

CALLS MADE FROM PAYPHONES

Background on Payphone Calls – Regulation and Deregulation

Coin rates for all local calls made from payphones are not subject to Federal Communications Commission (FCC) regulation. Prior to 1996, most payphones were provided by local telephone companies and paid for by monies they received from consumers for other types of services. States regulated the coin rate for a local call. The resulting artificially low prices tended to discourage new companies from entering the payphone market and also limited the number of payphones available for the public.

In 1996, in order to encourage competition and the greater availability of payphones, Congress required that payphones no longer be regulated. The FCC determined that deregulating local coin rates and allowing the marketplace to set the price of local payphone calls was an essential step needed to achieve the goals set by Congress.

Deregulation allowed payphone service providers (PSPs) to receive fair compensation for their services and encouraged the widespread placement of payphones. The FCC also anticipated that deregulation would provide Americans with greater access to emergency and public safety services. States may choose to place public interest payphones in areas where payphones are necessary for health and safety reasons.

Numerous states continue to regulate the rates for local collect calls. Check with your state public utility commission or local phone company for rates in your area.

Emergency and Toll-Free Calls

Calls made to emergency numbers, such as 911, and local calls to Telecommunications Relay Services (TRS) -- a service that enables calls to persons who are deaf, hard of hearing or speech disabled -- are free of charge at payphones. You can also continue to reach an operator without depositing a coin.

Toll-free calls, including calls billed to calling cards or credit cards, also do not require a coin. The Communications Act, however, requires the FCC to establish a per-call compensation plan to ensure that all PSPs are fairly compensated for every completed intrastate and interstate call using their payphones -- except for emergency calls. The 800 number subscriber, calling card service or credit card company generally pays this compensation, but this amount may be reflected in the user charges of the 800 number subscriber, calling card service or credit card company.

How PSPs Are Compensated

FCC rules currently require that long distance telephone companies pay phone service providers 24 cents for each call they receive from payphones, except those calls for which the PSPs already collect compensation under a contract. The 24 cents per-call compensation rate is a default rate that can be reduced or increased at any time through an



agreement between the long distance company and the PSP. The FCC encourages long distance companies and PSPs to contract with each other for more economically efficient compensation rates.

Some long distance companies are advising consumers that the FCC decided that consumers making calls from payphones should pay a per-call charge to compensate the PSP. **The FCC did not make such a decision.** Long distance companies have significant leeway on how to compensate PSPs. The FCC left it to each long distance company to determine how it will recover the cost of compensating PSPs.

Tips for Consumers

- If you think that the rate for placing a call from a payphone is too high, a less expensive payphone could be around the corner. Also let that PSP know that the rates are too high. It is in a PSP's best interest to meet the needs of its customers. The PSP's number should be on the pay phone.
- Contact your preferred long distance company and ask for instructions on how to place a call through that company from a payphone. Also ask what its rates or charges are for calls placed from payphones. Let the company know if you believe its rates are too high.
- If the PSP is not responsive and FCC rules have been violated, please contact the Consumer and Governmental Affairs Bureau in writing at: Federal Communications Commission, Consumer Inquiries and Complaints Division, 445 12th Street, SW, Washington, DC 20554.

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