

**REPORT OF THE
STATE CORPORATION COMMISSION
ON THE STUDY OF**

**The Feasibility of
Installing Pay Telephones
in Certain Areas**

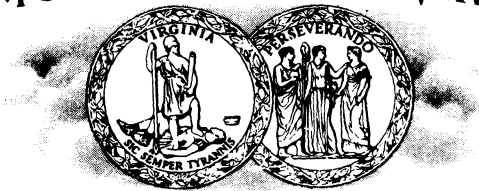
**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 7

**COMMONWEALTH OF VIRGINIA
RICHMOND
1987**

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION

November 25, 1986

TO: The Honorable Gerald L. Baliles
Governor of Virginia

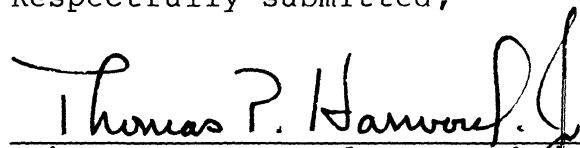
and


The General Assembly of Virginia

The report contained herein is pursuant to Senate Joint Resolution No. 45 of the 1986 Session of the General Assembly of Virginia.

This report constitutes the response by the State Corporation Commission to the directive to study the feasibility of and responsibility for installing pay telephones in certain areas where competition and deregulation of such telephones may cause regulated telephone companies to remove those sets which are unprofitable.

Respectfully submitted,


Thomas P. Harwood, Jr., Chairman


Elizabeth B. Lacy, Commissioner


Preston C. Shannon, Commissioner

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**SENATE JOINT RESOLUTION NO. 45
AMENDMENT IN THE NATURE OF A SUBSTITUTE**

Requesting the State Corporation Commission to study the feasibility of installing pay telephones in certain areas.

WHEREAS, in recent years the telecommunications industry has shifted from a traditionally regulated monopolistic structure to an increasingly competitive market; and

WHEREAS, one indication of the increased competition is the Federal Communication Commission's decision in 1984 to deregulate pay telephone service which had previously been monopolized by telephone companies so that anyone can purchase, install or sell pay telephones; and

WHEREAS, such competition may cause telephone companies to remove pay telephones from areas where they are no longer profitable; and

WHEREAS, the quality and availability of telephone service even in the remotest of areas needs to be maintained as the removal of pay telephones from certain areas would inconvenience and possibly jeopardize the safety of Virginia citizens; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the State Corporation Commission is requested to study the feasibility of installing pay telephones in certain areas in which telephone service is crucial to the public's safety and convenience and who should be responsible and have oversight of them.

The Commission shall report the results of this study, together with any legislative recommendations, to the Governor and the General Assembly on or before December 31, 1986.

DEFINITIONS

Public Telephone Service --

Coin and coinless telephones provided by telephone companies for use by the general public. Installation and removal of such service is at the company's option.

Semipublic Telephone Service --

Coin telephones provided by telephone companies for a combination of customer and public use at locations which are generally public in nature. This service is furnished upon customer request at the telephone company's tariffed rate.

Customer Provided Coin Operated Telephones (COCOTs) --

Coin operated telephones installed and operated by customers pursuant to telephone company tariffs, State Corporation Commission directives, and Federal Communications Commission rules. The locations of COCOTs are at the option of customers.

STATE CORPORATION COMMISSION REPORT

Introduction

Senate Joint Resolution No. 45, adopted during the 1986 General Assembly Session, requested the State Corporation Commission (SCC) to study the feasibility of installing pay telephones in certain areas where telephone service is crucial to the public's safety and convenience, and the oversight thereof. The Commission appointed a task force to study the issue and collect data concerning the present status of coin telephone service in Virginia.

Background

Historically coin telephone service was a fully regulated monopoly service provided by telephone companies under the jurisdiction of the State Corporation Commission. The companies provided both public and semipublic services as defined herein.

By providing these services in such a manner, telephone companies have placed coin telephones in locations where revenues were good, average, and occasionally poor. As a general rule, coin telephones were removed where revenues were deficient. Importantly, exceptions were made where such installations were important to the public safety. Small airports and lonely stretches of highway are examples of where this has occurred. The overall revenue stream from coin service was thereby steady and the business generally profitable, although it was necessary to increase charges twice over the last dozen years.

Coin telephones provided by telephone companies are linked to the network via a special central office line called a "coin trunk." This enables the companies to control the operation of their coin telephones from central switching offices.

