P. O. Box 3763
Kent, Wa 98032
March 20, 1991

Washington State Utilities &
Transportation Committee
1300 So Evergreen Park Drive S.W.
Olympia Wa 98504-8002

Attn: Mr. Paul Curl
Secretary

RECEIVED '91 MAR 21 A9:04 STATE OF WASH UTIL. & TRANSP. COMMISSION

SUBJECT, PROPOSED RULE CHANGES REV JAN 15, 1991, DOCKET UT-900726

Dear Sir,

Patricia's Enterprise is a private unincorperated company which was established in late 1985 by myself and my wife Patricia. I am a disabled Veteran of WWI and Korea, 69 years of age retired from Boeing in mid 1985 after an extensive medical leave of absence for life threatening medical problems which affects my ability to function normally and makes me uninsurable. I am a long time resident of this state having settled here in 1955. I have raised two children in this state who have been educated and received higher level degrees at the University of Washington and other higher level educational institutions in this state. Both are married and have children of their own. Like myself they have both been a credit to this society and contribute generously of their time and finances for the benefit of city, state and local communities. My son has also served a four year hitch in the US Navy during the Viet Nam War.

When it became apperent that I would not be able to return to my former position with Boeing, and that I was uninsurable

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my wife and I cost about for a means to supplement our retirement income which had been significantly reduced due to early medical retirement. Extremley important to us was the need to find a means to provide security to Patricia and my now nine year old daughter in the event of an untimely death, which would supplement their income until my daught became emancipated and also, if necessary, kelp to pay for nursing home care if it came to that. Whatever business we became involued with would have to be something I could handle within the scope of my health limitations with the aid of Patricia, and something that Patricia could handle with minimal outside help in the event of my early demise.

At the time we were faced with these decesions it was about the time that divesture of the "Ma Bell" industry was in full swing. The Public Payphone Business appeared to be a promising opportunity to fullfil our requirements: The work was not heavy; and it's operation could be accomodated on a schedule flexable enough to fit with my medical needs.

The next major hurdle then was finances. Life insurance was unavailable to me. Therefore, I had a choice: I could either plan to place my limited funds received from retirement into a saving's account, or invest those funds in Government bonds or equivelant. But none of these alternatives would provide the financial supplement we needed nor be sufficent to provide reasonable economic security to my wife and child.

The initial investment in paytelephones for one or two

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stations was quite small and despite the fact that we were completly ignorant in this field we thought it might be worth trying particularly in view of the support we were promised by some associates already involved in the industry. So in 1986 (Dec) we purchased and had installed our first phone followed a year later by a second.

The first 2-3 years were difficult. We were used, swindled and cheated by associates, colleagues and frinds who had promised to help. Eventually, however, these people were caught up in their own devices which therby forced us to look else where for whatever assistence we required.

By the end of 1988 things began to look much better and we had written off several thousand dollars of losses and bad debts in accounts receivable. By the end of 1989 we were showing a profit and felt much more confident.

We then decided that the payphone business had something to offer and decided to go forword with expanding the business targeting to operate 50 paytelephones within 3-5 years which we felt would be the maximun number we could handle with some outside help.

In 1990 we expanded into a 13 phone business and were continuing to build up when we first became aware thru N.W. Payphone Assn. of the revesion to the present regulations and

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the proposed ground rules being prepared by the Public Utilities Commission.

Upon reviewing the initial proposed ground rules and evaluating the economic impact of those proposed ground rules particularly the proposed $0.25 cap on surcharges we were devestated. It was apparent that if these were adopted as substantially written it would be acrippling financial blow to us. The very thing we had tried to avoid by "going slow"! Not only did we stand to loose everything we invested but we would be forced into continuing an operation loosing money every year until our contracts with site owners expired (two of these contracts had a term of 10 years, and the balance had mostly been rewritten and renewed for 5 years during the course of 1990).

It was then that I can contacted Governor Gardner's office, Senator Lee of the 33rd Congressional District and the Small Business Bureau in an effort to obtain some help.

Since then I have also submited several letters to the commission expressing my concerns and appeared it several of the public hearings regarding the porposed rules.

We were particularly pleased when the Commission decieded to "notice" the porposed rules in ;the mid December 1990 public hearing feeling that with the diologue between legal representatives of the NW Payphone Assn and other business

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colleagues with the Commission whcih had transpired during the last quarter of 1990 some positive action would be taken by the Ckommission which would improve the plight of the industry or a least maintain this at a status quo. This feeling was re-enforced as a result of a subsequent business meeting with your staff at which time I opened our company books and at whcih time we discussed the issues and I made available detailed records of revenues and expenses relating to our telephone business which I believe were used to a great extent in preparing the Small Business Impact Statement which appeared in the January 1991 revision to the proposed rule changes.

After reviewing the January 1991 revision of the proposed rule changes I am still very concerned about the adoption of these rules a s contemplated by Wa State PUC due to the very significant financial impact they will have upon the private payphone industry. Particularly traumatic is the intent to place a twenty-five cent ceiling on all surcharges, and the requirement to provide equal access (the interconnect) to any user to the Long Distance Carrier of their choice at the private payphone operator's expense. As indicated in my previous letters and comments to the commission and staff the ceiling of $0.25 on sucharges alone would result in a reduction in revenue exceeding 25% and would automatically force the private payphone industry into a position where they would be operating in the "RED". This coupled to the cost of other changes propose would be devastating on all private payphone operators

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particularly those small owners/operators who are not large enough to employ full time staff and depend on subcontractors for complex technical repairs and installations and other professionals for special or unique services associated with regulatory issues, legal or financial.

If the proposed ground rules are implemented with the twenty-five cent ceiling payphone operators would be forced to continue to operate their business in the red until all contracts with site owner expired unless they could buy off the site owners. Nor could most payphone operators salvage any part of their investment by selling the business at this time since it is obviously a loosing proposition.

The effect of the proposed rules would, therefore, not only destroy the economic sercurity for my wife and nine year old daughter, but would mean the loss of all of our effort which we have put into the business since it's inception; loss of interest which would otherwise have been earned on that money; require a further expenditure of our time during the period covered by various site contracts; and, expose us to further significant expenses until those contracts ran out. All of this in addition to the total loss ofinvestment to date.

I do not believe that itis the intention of the Commission or State to deliberatly destroy the Private Payphone Industry, or to unjustly penalize valued citizens and their families where other alternative measures are available to resolve the problems

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of "public abuse" in the pricing and standandization of public telephone procedures and charges.

Your Small Business Impact Statement set forthe in the Jan 1991 rendition of the proposed rules clearly show the injustice to smalloperators by the changes proposed in the latest rendition of the revenue rules, and the catostrophic financial impact the will have specifically on "small operators". The magnitude of this impact was further confirmed in a seperate study performed by Intellicall, Inc. in their brief of March 5, 1991 already submitted to Wa State P.U.C. Our comments and data, submitted with the enclosure, and based on actual revenues and expenses for CY 1990 will confirm the significance of the loss of revenue primarily as it applies to the surcharge ceiling of twenty-five cent and will attempt to contrast the impact of that loss to the cost of operation.

As a general rule, I beleive this data will show that box revenues at best hardly cover the cost of operation less depreciation, legal fees, fraud, return on investment (ROI), and extensive vandalisom. The preservation of the income received from surcharges is , therefore, esential in order to permit private payphone operators a reasonable return on investment to which they are entiltled with a reasonable and acceptable risk exposure.

It is also apparent to us that the long turn effect of the

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proposed change could result not only in anindirect windfall to theLEC's and LD carriers but would eventually result in the elimination of most private payphone operators and help in creating a monopoly in the private payphone industry by LEC's such as US West, GTE, TU of Wa etc, the very thing our Fedral Government was opposed to and which led to the recent disvesture of "Ma Bell".

For the forgoing reasons, and in consideration of the PUC's own Small Business Impact Statement as supplemented by Intellicall and the enclosed data we respectfully request the Commission reconsider the adoption of the proposed rule changes of January If a surcharge ceiling at or about the level specified by the Commission is necessary then it appears paramount that other changes be implemented in the proposed rules which would provide other "clear cut" and definable sources of income which would offset the loss of revenue caused by limiting the surcharge, and added changes which implementation would add to the burden of existing expenses.

Sincerely

Patricia's Enterprise

by: A. M. Vendettuoli
A. M. Vendettuoli

Its: Co-owner
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EXCLOSURE: Comment on
Proposed rule changes PUC
Revision of January 1991 -UT900726

ATTACHMENT TO MARCH 20, 1991
COMMENTS - WA STATE PUC UT-900726
RULES REVISION JANUARY 1991

EXPLANATION OF ATTACHMENT (ADDENDUMS)

ADDENDUM 1: Establishes an ideal target budget of expenses per phone per month based on actual expenses and revenues incurred and received in 1990 extrapolated as necessary to achive a one year expense and income base. (Revenues are based on current surcharges.) It then comparies the revenue impact of reducing the surcharge from current levels to a $0.25 cap and a $0.75 cap and demonstrates the inability to generate enough revenue in either case to offset expenses.

