of Verizon Florida Inc. by

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The attached .pdf document contains 6 pages - transmittal letter (1 page), certificate of service (1 page), Comments (4 pages).

(See attached file: 060476 VZ FL Payphone Comments 91506.pdf)

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September 15, 2006

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 060476-TL
Petition to initiate rulemaking to amend Rule 25-24.630(1) and Rule 25-24.516(1), F.A.C., by BellSouth Telecommunications, Inc.

Dear Ms. Bayo:

Enclosed for filing in the above matter are the Comments of Verizon Florida Inc. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at 770-284-5498.

Sincerely,

s/ Dulaney L. O'Roark III

Dulaney L. O'Roark III

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Enclosures

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing were sent via U.S. mail on September 15, 2006 to:

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

BellSouth Telecommunications, Inc.
James Meza, III
Manuel A. Gurdian
c/o Nancy Sims
150 South Monroe Street, Suite 400
Tallahassee, FL 32301

s/ Dulaney L. O'Roark III

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to initiate rulemaking to amend Rule 25-24.630(1) and Rule 25-24.516(1), F.A.C., by BellSouth Telecommunications, Inc.	)	Docket No. 060476-TL Filed: September 15, 2006

COMMENTS OF VERIZON FLORIDA INC.

Verizon Florida Inc. ("Verizon") generally supports the request of BellSouth Telecommunications, Inc. ("BellSouth") to amend Rules 25-24.603(1) and 25-24.516(1).[1] These rules fail to take into account the competition that now exists in the operator service and payphone markets, undermine competitors' ability to develop better services and features, lead to unintended consequences, and are at odds with the approach taken in most other states. In response to Staff's request at the September 1, 2006 workshop in this docket, Verizon submits the following comments in support of the proposed amendments.

A. Changes in the Market

Verizon's payphone business has experienced a significant decline in both payphone lines as well as revenues. Since December 2001, Verizon's lines and revenues have declined significantly. Restrictions on revenue opportunities that result from mandated rate caps give Payphone Service Providers ("PSPs") like Verizon an incentive to evaluate frequently the overall profitability of their payphone business. As the profitability of the business continues to fall, the number of payphones available for making calls will continue to decline.

Competition also has had a significant impact on the landline operator service market, where call volumes are down and continue to fall. Verizon's current estimates

[1] Verizon submits, however, that the rate caps should be kept for prison payphone service.

of call volume show a year-over-year decline. This decline is attributable to the availability of intermodal competitors for operator services. Payphone customers are not captive to a presubscribed provider, but can use wireless services, prepaid calling cards, dial-around services such as 1-800-COLLECT and other alternatives. With this proliferation of services, consumers have many options for completing calls from payphones, giving operator service providers many sources of competition. Verizon's experience demonstrates that consumers have found these competitive alternatives and are using them.

The prevalence of intermodal technologies leads to the conclusion that network investment and innovation should be driven by the competitive market place and should not be constrained by out-of-date regulation. The current rules limit providers' ability to set market-based rates and inhibit competition based on pricing, quality, and service capabilities.

B. Impact of Rate Caps on the Marketplace

Operator and payphone competition will not necessarily drive all payphone prices below the current price caps because, in some cases, fair market prices for premium services may be higher than the caps. Competitors vie for customers not only based on price, but also based on services and features that differentiate their products. Developing better services and features requires research and development, the cost of which is reflected in market pricing for premium products. The "one-price fits all" approach that rate caps impose thus impedes product development and hinders the ability of PSPs to compete with the many call completion alternatives.

Customers can choose between different levels of service with the information they need to make intelligent choices. Notice to customers concerning rates for payphone operator assisted calls is required under state and federal law. *See* Florida Rule 25-24.630(2) (provider of payphone operator service must provide rate information upon request prior to connection); 47 C.F.R. § 64.703 (a)(3)(requiring operator service providers to disclose rates upon request). Customers thus are able to make informed decisions about the rates they pay.

C. Unintended Impact of Caps on Rate Structure

The majority of calls originated from payphones are local coin calls, which were deregulated by the FCC in the Telecommunications Act of 1996. As already noted, declining revenues have lead to a decreased number of payphones. Rate caps further restrict revenues, which can lead PSPs to cut the number or payphones, or, alternatively, lead them to raise rates for unregulated local coin calls, which affects all payphone users. The caps thus can lead to pricing distortions that are undesirable.

D. Rate Caps in Other Jurisdictions

Verizon's research reveals that twenty-two states do not have rate caps for operator services. Of the twenty-eight states that do have caps, eighteen use the tariffed rate of either the dominant LEC or IXC as a rate benchmark. Thus, most states either have no rate cap or control rates through a LEC or IXC tariff rather than through a rate mandated by the PSC. Of the nine states other than Florida with commission-imposed rate caps, eight have operator service charges higher then Florida's, and all nine have intraLATA per-minute rates for operator assisted calls in excess of the Florida cap.

E. Conclusion

For the foregoing reasons, Verizon supports BellSouth's Petition and urges the Commission to eliminate the rate caps in Rules 25-24.630(1) and 25-24.516(1), except with respect to prison payphone services. In the highly competitive operator services and payphone services markets, the current rate caps should be eliminated. In the alternative, the Commission should increase the caps sufficiently to allow for a more competitive environment for these service offerings.

Respectfully submitted on September 15, 2006.

By: s/ Dulaney L. O'Roark III

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