On June 25, 1984, the Federal Communications Commission (FCC) released a Memorandum Opinion and Order allowing the registration of coin telephones.¹ This document (1) provided for FCC

¹ In the Matters of Registration of Coin Operated Telephones under Part 68 of the Commission's Rules and Regulations, et. al., CC FCC 84-270 34994 (Memorandum Opinion and Order, Adopted June 15, 1984, Released June 25, 1984).

registration of coin telephones containing circuitry necessary to execute all coin related functions normally associated with coin telephone service, and that such telephones be attached to regular telephone company lines instead of central switching office coin trunks; (2) established certain requirements that customer provided coin telephones must meet to be registered; and (3) permitted individual states to establish guidelines or rules for the connection of customer provided coin operated telephones (COCOTs).

The SCC undertook an Investigation of Customer Provided Pay Telephones on February 28, 1985 (Case No. PUC850008). A list of issues concerning the offering of COCOT service were outlined in the Order, and interested parties were invited to submit comments.

In connection with the SCC's investigation of COCOTs, the 1985 Session of the General Assembly added Virginia Code Section 56-241.2, which relates to approval of rates for the resale of telephone service. This legislation provided for coin service not furnished by the telephone company to be based on number of calls.

As a result of this legislation, comments received in Case No. PUC850008, and a staff investigation, the Commission developed guidelines for COCOT connection and use. These guidelines, shown below, were given to all Virginia telephone companies to use in developing appropriate terms, conditions, and rates for the accommodation of customer-owned coin telephones. The companies were not, however, required by the SCC to file COCOT tariffs, since the service was not required by either the FCC or Virginia law. Nevertheless, the major telephone companies filed tariffs for COCOTs service, which effectively puts coin telephones in the competitive market.

SCC GUIDELINES FOR CUSTOMER OWNED COIN OPERATED TELEPHONES

1. COCOT service will be provided only through FCC registered telephone instruments.
2. COCOTs must be equipped to receive incoming calls.
3. All providers of coin operated telephones must notify the local exchange carrier and provide the FCC registration number of each instrument to be connected.
4. Where message rate service is available, the LEC (local exchange carrier, i.e., the local telephone company) may furnish COCOT access lines on a message rate basis at the same monthly rate and per message rate offered to business customers in that location. Where message rate service is not offered, access lines for COCOT shall be furnished at a monthly rate not to exceed the rate for flat business trunk service furnished to business customers. Where timed/measured service is offered on an optional basis, the COCOT providers may elect to subscribe to the measured service rather than message rate service or flat rate service.
5. The COCOT provider is liable for the payment of all charges of the telephone company and interexchange carriers.
6. COCOT providers must furnish local directory number information; however, any charges for such service shall not exceed the provider's local coin rate.
7. COCOTs must be equipped for dial tone first and coinless calling to 911 and to the operator.
8. COCOTs must return deposited coins on incompletd calls.
9. The COCOT provider may apply a surcharge over the applicable tariffed rate for long distance calls provided the application of a surcharge is clearly posted (for example, AT&T +10% or MCI +5%).
10. COCOTs must be hearing aid compatible and installed in a manner to accommodate disabled persons.
11. The maximum rate for local calls may not exceed the rate approved for the local telephone company.

12. COCOT providers must post: clear operating instructions, specific address and phone number of the instrument, ownership of the instrument, and procedures for repair, refunds, and billing disputes.
13. COCOTs must accept any combination of nickels, dimes, and quarters for local and long distance calling charges.
14. COCOTs are not restricted as to location.
15. In those cases where COCOTs have been connected but not reported, the COCOT subscriber will reimburse the telephone company for all charges which would have applied had the correct procedures been followed, including in areas where message rate service is offered, 3 months of business message service at a presumed usage of 900 calls per month. If the improper connection discovery is within 3 months of the date of this order, the billing shall only be for the amount of time between the date of this order and the date of discovery. Where message rate service is not offered, the COCOT shall be billed retroactively at the rate of 1.5 times the business flat rate.

Discussion

With the exception of one small telephone cooperative, all telephone companies in Virginia provide public telephones at various locations. As of July 1, 1986, there was a total of 33,494 such services being provided by the various companies as shown in the summary below. The C&P Telephone Company has the greatest number of public telephones because it serves the most customers and the most densely populated areas of the state.

The number of semi-public services which the telephone companies provide to customers totaled 7,291 as of mid-1986. The summary shows that the five small companies do not have a tariff (rate) on file with the Commission for semi-public service. The reason is that there is no demand for the service in these mostly rural areas. Each company indicates that it would file a tariff and provide the service upon customer request.