ADDENDUM 2: Establishes a base line for revenues and expenses on an annual basis. (We operate 13 public payphones, which have been in operation for most of CY 1990, but not quite.) This addendum illustrates the computations using actuals for 1990 and 1991 and extrapolating therefrom to arrive at annual revenues and expenses for 13 phones for one year.

ADDENDUM 3: Compares actual revenues and expenses received and incurred in CY 1990, without baselining to one full year of a 13 phone operation; and compares this data to indentical data adjusted to reduce the surcharge to $0.25 and the loss resulting therefrom.

ADDENDUM 4: Analizes a unique problem associated with reducing the surcharges to $0.25 resulting in a significant revenue loss greater than reflected in the Small Business Impact Statement set forth in the proposed rules revision of January 1991.

ADDENDUM 5: Like the $0.05 hot dog and coke of the 1930's. The quarter ($0.25) seems to have become a symbol of what the user should pay for a phone call made at a public phone. It has become almost sacrosinct in the NW. This addendum attempts to take the "quarter" and show how that quarter is burdened by what it takes to economically operate a public telephone. It depicts just how much of each "quarter" is left for the operator in terms of profit or other after all the expenses of operation are charged off. Maybe the quarter is <u>not so</u> sanctimonious? Page 2 of this addendum then illustrates how the various elements of costs assigned to the "quarter" are affected by a reduction in the surcharge from current levels to a $0.25 cap.

ADDENDUM 6: Illustrates an alternative solution that potentially permits the retention of revenues at current levels, but permits a cap on surcharges at $0.50 by increasing the $0.25 local calls to $0.30 together with other minor changes.

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PAYPHONE INCOME VERSUS EXPENSE ANALYSIS
BASED ON 1990 & 1991 ACTUALS AVERAGED
AND EXTRAPOLATED WHERE NECESSARY
ONE MONTH - AVERAGEPHONE

INCOME:

Box Revenues	$140.00(1)		(1)560 Calls @ Mo or 19 Calls @Day
Surcharges	54.12(2)		(2) 60 Calls @ Mo or 2 Call @Day
Total average per phone @ mo		$194.12	620 Calls @ Mo or 21 Call @Day

BUDGETED EXPENSES:

PAL's	$54.13	
Repaire & Replacement	26.21	
Site Commissions	58.24	
Postage & Stamps	.75	
Reproduction	.32	
Insurance - Liability	.90	
Prof Support: Legal/Acctg/Steno	3.85	
Periodicals Training etc.	9.00	
Milage @ $0.26 Gal	8.34	
Utilities, Rental, Lights, etc.	.53	
Office Supplies	2.50	
Depreciation on Equipments	28.03	
Business Lunch & Refreshments	1.50	
Tax & License Fees	4.00	$198.30
R01 at 12%		28.46
Total-Ideal expenses		$226.76 (2) (3)(4)

NOTES:
(1) Ideally a payphone should gross $180.00 to $250.00 per month to be a good viable phone.
(2) As indicated on page 2 of this addenum only 2 of our 13 phones would fall into this band if the surcharges rate was capped at $0.25. Eight of our phones would fall into this band if the surcharges rate capped at $0.75.
(3) All of our phones would fall into this band if rate capped at $1.00.

(1) 30% of total revenue required to compete with U.S.West & GTE.
(2) Based on existing $0.75 - $1.00 surcharge.
(3) Note there is no inclusion for compensating for time spent which justifies an R01 at least 12-15%.
(4) Our present average income per phone falls shor by $32.00. This could be offset by reductions acheived thru acquisitins of more good producing phones and the spread of certain fixed costs over a larger population.

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COMPARISON OF $0.25 CAP; $0.75 CAP & $1.00 cap
REVENUE BY PHONE ANNUAL - ACTUAL PLUL EXTRAPOLATED
AND EXTRAPOLATED FOR EA MONTH BASED ON $0.25 CAP & $0.75 CAP

	SITE:	BOX REV	SURCHARGES $0.25	TOTAL	MONTHLY AV	SURCHARGES $0.75	TOTAL	MO AV
1.	KENT	$1,720.00	$178.00	$1,898.00	$158.17	$ 534.00	$2,254.00	$187.88
2.	NORTH BEND	537.25	634.25	1,171.50	97.63	1,902.75	2,440.00	203.33
3.	PUYALLUP (2 EA)	3,627.60	241.30	3,869.80	322.41÷2=$161.20	723.94	4,351.54	36[illegible]3*
4.	TACOMA (CITY)	880.00	107.80	987.90	82.33	563.40	1,443.50	12[illegible]9
5.	TACOMA (SUB)	4,201.20	179.63	4,380.83	365.07	538.89	4,740.09	395.00
6.	SUMNER (1)	2,159.00	126.86	2,285.86	190.49	380.59	2,539.59	211.63
7.	SUMNER (2)	1,501.35	111,82	1,613.17	134.43	335.45	1,836.80	153.07
8.	BALLARD (1)	1,791.65	47.70	1,839.35	153.28	143.10	1,934.75	161.23
9.	BALLARD (2)	870.10	17.00	887.10	73.93	51.00	921.10	76.76
10.	AUBURN	947 50	137.40	1,084.90	90.41	412.20	1,359.70	113.31
11.	TUKWILA (2 EA)	3,609.70	237.48	3,847.18	320.60÷2=$160.29	746.20	4,355.88	362.99**

From the above comparion based on the $180.00 to $230.00 expense band it is obvious that a Cap of $0.25 on Surcharges would result in a very serious loss on all phones except the 1 Tacoma surburb phone. A Cap of $0.75 would result in a significant loss on all phones except for 3 phones. It would appear that only if Surcharges were left at the current rate or at worst a $1.00 Cap could the payphone operator svrvive.

* $362.63 ÷ 2 = $181.32
** $362.99 ÷ 2 = $181.49

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13 PUBLIC TELEPHONE REVENUE EXTRAPOLATION
BASED ON CURRENT SURCHARGES

	PHONES	12 MONTHS		BOX REVENUES		ACTUAL TOTAL *	@ MO MOS	AVR	EXTRAPOLATINS ADDITIONAL **	NO of MO	BOX GRD TOTAL
DQ Wd Mt	1	$1,720.00	Jan-Dec	-0-		$1,720.00	12		-0-	0	$1,720.00
NB DQ	1	537.25	Jan-Dec	-0-		537.25	12		-0-	0	53[illegible]5
Brew	2	2,987.15	Apr-Dec	338.15	Jan-Feb	3,325.30	11x2	302.00	302.00	1+1	3,62[illegible]0
Arco 6th	1	481.85	July-Dec	105.05	Jan-Feb	586.90	8	73.30	293.20	4	880.10
R & R	1	2,330.35	July-Dec	470.45	Jan-Feb	2,800.80	8	350.10	1,400.40	4	4,201.20
Daynite	1	1,163.30	July-Dec	276.10	Jan-Feb	1,439.40	8	179.90	719.60	4	2,159.00
Bilo	1	1,109.55	Apr-Dec	266.70	Jan-Feb	1,376.25	11	125.10	125.10	1	1,501.35
Zesto	1	1,388.70	Apr-Dec	253.65	Jan-Feb	1,642.35	11	149.30	149.30	1	1,791.65
US Ballard	1	302.75	Sept-Dec	132.30	Jan-Feb	435.05	6	72.50	435.00	6	870.05
US Auburn	1	317.15	Sept-Dec	156.60	Jan-Feb	473.75	6	78.95	473.70	6	947.45
Chev	2	2,826.00	Apr-Dec	482.90	Jan-Feb	3,308.90	11x2	300.80	300.80	1+1	3,608.70
	13						104+22				
						Box revenue total 12 months				28+2	$21,845.05

SURCHARGE REVENUES

DQ Wd Mt	712.00	Jan-Dec	-0-		712.00	12	-0-	-0-	0	712.00
NB DQ	2,537.00	Jan-Dec	-0-		2,537.00	12	-0-	-0-	0	2,537[illegible]
Brew	797.00	Apr-Dec	98.00	Jan-Feb	895.00	11	81.36	81.36	1	976.[illegible]
Arco 6th	240.00	Oct-Dec	73.00	Jan-Feb	313.00	5	62.60	438.20	7	751.20
R & R	364.00	July-Dec	115.00	Jan-Feb	479.00	8	59.88	239.50	4	718.50
Daynite	214.00		82.00	Jan-Feb	296.00	7	42.29	211.45	5	507.45
Bilo	343.00	Apr-Dec	67.00	Jan-Feb	410.00	11	37.27	37.27	1	447.27
Zesto	108.00		51.00	Jan-Feb	159.00	10	15.90	31.80	2	190.80
US Ballard	9.00		17.00	Jan-Feb	26.00	4	6.50	52.00	8	78.80
US Auburn	126.00	Oct-Dec	103.00	Jan-Feb	229.00	5	45.80	320.60	7	549.60
Chevron	735.00 ***		177.00	Jan-Feb	912.00	11	82.91	82.91	1	994.91

Surcharges @ $0.75 to $1.00 — $ 8,463.89

Total actual + estimated revenue — $30,308.94

96,160 Calls x 4.6% = $4,423.36
or 12% R01 excluding
County taxes, milage, compensation
for our time, utilites, rent, etc.