There were approximately 820 COCOTs in service as of October 24, 1986, as the summary shows. Again, the companies without COCOT tariffs have no requests for the service, but will file appropriate rates, terms, and conditions with the Commission if customers want the service. Companies with tariffs on file would be required to install a COCOT line at approved rates and charges wherever a customer might choose.

The Commission's staff met with the larger telephone companies (Central, C&P, Continental, and United) to review coin telephone policies and coverage. Together, these companies serve about 96 percent of the telephone customers in Virginia and cover 83 percent of the land area.

These companies review the placement of public telephones constantly. Information and data on usage, maintenance costs, vandalism, revenues, and public safety and convenience are all considered in the installation and removal process. For instance, if the removal of an unprofitable telephone could jeopardize public safety, company management might decide to maintain the installation at a loss. Finally, the companies assured the Commission that there are no plans to remove all marginal public telephones in the wake of competition.

The Virginia Municipal League and the Association of Counties were contacted by letter and asked to inform the Commission (1) of any situation where the safety of Virginia citizens may be in jeopardy as a result of the removal of a coin telephone by a regulated utility or (2) if there are any areas where a coin telephone should be located for public safety but has not been installed. No comments were received from these associations.

The Virginia State Police are also unaware of any particular problems associated with the telephone companies' policies or placement of coin telephones. They are considering the installation of special after-hours emergency use telephones at police locations which are not manned at all times. These telephones would not require a coin and would be for emergencies only.

Only one complaint concerning the removal of public telephones has been registered with the Commission during the past five years. The Commission records and closely monitors all types of customer complaints.

COIN TELEPHONE SUMMARY

Telephone Company	COCOT Tariff Effective	Total # Of Customers Served	Sq. Mi. Served In Va.	Number of Public Telephones	Number of Semipublic Telephones	Approx. No. of COCOTs
1. Amelia Tel. Corp.	Oct. 20, 1985	2,713	295	17	0 (Tariff)	0
2. Buggs Island Tel. Coop.	None	1,847	182	23	1	--
3. Burke's Garden Tel. Co.	None	112	55	1	No Tariff	--
4. Central Tel. Co. of Va.	Oct. 1, 1985	180,806	5,184	1,669	330	26
5. Citizens Tel. Coop.	Sept. 1, 1986	4,347	399	10	2	1
6. Clifton Forge-Wynsbr. Tel.Co.	Oct. 8, 1985	24,112	555	205	52	0
7. Continental Tel. Co.	Oct. 13, 1985	271,410	10,495	2,710	413	98
8. C&P Tel. Co. of Va.	Aug. 3, 1985	1,967,545	15,102	27,635	6,284	695
9. Gen. Tel. Co. of the South	Aug. 19, 1985	24,775	1,003	221	18	0
10. Highland Tel. Co.	None	952	620	8	No Tariff	--
11. Mtn. Grove-Williamsville	None	1,124	1,250	9	No Tariff	--
12. New Hope Tel. Co.	None	634	20	0	No Tariff	--
13. North River Tel. Coop.	None	670	260	4	No Tariff	--
14. Pembroke Tel. Coop.	None	1,415	360	6	3	--
15. Peoples Mut. Tel. Co.	None	5,711	350	32	2	--
16. Roanoke & Botetourt Tel. Co.	Nov. 22, 1985	5,932	528	56	12	0
17. Scott Co. Tel. Coop., Inc.	None	4,590	429	8	18	--
18. Shenandoah Tel. Co.	Aug. 15, 1986	13,858	588	121	56	0
19. United Inter-Mnt. Tel. Co.	Aug. 23, 1985	70,246	2,845	728	100	0
20. Virginia Hot Springs Tel. Co.	None	1,527	150	31	0 (Tariff)	--
TOTAL		2,584,326	40,670	33,494	7,291	820

NOTES:

The data in columns one through five was current as of July 1, 1986.
The data in column six (COCOTs) was current as of October 24, 1986.

Conclusion

Based on our experience, it appears that the public's requirements for coin telephone service are being met. If additional locations were to be identified wherein public telephones should be installed for public safety and convenience, a policy decision must be made as to who should pay for these telephones and maintain them.

The General Assembly has determined that competition in coin phones should exist. In the resulting competitive environment, should the regulated telephone companies be required to install public phones at predetermined locations or should the locality be expected to provide these telephones at public expense?

We believe telephone companies will continue to meet reasonable demands for such installations in the future. If, however, a locality should require installations which are deemed to be impractical or financially imprudent the locality should install and maintain such phones.

The Commission will continue to closely monitor pay telephone services and make appropriate recommendations to the General Assembly if changing conditions require legislative actions.