$21,845	Calls translates to	87,380	Calls
$ 8,464	Surcharges translates to	8,780	Calls
	Total estimated calls	96,160	Calls

* Actuals
** Estimated
*** See Addendum 5

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Addendum 3

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COMPARISON ACTUAL EXPENSES & INCOME 1990 AT PRESENT SURCHARGE RATE AND $0.25 CAP

	AT PRESENT SURCHARGE RATE		EXTRAPOLATED AT $0.25 CAP + $0.25 FOR 1-800	
INCOME ACTUAL:				
Box	$15,163.45		$15,163.45	
Surcharge	6,184.75		1,546.18	
1-800 Calls	-0-	$21,348.20	200.00	$16,909.63
EXPENSES ACTUAL:			EXPENSES RECOMPUTED & ADJUSTED FOR $.25 CAP:	
PAL - US West & TU of Wa	$6,643.51		$6,691.51 *	
Toll calls, bus phone, polling	426.72		426.72	
Repairs, maint, housekeep, parts	3,293.96		3,048.07 *	
Rent & comm to site owners	4,527.36		3,381.93 * (1)	
Postage & stamps	70.40		70.40	
Reproduction	42.98		42.98	
Office supplies, magazines	323.48		323.48	
Insurance	117.20		117.20	
Depreciation (7 yrs opt'1/5 yrs office)	4,373.00		4,373.00	
Lic fees & taxes (unadjusted) (1)	418.68		418.68	
Prof labor (legal,acctg, steno)	535.18		535.18	
Bus luch & refreshments (50% $102.29)	51.15	20,823.62	51.15	19,480.30
Profit or loss		$ 524.58 (2)		($ 2,570.67) (2)

NOTE: We have contracts with site owner 5 & 10 years most with 4-6 years to go. Also in view of enconomic impact on all private public payphone operations. There is no market to sell our operation to. Surplus phone used equipment has almost no value.

* Adjusted to reflect $0.25 cap on surcharges & adding revenue for 1-800 plus & add $200.00 for notices & upkeep

(1) Reduction due to the fact that we pay for some maintenance on a % of revenue basis.

(2) Does not include milage, county tax, R01 on $37k, compensation for our time,misc expenses, utilities for office.

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Addendum 4

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NORTH BEND PHONE ANALYSIS - A UNIQUE SITUATION

1990 OPERATION AT CURRENT SURCHARGES

INCOME ACTUAL:		
Box	$ 537.25	
Surcharges	2,537.00	
1-800 nos	-0-	$3,074.25
EXPENSES:		
PAL T.U. of Wa	$850.00	
Bus phone plus polling	32.82	
Comm to site owner	614.85	
Postage & Stamps	5.42	
Reproduction	3.31	
Office Supplies, Magazines	24.88	
Insurance	9.02	
Depreciation	336.38	
Lic Fees & Taxes	61.00	
Prof services; legal,acctg etc.	40.95	
Repairs & Maint.	415.02	2,393.65

1990 OPERATION AT $0.25 SURCHARGE CAP

INCOME IF $0.25 CAP APPLIED:		
Box	$537.25	
Surcharges	634.25	
1-800 @0.25	12.00	$1,183.50

EXPENSES ADJ FOR @0.25 SURCHARGE CAP & 1-80[illegible] ALLS

EXPENSES:	REVENUE:
No change	$2,393.65
	($1,210.15)

NOTE: This phone is in a zone in which most calls will be toll calls. Revenues vary with Summer & ski season and the no off calls placed per any given time period accordingly (e.g. 1,000 calls per month to 220 per month). The contract with site owner is for 10 years 6½ to go.

A $0.25 ceiling on surcharges would result in at least in a $7,800.00 plus operational loss, plus total loss of operational assets, plus loss of time, milage, county taxes and risk exposure over the next 6½ - 7 years.

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QUARTER BREAKDOWN AND DISTRIBUTION EVALUATION

TOTAL ANNUAL REVENUE ACTUAL & EXTRAPOLATED:

Surcharges	$ 8,464.00 (5)
Box revenues	21,845.00
Total	$30,309.00

Average total income per phone per mo=$194.29
No of phones: 13

Taxes $585.00 ÷ 12 ÷ 13 = $3.75
PAL - US West basic + TU of Wa = $1,193.43÷12÷13 = $7.65
Legal, acctg fees + assn dues=$225+$200+$100=$525÷12÷13=$3.37
(2) Maintenance & repairs = $3,294.00 ÷ 126 mos = $26.14
Depreciation for 1990 = $4,373.00 ÷ 12 ÷ 13 = $28.03 @ mo
Per phone average rev = $30,309.00 ÷ 12 ÷ 13 = $194.29 @ mo
Actual operating months all phones in 1990 = 78 month
Office supplies, repro, postage, magzine, misc bus expenses = $1,073.00 ÷ 12 ÷ 13 = $6.88 @phne@mo
Telephone $840.00 ÷ 12 ÷ 13 = $5.385

	PER QUARTER ($0.25)
Taxes and licences charged actual & extrapolated 1990=$585.00÷12÷13=$3.75÷$194.29=	0.019
US West $0.06 per call = $0.06/$0.25 =	0.240
PAL - US West basic + TU of Wa = $7.65 ÷ $194.29 (exclude $0.06 surcharge by US West)=	0.039
Site owners commission - all revenues =	0.200
Legal, acctg fees + assn dues = $525.00 ÷ 12 ÷ 13 = $3.37 ÷ $194.29 =	0.017
Maintenance and repairs and housekeeping = $26.14 ÷ $194.29 =	0.135
Depreciation (2) = $28.03 ÷ $194.29 =	0.144
Office tel, polling, ld &toll calls = $5.385 ÷ $194.29 =	0.028
Office supplies, postage, reproduction, magazines, misc bus exp = $6.88 ÷ $194.29 =	0.035
	0.857 x $0.25 = 0.214

$0.25 - $0.214 = $0.036 from every quarter must cover ROI, our time, risk, milage, utilites, rent, liability insurance, county taxes, fraud and the unexpected

MUNIC'TY	REVENUE		TAX
No Bend	$25.00	basic; $36.00 B&O =	$ 61.00
Seattle	7.30%	$3,069.25	225.05
Tacoma	6.64%	$880.10	58.44
Kent	basic		25.00
Tukwila	basic		50.00
Auburn	basic		35.00
Pierce County	?		-0-
King County	?		-0-
(3) Wa State			132.43
			(4) $585.92

Legend : ROI = return on investment.

(1) Phones on 7 years, office equipments 5 years.
(2) Includes $658
(3) Excludes sales tax.
(4) Excludes sales tax on acquisitions of operational equipments & capital items & Fed tax & special charges.
(5) Based on $0.75 - $1.00 surcharge. See impact analysis if sucharge reduced to $0.25 cap on pg 2 of addendum 5

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QUARTER BREAKDOWN AND DISTRIBUTION
EVALUATION BASED ON $0.25 SURCHARGE CAP

TOTAL ANNUAL REVENUE - ACTUALS & EXTRAPOLATIONS:

Surcharges based on $0.25 Cap	$ 2,111.00
Box revenues	21,845.00
Anticipated rev from 1-800 nos	200.00
Total revenue	$24,156.00 (1)

No of phones 13 operating over one year based on 1990 & 1991 actuals plus extrapolations.
Average total income per phone per month with $0.25 cap & 1-800 add on = $154.85. (2)

PALS - US West basic + TU of Wa $1,193.43÷12÷13=$7.65/mo
Legal,acctg fees + assn due $255+$200+$100=$525÷13=$3.37/mo
Maint, pros & housekeep #3,294÷126 mos=$26.14@phone@mo
Depreciation for 1990=$4,373÷12÷13=$28.03 @ phone @ mo
Office tel,polling,ld toll calls = $840.00 ÷ 12 ÷ 13 = $5.385 @ phone @ mo
Office supplies, repro, postage = $1,073 ÷ 12 ÷ 13
magazines, misc = $6.88 @ phone @ mo
Taxes $585.00 ÷ 12 ÷ 13 = $3.75 @ phone @ mo

	PER QUARTER ($0.25) %
PAL - basic PAL + TU of Wa less $0.06 surcharge of US West = $7.65 ÷ $154.85 =	0.049%
US West $0.06 per call surcharge	0.240%
Site owners commissions	0.200%
Legal, accounting fees=$3.37 ÷ $154.85 =	0.022%
Maintenance, reproduction & housekeeping=$26.14 ÷ $154.85 =	0.169%
Depreciation for 1990 at 7 years operation equipments, 5 years office=$28.03÷$154.85=	0.181%
Office tel, polling, ld toll calls = $5.385 ÷ $154.85 =	0.035%
Office supplies, reproduction, postage, magazines, misc = $6.88 ÷ $154.85 =	0.044%
Taxes - actual & extrapolated for 1990 = $3.75 ÷ $154.85 =	0.024%
	0.964% x $0.2[illegible] .241

$0.25 - $0.241 = $0.009 cents from every quarter must cover ROI, our time, risk, milage, utilities, liability insurance, county taxes and the unexpected.

NOTE:

$21,845 translates to:	87,380 calls
$200 1-800 calls translates to:	800 calls
$2,111 surcharge calls translates to:	8,780 calls
Total	96,960 calls @ yr

96,960 calls x $0.009=$872.64 @ year to cover ROI, our time, risk, utilities milage, county taxes, liability insurance and the unexpected.

01330

(1) A reduction of $6,131 annual.
(2) A per phone per month reduction of income of $39.90.
(3) Actuals only for 1990.

LIMITED

3-14-91

ALTERNATIVE SOLUTION

* Cap Surcharges at $0.50.
* Raise Box Rate to $0.30.
* Require OSP'S or LEC'S to compensate payphone operators for use of their equipment when calls are generated from private payphones based on a percentage of the toll charged to user.
* Permit surcharge of $0.30 on all 1-800 or 10- calls from private payphone equipment.

ECONOMIC ANALYSIS - 13 PAYPHONES BASED ON ACTUAL CALLS EXTRAPOL - ATED FOR ONE FULL YEAR & EXPENSES

Box Revenues based on	87,380 calls (1)	@$0.30	=	$26,214.00	
1-800, 900 and 10-xxx-0	800 calls (1)	@ 0.30	=	240.00	
Surcharges Calls	8,442 calls (1)	@ 0.50	=	4,287.00	$30,741.00 (2)

Expenses:

* Actual expenses for 1990 were $22,741.00 for a total of 126 months of operating time.
* 13 phones x 12 months = 156 months for one full year of operation.
* 126 months ÷ 156 months = 80.8% of one full year of operation.
* 100% less 80.8% = 19.2%
* 119.2% of $22,741.00 = $27,107.27 = Expenses extrapolated for 1 year 27,107.00 (3)

R01 @ 9.8%	$ 3,634.00

(1) See addendum 1.
(2) Note this figure comparable to the $30,287.00 total revenue figure reflected on addendum 1 based on current surcharges.
(3) Does not cover county taxes, rent & office utilities, compensation for time.

COMPETITION & WINDFALL BENEFITS (EQUAL ACCESS)

I have brought up on several occasions through out my comments the question of windfall benefits or profits which could occur in the event the proposed rules were adopted and the question of unfair or unthical competion. I have also made my concerns about the propriety of "equal access" known though we agree with the general policy of equal access with limitations. I would now like to attempt to tie these thoughts together for the commission's consideration.

The idea of equal access of the LD Carrier of choice for the user is a nice objective. The attainment of the objective in terms of "unlimited" equal access, however may not be altogether practical due to the costs and penalties it would impose particularly on small or medium sized payphone operators particulary when conpared with the costs associated with providing "limited"equal access (e.g. several payphones located in a general area, serviced by more than on Long Distance Carrier).

As you must be aware from TV commercials, newspaper and magazine advertising AT&T has inundated the public with its advertisment initially representing themselves as offering cheaper rates and better quality to the Long Distance consumer market. When that was disproved many user's abandoned AT&T for MCI, SPRINT et al. AT&T then adjusted its rates to be more competitive and started another major advertiseing campaign touting the new rates and offering special pricing packages, and requested old customers to return offering to cancel any "hook up" or "connection" fees to customers who returned plus offering them $10.00 credit coupons to apply to future long distance calls for returning customers. All former customers were beseiged by letters (I am one) begging them to return offering these same benefits.

Starting in late 1990 shortly after the draft of the proposed rules were released by the PUC AT&T started their advertising campaign directed at private public telephone owners/operators which has subsequently been intensified which directly bears on "the equal access" issue. I am sure you have seen the advertisement on TV, where a user is on the phone arguing with the operator and she says ".... you're not dealing with AT&T now"and the user responds very agitated and says "But I am now!" and hangs up the receivor with a crash. Also the advertisement which goes hand in hand, with other statements by AT&T directing users of public telephones not serviced by AT&T to call 10+ATT+0+AC+number. The public is now being saturated by this advertising by TV, news, ads, fliers and letters. A copy of these advertisements are enclosed for your information.

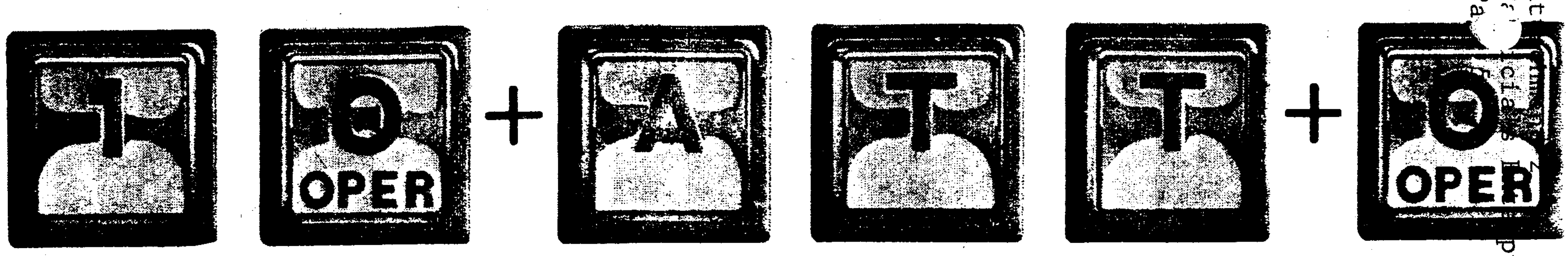
We have also just received our confirmation copies of our surcharge revenues from ITI for the month of January 1991. There is a noticeable reduction in the surcharge revenue for that month as oposed to last yrar at this time. Whether this is entirely due to the AT&T advertising or the recession factor it cannot readily be acertained for a fact at this time. A colleague who operates 18-25 public payphones just called me to ask me whether I had noticed the reduction. (Every time the user calls the 10-XXXX-0 number, the payphone operator is compensated $0.25 but does not receive the surcharge revenue since the AOS (ITI) is bypassed.)

It would appear that the proposed rules on equal access are playing right into the hands of AT&T who unqestionably would like to establish itself as No 1 in the industry and is obviously tending toward a monopoly in that field. You on the commission are probably in a much letter position to evaluate the long range impact of this on both the industry and on the consumer. In my opinion we could be very well building the "Frankinstien Monstor" or analogously another Irage in the form of AT&T completly dominating all aspects of telecommuncations and attaining a choke hold on the industry by destroying all competition and then being able to sit back and dictate rates that ignore the question of fairness to the consumer.

Please note that the impact of this advertising on surcharge revenues have not been considered in the financial data provided in our March 20, 1991 comments since the financial impact cannot be specifically quantified at this time.

Incidentally the enormity of this injustic could be reduced, or at least made more paletable if AT&T, in this case, (as well as other LD Carriers) were required to compensate private payphone operators who owned the payphone from which the call origenated from.

Push for AT&T Long Distance Service at public phones.



If you don't hear "AT&T" after dialing, hang up and dial 10+ATT+0+Area Code+Number.
Call 1 800 661-0661 ext. 2410 for more information.

Att[illegible] 2
Pa[illegible]cia[illegible] E[illegible]prise
Pa[illegible]5

Dial 10+ATT+0

+the area code and number you're calling.

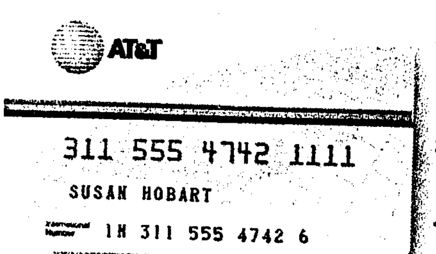
L/S NEW 11/12/90

When you make a call from a payphone, you're sometimes connected to a company other than AT&T.

But you can still have the reliable service and helpful operators you expect from AT&T. Even if you're not at an AT&T phone.

Just dial 10 + ATT + 0, plus the area code and number you're calling.*

In seconds, you get all the clear connections and low prices plus the convenience and ease that come with using the world's most widely accepted calling card. The *AT&T Calling Card.*



In fact, nobody offers more ways of helping you on the road than AT&T.

So, how do you get AT&T around here?

Easy.

*For international calls, please dial 10 + ATT + 01 + the country code + the local number.

AT&T. How can we help you?℠
1 800 661-0661 Ext. 5315

AT&T
The right choice.

01337

AT&T

P.O. Box 537
Roseland, NJ 07068

Since You Left Us, We're Not The Same.

March 8, 1991

Anthony M. Vendettuoli
P.O. Box 3763
~~Kent~~ WA 98032

Dear Anthony M. Vendettuoli:

If you left us because of price, we have good news for you. AT&T has changed. And once you see how much, you'll see why it's easy to switch to AT&T.

Act now to get $10 worth of FREE *AT&T Long Distance* calls!

Just return the enclosed Authorization Request Form by April 30, 1991, and we will send you $10 worth of *AT&T Long Distance Gift Certificates* as our way of saying welcome back.

Now that's something to think about. Especially when you consider the kind of quality and service you get with AT&T.

We've lowered our prices.

Not just once, either. Since 1984, we've lowered our prices significantly -- by an overall average of more than 40% for direct-dialed, out-of-state calls.

Now our prices are more competitive with Sprint and MCI than you think. In fact, the difference may be just pennies per call.

We also offer substantial savings opportunities every day. For example, you automatically save on our daytime prices over 70% of the time, with low prices in the evening and our lowest prices at night and on weekends when it's convenient for you to call.

So if you left AT&T for price, please think it over.

(over please)

AT&T is the best choice for service.

With AT&T, you can count on crisp, clear connections -- day or night, across the country or around the world. We won't keep you waiting, either. Your calls go through quickly virtually every time you try -- even during the busiest times.

Just call whenever you need us. AT&T has thousands of courteous, helpful long distance operators ready to assist you with person-to-person, collect and international calling, 24 hours a day. You'll even receive immediate credit for misdialed numbers.

What's more, our Customer Service Representatives are available 24 hours a day to answer your questions.

We'll even watch out for you when you're away.

When you use the *AT&T Calling Card* to make your calls through the *AT&T Network*, you can depend on our quality and reliability when you're calling long distance away from home. You can use it to reach the *AT&T Network* from almost any public or private phone.

We help you control your long distance costs.

In addition, if you like to keep in touch, innovative *AT&T **Reach Out**® Calling Plans* offer you the opportunity to make your long distance dollars go even further.

With the *AT&T **Reach Out**® America 24-Hour Plan*, for just $8.70 a month, you get a full hour of direct-dialed, out-of-state, *AT&T Long Distance* calling during the plan's weekend and night calling hours. Plus a 25% discount off already reduced AT&T evening prices and a 10% discount on AT&T daytime prices.

And with the new *AT&T **Reach Out**® World Plan*, you'll also have the opportunity to save on the international calls you make to 45 of the most frequently called countries and areas worldwide.

So switch to AT&T for the service and quality you deserve when you call long distance. Just complete and return the enclosed card or call **1 800 225-7466, ext. 2907.**

Sincerely,

Elaine G. McKelly

Elaine G. McKelly
Manager, *AT&T Long Distance Service*

P.S. Remember, switch to AT&T by April 30, 1991, and we'll give you $10 in *AT&T Long Distance Gift Certificates* with our compliments. Just respond to this letter by completing and returning the enclosed card or by calling **1 800 225-7466, ext. 2907.**

BAN

Patricia's Enterprise
P.O. Box 3763
Kent, Wa 98032
March 20, 1991

Washington State Utilities &
Transportation Commission
1300 South Evergreen Park Drive S.W.
Olympia Wa 98504-8002

ATTN: Mr. Paul Curl
Secretary

SUBJECT: PROPOSED RULES; UT900726 REVISED JANUARY 23, 1991; WAC480-120-021/106/138/141

PREAMBLE AND BACKGROUND:

Patricia's Enterprise is an unincorposrated sole propriatorship which currently operats 13 public payphones in King and Pierce counties. We do not offer call storage and forwarding services nor do we intend to provide such services in our immediate future. We have been active in the payphone business since early 1987 starting with two paypphones in January and April of that year on a trial basis since it was necessary to carefully husband our assets due to the circumstances we were forced with as a result of my continuing medical problems.

I am a disabled vetran of WWII and the Korean War (over 50%) and a former employee of the Boeing Company. Due to some very serious and complex and life threatening medical problems which required extensive surgery constant care and rehabiation I was forced to take an extensive medical leave of absence culminating in a medical retirement in med 1987.

Patricia's Enterpris
·O. Box 3763
..ent, Wa 98032

The object of starting the payphone business was to provide supplementary income for myself, my wife and now nine year old daughter to bolster my income which had been deciminated by early retirement and the penalties associated therewith due to my medical problems. The decision to enter the private payphone business was made because the payphone business appeared tobe well suited to be more conducive to fit my schedule due to the inconvienance of my medical and phyical problems and: and, did not demand a great deal of physical activity; did not require a rigid schedule of hours; could be accomodated to my peculiar situation. In a worst case situation my wife Patricia could handle most of the day to day problems or activities as need be, if it came down to that with some technical help procured from outside services provided on a sub-contract basis when needed.

It was obviously not the kind of business that one could expect to make a great deal of profit from; but appeared to be an industry which could provide a reasonable amount of economic stability if properly managed. Fifty payphones, we figured, would produce the minimum income necessary to provide a supplementary income that would be acceptable and permit us to live with reasonable dignity and permit us to raise and educate our nine year old daughter; it would also provide of a form of economic insurance which would subsitite for life insurance for my wife and daughter in the event of my death, which due to my medical problems I was, and am unable to procure.

Patricia's Enterpris
O. Box 3763
Kent, Wa 98032

The first two years were very difficult since we knew very little about the industry and had to rely on other service providers et al for technical support and managment. Unfortunatley we got involved with some rather unscrupulous service providers of technical services and OSP's who eventually got caught up in their own webb and fell by the wayside. Eventually we began to see the light at the end of the tunnel by the end of 1989, and decided to go forward.

The end of 1989 was a major decision point for us. Should we now invest more of our limited funds and expand the payphone business or invest our assets in a "no-risk" investment which would provide very limited income and which would fall far short of our needs? Based on the results of 1989 it appeared that if we could increase our phones to fifty to one hundred a good chance of acheiving our minimum financial objectives with conservative management. With hat in hand we decided to go forward and added nine more payphones by May 1990 and two more by August for a total of 13 payphones.

It was sometime in mid September 1990 that we first became aware of the changes in regulations proposed by the Wa State PUC through Northwest Payphone Association Inc. We were horrified when we evaluated the economic impact of the proposed changes. We realized that if the changes proposed were adopted we would have no alternative but to go out of business as rapidly as we could. We were facing not only a total loss of our investment of approximatly $37,000.00 but also (1) the loss of all the hard work, worry and sacrifices made since 1986, and (2) the continuing operational losses since our contracts with site owers (some of which have 4-6 years to go) can not be automatically terminated due to the PUC contemplated action.

Our basic concern revolve around: (1) The equal access requirement and the loss of revenue resulting therefrom, if our equipment was used to equal access other LDC's not designated to service our phones, on a "no-charge basis' and (2) the very significant loss of revenues resulting from a $0.25 cap on surcharges.

Naturally in October 1990 in view of the foregoing and pending action by the PUC we immediately stopped any further action, in process or planned with respect to expansion.
At that time we requested the Small Business Administration (SBA) to look into the matter to the extent that the action contemplated by the PUC might impact the State and Fedral Policy regarding Small Business. And we also requested both Governor Gardner and our State Representative in Olympia from the 33 Congressional District to intercede on our behalf.

During the past several months we have also submitted a number of letters to the PUC setting forth our concerns and recommedations relating to the proposed changes as well as attending most of the Public Hearings on the proposed rules.

We have also spent some time with your staff and opened our books and provided copies of data relating to revenues and expenses of operation with no limitations hoping this would provide the PUC with a good insight into the nature of the calamity facing small payphone operators if the proposed rules were adopted.

We are not sure of just how many small private payphone operators there are in the state of Wa. (Northwest Payphone Assn. may have a better feel for the number). But we presume that their number is significant. If so the impact of th proposed rules could be very traumatic to the industry in Washington State as a whole.

Patricia and I were hopeful that due to the diologue that was transpiring between legal representativies of the Northwest Payphone Assn. and the Wa statePUC, the letters written by our company on this subject to the PUC, the letters and comments provided by our colleagues (payphone operators) and inquiries of our local "elected officials would help convince the PUC there were going to be a lot of people hurting very badly if the rules as written were adopted.

We were, therefore, very disappointed after our initial review of the modified proposed rules released by the PUC in January 1991.

We are not opposed to the strict principal of equal access, nor are we opposed to restrictions which would reduce or

COMMENTS CONTINUED

elimiate customer abuses. We are concerned however about the method by which these abuses will be corrected and that the measures taken to correct such abuses do not work to the disadvantage of those operators who have the most to loose and alternatively do not work to the advantage of those who have the least to loose like US West, GTE, TU of Wa, AT&T, Sprint, MCI, et al.

GENERAL:

We recognize the complexity of the problems with which the Commission is faced with in dealing with the tele-commumications industry and the need for establishment of uniform standards and regulations which among other things will protect the public (users) from abuses accidental or prepetuated by greed or other self-interests which may not benefit the industry, or works to the detriment of the public at large. The problems are further aggrevated by the rapid and tremendous growth in the technology pervasive in this field particularly in the last 5-10 years which shows no evidence of deminishing and which make our present regulations archaic dictating an urgent need for uniform change and standardization.

Typical of any new industry at the start, with the break up of "Ma Bell" there were a lot of entrepreneurs who entered the private payphone business many of whom had the object of making a "big kill" at any cost. And so there were many abuses. Many of those who were not concerned with long run found that things were not that simple nor the rewards that great and have either gotten out of the business or have fallen by the wayside. It is very clear to us in comparing the present conditions and outlook in the industry of small private operators that they are now more interest in the long run impact and are concerned about standardization, quality and reliability of service and equipment, and with providing services to the consumer at a reasonable and acceptable price.

We, and the industry as a whole, here in Wa State are prepared to work with the PUC in attaining those goals consistent with "the Public Good" and within a framework that will permit us private payphone operators to make a reasonable profit on our investment of money, time and energy.

We subscribe both to (1) the need of the user to have "equal access", though we may disagree with the depth or degree of that access, and (2) the need of the consumer to be protected from unreasonable and abusive charges and rates.

It is our intent therefore to address primarily the following issues in our comments:

(1) The impact of placing a twenty-five cent ceiling on surcharges and its implications,

(2) Equal access and its impact,

(3) The Small Business Impact Statement,

(4) Charges for 1-800, 10-XXXX-0 and 1-950 Calls,

(5) Competition.

(6) Branding and Notices.

Other concerns or issues we beleive will be better addressed by our colleagues and NW Payphone Assn's legal representatives, particularly those issues which go beyond the concerns of a simple "Aggregator" such as the OSP's and LEC's, etc. In this regard we would respectfully refer the Commission to the March 5, 1991 brief filed by Intellicall with the Wa state PUC with which we general concur.

(1) SURCHARGES:

We have indicated in our previous comment that to place a ceiling of $0.25 as an "allowable surcharge" would result in a drastic reduction in revenues which would make it impossible for small operators to continue and would spell disaster for the industry. We had sincerely hoped that as a result of the diaologue on this issue between the NW Payphone Assn's legal representation and the Commission's staff together with the data orally presented in the Public Hearings supplemented by other written and verbal data provided by myself and hopefully other operators that the $0.25 ceiling on surcharges would be either dropped or if a limit had to be set that it might be set at a level more consistent with the cost of operation and achievment of a reasonable profit. We were very disappointed to see that the $0.25 ceiling on surcharges again appeared in the January 1991 revision of the proposed rules.

We are not sure of where this fixation of $0.25 stems from. I suspect it is analogous to the 5 cents hot dog or coke or 3 cents stamp. Every thing else has gone up, or it going up. The 3 cents stamp is up to 29 cents, the t cents coke up to a minimum of 35 cents a can, hot dog's to at least 69 cents, and hamburgers exceeding $1.00. What is so sanctimonious about 25 cents for a phone call? Like all the other industries we to have been faced by esculating costs. Therefor we have put together a one typical phone cost analysis in Addendum 1 hereto which, despite some subjectivity, shows that $0.25 box revenues are entirely inadequate to offset the cost of operation and that we are heavily dependant on the surcharge as a supplement. For one thing the normal box revenues per average phone is not sufficient to cover basic expenses. And if they were that phone would receive such intense usage, since phone calls are not distributed equally over a 24 hours period, that a second phone would have to be installed which woud again add another layer of basic charges reducing net revenue and recreated the vicious cycle all over again. We operate 13 paytelephones; we offer no store and forwarding services. We us ITI as our OSP, and MCI as our LDC. Last year we realized $15,163.00 from box revenues and $6,185.00 from surcharges at $0.75 - $1.00 per call for a total of $21,348.00. That would result in a surcharge revenue of 29% of toal revenue.

Since all thirteen payphones have not been in operation a full year as of December 31, 1990 I have taken both actual box and surcharge revenue and expense data for Jan & Feb of 1991 and operating revenues and expense data from 1990 and extrapolated from that based on averages what my box and surcharge revenues would be for one year of operation for the thirteen phones. These computations have been set forth in Addendum 2 hereto and you can see from that data that the surcharge revenues represent 28% of totals. Both these percentages are consistent with my prior imputs to your staff and are also consistent with the computations of Intellecall as set forth in their March 5, 1991 brief.

It may also be of interest to note that in the formal computaion of our fedral taxes for 1990 that we show a profit under $1,000.00. (We would be prepared to cover this in detail with your staff if it would prove to be of any help). I have made a furthur analysis by extrapolating costs based on a full year of 13 operational phones in order to compare these costs with their counterpart revenues referred to above and these are set forth in Addendum 3 hereto. You can see from analizing these three mentioned Addendums (1-3) the catastrophic impact resulting from a $0.25 ceiling on surcharges.

In the severalyears of operations we have heard all kinds of complaints from users of our equipment. But we have yet to hear any complaints from users about surcharges being "too high".

It would appear to us that if a limit were to be placed on surcharges due to some operators "greed" and the need to protect the public that limit should be at least $1.00 for private payphone operators (aggregators) which we beleive to be fair and reasonable considering our costs. This would not result in a financial windfall as some would like us to beleive. If I were on the Commission staff I might be more concerned with what the OSP charges customers above and beyond say the maximum of $1.00 that ITI permits us to charge. We are not privey to that info, though I suspect that charge may be covered by tariff negotiated rates. However, this may merit further attention, review and control by the PUC. (We are not that knowledgeable on Tariffs and how they are constructed as they apply to OSP's and ASO's such as ITI, Phone Amercia el al and/or to the Regional Phone Companies such US West, GTE, et al. Nor are we knowledgeable on the accounting systems of these companies). So it is difficult without this knowledge to understand fully who is doing what to whom.

The imposition of a ceiling of $0.25 on surcharges has a further negative impact upon our operation where the number of toll calls placed exceed the number of local calls placed in a given time fram. An example would be our North Bend Wa payphone, (see Addendum 4). We charge a $1.00 surcharge at that location; 4,700 calls were placed in 1990 for an average of 13 calls per day. (An average phone on the lower side.) However,

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due to its proximity to the Cascade Mts and Skiing resorts the usage is not consistent with considerably greater usage during the Skiiing season on weekends and during the Summer months. Our average PAL bill from TU of Wa averages about $75.00 per month. The box revenues from that phone were $537.25 for 1990 or $45.00 per month. If the ceiling of $0.25 was applied to this phone the revenue received for an average month would be $45.00 box and $53.00 surcharges for a total of $98.00. This contrasted to costs of $75.00 monthly average for the PAL and $20.00 commission to site owner would result in a monthly cost of $95.00 leaving $3.00 per month to cover: repairs, maintenance, taxes, insurance, office supplies, milage, depreciation, etc, etc, to say nothing about fraud, excessive vandalism etc. (see Addendum 4). The site agreement on this phone has several years to run before it expires. The annual loss is estimated to range about $600.00 - $800.00 annually and for the contract period $4,200.00 to $5,600.00. (Vandalism and/or fraud could add substantially to these figures).

(2) EQUAL ACCESS

We are in general aggreement with the Commission's policy to provide the user with "equal access" to LD Carriers of their choice. Our concern is with the degree of that access. Should it be provided on every public payphone? As we look around at certain areas of which our public payphones are distributed we find in most cases payphones operated by several companies

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each serviced by different long distance carriers. On our phones we use ITI as our OSP and MCI as our LDC. In North Bend for example within a quarter of a mile radius there are two phones at McDonalds within 30' to 50' NE of our phone that are serviced by another carrier; SW of our phone are three more phones serviced by Phone America at the Exxon station and two more phones serviced by Phone America 30' to 50' SE at the Chevron station. Accross the entry to highway I-90, at the shopping mall, about a 2 minute walk are at least eight public telephones serviced by TU of Wa. The same is true of our phone in downtown Tacoma, where within a block there are three US West phones serviced by AT&T; also at our phone at Woodmont Kent where there are two US West phones serviced by AT&T about ½ block East of our phone and another phone just ¼ block North of ours operated by a third company. At Strander Blvd in Tukwila adjacent to the Double Tree Inn there are several phones in the Inn and in the general proximity operated by a variety of companies. The user can select a phone more conducive to the LD carrier that suits him convienantly without haveing that privilege at each and every piece of equipment (payphone). We do no understand why in conjunction with the use and selection by the user of payphone stations and access to LD carriers they should have more perogatives in selecting a LD carrier then they have in selecting say a grocery store, or a drug store or a dept store. We don't have laws requiring Alberstons to have a section of it's stores dedicated to Safeway Products or Johnnys products et al. What makes the difference with paytelephones? Nor do

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we beleive that private operators be required to provide user access to the LD carrier of their choice at no charge or at a maimum $0.25 surcharge. They should be charged a nominal charge for that interconnection to the LD carrier of ltheir choice representative of the value they receive and compensate the payphone operator a "reasonable return on the use of it's equipment. Since the LEC, the LDC and OSP all receive some financial benefits from any toll charges relating from such caLL it would seem to us that the payphone operator should also share in this revenue since the calls originate from its equipment. At the present time we do not receive any monatary benefits except the surcharge except some minor differential in rates dependding on what time of day the call is placed (discount). Otherwise this could mean that the operato must provide his/her equipment, which is costly to maintain, and all the expenses associated therewith no re-imbursement for the use of that equipment. Yet the regional phone company and the LDC and possibly th OSP will make a profit on such a call, at the expense ofthe paytelephone owner. The telephone owner receives no compensation from the Regional Phone Co or LDC for these calls. If we are to permit this equal accessibility to the LDC of the user's choice then the Regional telephone Co, OSP and or LDC should be required to re-imburse the telephone owner for the use of the equipment by way of a commission as a percentage of the revenue received from such a call.

It would appear that the impact of this change providing

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equal access would result in a windfall to companies such as US West, GTE, TU of Wa, AT&T, MCI, Sprint, etc. by giving them not only free use of the originating equipment and helping them to expand their revenues at no charge to them but could also result in reduction of revenues to the payphone operators where their phones are tied up with a user making a call thru a LDC of their choice and discouraging another user who would use the phone at about the same time and wanting to place a local call or use the LDC assigned to that phone.

There has been a very determined and noticeable trend lately on the part of US West and AT&T to capture the public payphone market. (This has always been true of GTE). This rule plays right into their hands. If it is adopted and I were US West or AT&T I would go out for a big celebration. It seems to us that the fair thing to do as an alternative would be to require long distance intra state, interstate and international carriers to pay a percentage of the tolls earned to the equipment owners where calls are originated on equipment not owned by the carrier.

(3) SMALL BUSINESS IMPACT STATEMENT

We were pleased to note the small business impact statement included in the Jan 1991 revised rules. It is of interest to note that table 1 of the impact statement indicates that the economic burden - loss of revenues-resulting from the surcharge ceiling of $0.25 and other costs relating to implementation

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of changes due to the proposed rule changes have a much greater impact on the small COPTS (15 phones or less). That is consistant with my evaluation and comments earlier submitted and again supported by the enclosed data. There are a number of reasons for that: surcharge revenues do not necessarily increase proportionally to box recenues; nor do surcharge revenues increase propartionally with the number of payphones operated. Also the larger COPT's, OSP's etc have a larger base over which to spread certain re-occuring costs, the ratio of overhead costs to income is lower, accounting techniques, subsidies etc, etc.

Our calculations on loss of revenue as a result of the $0.25 surcharge ceiling and a 13 payphone operation (all of which has not operated a full year) would have been $4,639.00 (75% of $6,185 actuals) or 21.7% loss in revenue. It I extropalate average surcharges for a full year of operation for the 13 payphones we should net $21,845.00 in box revenues and surcharge revenues of $8,463.89 for total estimated revenue of $30,309.00. A $0.25 ceiling would have reduced the $8,464.00 annual surcharge by $6,348.00 (75% of $8,464.00) for a reduced estimated total revenue of $23,961.00 ($30,309.00 - $6,348.00) or a 21% loss in estimated revenue (see Addendums 2 & 3).

While the above data is significant in terms of reflecting the significane of the loss in revenues due to the $0.25 ceiling it doesn't really present the entire picture without a better understanding of the opertional cost. To understand the cost

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of operation verus reduced revenues would better portrait the impact and the significance of that impact. It will also explain to a large degree the sliding scale impact application to small, medium and large COPT's, AOS's and LEC's as set forth in table 1 to the Jan 1991 revision to the proposed rules. A table of our cost data for the 13 payphones and a comparsion of revenues to costs are set for in Addendum 3. You can easily see by reviewing Addendums 2 & 3 that small operators COPT's, would have no choice but to divest themselves of their public payphones as quickly as they can in order to reduce their losses.

Please also note that the above cost data does not include any impact for notices, nor branding. Hopefully the AOS's or LEC's will not charge payphone operator's (COPTS) a service charge to offset "branding" costs required by the proposed rules. With respect to the cost of notices I doubt that $15.00 would cover same. Our present notices are more expensive than that and there are not as many $100.00 - $200.00 would probably be closer excluding labor and milage.

We would presume that even a small COPT with no storage and forwarding or other services to offer aside from providing the equipment and the network tie-in for proccessing local and toll charge calls (intra and inter state and international) could still file tarrifs with the Wa State PUC in order to justify surcharges in excess of the $0.25 ceiling irrespictive of the AOS. If this was permissable the question then occurs with

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respect to what problems this could cause with the LEC's and AOS? Would the LEC's and AOS have a conflict and would this be an acceptable arrangement since you could conceivably have an AOS servicing a Provider or Aggregators phone applying for relief from the $0.25 ceiling and the private payphone operator applying for relief from the $0.25 Cap - both for different reasons. What kind of problems would this present to the Commission?

Assuming that a private payphone operator such as Patricia's Enterprise were to file with the Commission, the cost of such filing together with the preperation and presentation of such data to support the trariffs,filing, and personnal appearences before the Commission would require the hiring of professionally qualified people in that type of work. These services don't come cheap. And the burden of these additional costs could make the difference between profit and loss.

(4) 1-800,10-XXXX-0 AND 950 CALLS

The proposed revised rules now appear to recognize the right for Payphone Opertors to be compensated for access to local exchanges, 1-800, 10-XXXX-0 and 950 calls by the user. This is certainly a step in the right direction and the Commission is to be commended for their forsight. We doubt, however, that the $0.25 revenue received from such calls would significantly offset the loss of surcharge revenue by placing $0.25 Cap and

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all surcharges. We would expect that the revenues received from this change would result in approxmatly $50.00 to $100.00 per month of additional revenues for our 13 phones which would hardly offset the amount lost by the surcharge ceiling.* We suspect that many of these types of calls would be placed on the user's homephone since they fall in the category of "planned" calls and are not extemporarious like most other calls placed on public payphones. We would estimate 3 such calls per week per payphone as an average.

However, like Intellicall we do not beleive the user would be willing to pay for such calls and may take out his ire in some form of vandalism that would more them offset any gains in revenue as it relates to "NOT SENT" CALLS and 1-800-calls (maybe). The suggestion of Intellical that the Commission require IXC's to compensate paytelephone operators is worth considering.

(5) COMPETITION

When we first became involved in the payphone business we found ourselves in competion with US West, TU of Wa and GTE. We lost the opportunity in 1987 to install 5 public payphones with one company became we could not convince GTE to install a PAL at one of the five sites which was the most important to the site owner. GTE has a reputation of making it very difficult for any private payphone operator to obtain a PAL in the area they serve. It is our understanding that

* Surcharge revenue lost could exceed gains. See Addendum 2.

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in the event that a private payphone operator is successful in obtaining a PAL in the GTE area he is likely to wake up the next morning an find a GTE public payphone installed accross the street etc. Their rates for PAL's, I am told are the highest in the industry.

US West on the other hand appeared to be quite cooperative, even when a private payphone operator took over their phones. Initially we got the feeling that US West wanted to get out of the business of operating public payphones and wanted to concentrate their effort and resources on supplying and servicing PAL's and callecting the base rates on the $0.06 surcharge on each call. It is our understanding after talking to various site owners who had US West phones on their sites that the commissions paid to site owners were a "disgrace" and in the best case amounted to 15% of box revenues only. That is no longer true. It is our understanding that US West is now offering 30% commissions to site owners including commission on all toll charge calls. We have had several of our site owners who have told us that they were approached on more than one occasion recently by US West representatives who tried to find out what we were paying for compensation and offering to do better. There is now apparently a change in Policy by US West who is really going after the public payphone business.

Thirty percent commission is more than we can offord to pay. That becomes obvious when you evaluate Addendums 2 & 3.

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In our present billing arrangment we pay US West a flat base monthly fee plus $0.06 on each call placed plus $0.25 charge on all directory assistance calls exceeding 3 per month. I doubt whether US West is incurring the same charge for the PAL usage on their coin operated public telephones. With the cross subsidation which we know exists in their rate structure we are extremly concerned that no special adventages he given US West or others directly or indirectly in order for us to compete.

It would seen to us that the equal access requirement, which would require users to access LD carriers of their choice at no charge is a twofold sward; First it reduces phone revenues and secondly it permits a windfall to the LEC and LD carrier. We presume that the LEC receives some portion of the toll charges for transmissions over long distance lines in which the long distance call originates with them or in which a toll call is transmitted over any portion of ther lines.

We are not sure on how this all works, but it would appear that there could be a "conflict of interest" with respect to US West, GTE, TU of Wa, etc providing PAL's to private payphone operators and operating public payphones themselves. And that potential conflict ought to tbe careful considered as these rules are adopted.

Once the big three, US West, GTE, and AT&T have established

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complete control of the public payphone industry all competion will be stifled. Private payphone operators, by and large cannot afford to compete against the big three, and the impact on the consumer could be serious. These companies can further afford cut throat competition since they are partially subsedized and their accounting systems so complex and massive that they can move accounts around concealing costs and allocation in a way which most benefits their objectives and it would take a team of "Philedelphia Lawyers" familiar with their accounting systems to figure out what they have done.

One thought relating to competion and in fairness to the private payphone operator would be for the commission to require the regional telephone companies like US West, GTE, TU of Wa, etc to pay the COPT's or Aggregators a specified percentage of all toll calls placed from private payphone equipment. (They are already paying this to some of the site owners where their payphones are located). This percentage amount could be taken into consideration when they negotiate their tariffs.

The same applies to the surcharges. The local Regional telephone company could administer surcharges as well as an OSP and the surcharge max established during tariff negtiations collected and billed to the consumer, and the amount remitted monthly to the payphone owner/opertor by the Regional Company. This would resolve the problem of customer abuse since the surcharge rate would be negotiated with the Commission and

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the public would be protected against over zealousness or greed on the part of the payphone owner. The main consideration here of course would be a "fair" surcharge which would return together with other phone revenues an amount that would permit a well managed operation to achieve its expenses (all items considered) and a reasonable profit and return on investment (ROI).

(6) BRANDING AND NOTICING

We will not address in detail the issues in "branding" since we are not involved in this aspect. However, we would like to note that "branding" can work to the disadvantage of the payphone operator depending on the content of the verbal message, which could imply or alert the user that any operator, or AOS other than the biggies: "US West, AT&T, GTE, SPRINT, MCI, etc might give the consumer less for their money by using a phone that is not owned, or at least serviced by the foregoing companies. The smae would apply to the notices which specify specific wording. We can expect that a customer walking up to one of our phones who doesn't really care which LD Carrier services the phone and is not concerned with cost who now, due to the notices and branding, becomes concerned and feels frustrated and feels more or less forced to go through the procedure of verification thru price quotation. This could take time, result in delays, further confusion and frustrate the user to a point where he departs the equipment to look

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for a US West or an AT&T phone because he/she is used to the name and feels more comfortable about using "them" without going thru the verification process. The thought being, "heck AT&T or US West are big time operators and won't skin me" - particularly if they have recently seen an ad on TV that day or the night before where AT&T makes out like they are the only dependable/reliable company and any one else will not give the user good service at a fair price.

Again with the notices, the words used could also biais the user. If specific language is to be thrust upon us then that language must be vey carefully chosen to eliminate any possibility of providing a message to the user which may biais the user's choice.

Our biggest concern with notices, that too many may be required to meet the Commission's proposed rules and in addition to resulting in some confusion to the customer there will not be enough room to post all the rules required by the PUC.

We respectfully suggest that the Commission consider the points made in the March 5, 1991 brief of Intellicall as well as their suggestions.

(7) TAXES

In Addendum 1 page 1 we have tried to illustrate the average

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cost to maintain one phone and compared that with the average revenue received from its operation. In Addendums 2 & 3 we have provided financial data relative to CY 1990 based on 13 operational phones to permit the commission to evaluate the impact of the proposed rules on the economic viability of "small business" payphone operation. But no where have we disscused the impact of "taxes" and its impact. When I mentioned to one of your staff recently that we were required to pay municipal taxes at the rate of 7.3% on all my phone revenues collection in Seattle, and 6.4% on all phone revenues collected in the city of Tacoma he seemed quite surprised.

We have ben subjected to Fedral, City, State, County taxes and licenses. The application of B&O taxes levied by the State is pretty well know to all of us. Yet there appears to be some ambiguity with some of the State personnel with respect to sales and other taxes due on box revenues levied by the State and other municipalities. We did request a written clarification from Olympia on the sales tax subject in 1986/1987 and were informed that "no" sales tax was due to the state on "box revenues" and since surcharges received were on credit card or collect calls which are billed to the user "no" sales tax was required to be paid by the payphone operator revenues received therefrom. Yet in 1991 in discussions with the state tax office in Renton relating to 1990 B&O and sales tax the question of salestax on box revenues was brought up again as a matter of concern by the tax people who claim the regulations

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governing box revenues (public telephone revenues) are ambigious and subject to conflicting interpretations. Since we have not paid sales taxes to the state on box revenues and a question exists we are in jeprody that the state could come back at us at some time in the future and claim back taxes including penalties. Could this matter be cleared up as part of the proposed rules? If we are subject to state sales tax at the current rate that alone could drive many of us into the red and add to the disaster caused by a $0.25 ceiling on surcharges. It would also make the fiction of a $0.25 telephone call as a "reasonable charge" in todays times a fantasy.

With respect to county excise taxes on personal property, taxes are levied in each county in which pay telephones are operated and must be considered in the operational cost. We do not know specifically at this time what these taxes are so was unable to compute the effect on the data presented herein.

With respect to municipal taxes here we run into a real Pandora's box. Most municipalities require licensing of the payphones. (Some on an individual phone basis - with a seperate increment of license fee added for each unit on top of the basic fee.) Some require payment of a basic fee only, others require a small adminstrative charge with a percentage on gross revenues to be paid monthly. Others require a basic annual fee, with a percentage paid quarterly with a minum payment. Others require a basic fee plus a percentage of gross revenues

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monthly from which the basic fee can be dedcted. Most are on a calender year basis. Some are on other then a calender year basis such as Seattle. Most municipalities require a sales liciense and the percentage of gross is applied based on a regular sales basis. Others such as Tacoma charges a monthly utility tax rate on gross revenues which is comparable to a state sales tax. Seattle requires a basic utility license of which the basic annual fee is higher than the normal sales license annual basic fee. They also charge a monthly tax rate on all revenues which is comperable to a sales tax and a little highter then Tacoma 7.3% versus 6.8%.

Then of course there are the Fedral taxes and the special charges which are included in each telephone bill for each PAL.

All of these taxes and license fees in addition to their ambiguity add up to a pretty significent sum or element of cost at the end of the year and thses costs much come out of the $0.25 we collect one at a time. When you add the $0.06 per call paid to US West = to 24% the 20% commission to site owner 13.5% for repair, maintenance and housekeeping and lets say: 7.3% and 6.64% for taxes and 14.4% for depreciation these all add up to 85.7%. 85.7% of $0.25 = $0.214* leaving $0.036 of the quarter to pay for all other costs eg: milage, sundries, ROI, exclusive of our time. Recognizing that when you get down to this level of accounting it is difficult to be perfectly precise without a lot more effort and probably covering a much

* See next page.

long er period of time since some ofthe costs of operation have a tendency to move around and (some costs being pushed into the next calender year) such as taxes paid in 1990 do not cocer a full year of 13 phone operational date (some are extrapolations in the 1990/1991 time fram. But the figures are close enough to demonstrate the margin of profit and just how drastic, over a small reduction in the surcharge rate or conversly an increase in expense will impact to the private payphone industry. A combination fo both spell disaster. (For computations see Addendums 5 & 6 hereto.)

The cost of taxes is difficult to quantify and the computati set forth thru out are understated.

(8) CONCLUSION

(a) EQUAL ACCESS - We are <u>not opposed</u> to providing equal access at each payphone station: (1) so long as we can retain on OSP which will handle and process all interchange calls with out requiring the payphone operator to pay an additional service charge for such administration; (2) so long as the payphone owner is compensated fairly for the use of his/her equipment whether thru a reasonable surcharge or by a percentage of the toll charge.

(b) NOTICES AND BRANDING - We are <u>not oppered</u> to the notices and branding requied by the proposed ground rules so long as such branding and notices do not contain a direct or implied message which would biais the consumer and encourage the user to use US West, GTE, or other regional or long distance carriers in lieu of the carrier assigned to the payphone station and so long as the OSP's LEC's etc are willing to implement the branding. The foregoing applies also to notices except that in the case of "notices" consideration should be given to space and a payphone owner should not be required to install a seperate bulletin board or other device to display such notices. Also some thought must be given with respect to enforcement and penalties since users (not only juviniles) seem to experiance extreme pleasure out of removing motices; and trying to keep up with replacement of these notices is very time consuming, and expensive. We suggest maybe a period of 45 days elapse time be allowable before a penalty is applied since notices can be replaced in due course each time the box revenues are collected usually on a average of once per month or more frequently if the phone has to be serviced for other reasons.

(c) WAC 480-120-138 DIRECTORY ASSISTANCE CALLS - We see no problem with the amended language as written but refer the Commission to Intertellecall's brief of March 5, 1991.

(d) WAC 480-120-138 (4) 1-800, 950 and 10-XXXX-0 CALLS - This reflects a positive step foward; however, we do not see this as a source of significant revenue to payphone operators. We would expect the revenue on this to be based on an average of 5-6 calls per month per station. We do, however, share

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some of the concerns addressed by Intellecall in their brief of March 5, 199.

(e) 10-XXXX-0/FRAUD - We are also extremely concerned with this problem and probable exposure; one of the expenses that cannot be quantified and computed in the data discussed and presented throughtout this response. At the present time we have blocked off these numbers to avoid the consequences of fraudulent usage. But this is not the solution. See Intellecall's comments on page 11 of their March 5, 1991 brief.

(f) WAC 480-120-141 COMPLIANCE WITH TARIFF - We beleive it is a good idea for the AOS to ensure compliance with the regulations so long as their is established some workable procedure which permits the AOS's customer - The Aggregator - to challenge the AOS's decesion in the event of arbitrary, unsubstantiated, or unjustifiable decisions by the AOS which would shut down an Aggregator's operation of a specific payphone station. The reason for this position is due to a large number of small payphone operators - Aggregators - who do not keep up with changes in the regulations or who are unable or unwilling to take the time to interpret and implement the mandated changes A disciplin is necessary!

(g) SURCHARGE CAP OF $0.25 - We are very opposed to a ceiling or cap on surcharges below $1.00. The significance of such a limitation even at a $0.75 cap is devestating and would

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result in placing most, if not all, private payphone operators in a non profit position with continuing obligations due to contracts with site owner which go on long after the current year expires. The result would mean a continuing operational loss until the contract period between operater and site owner expires, plus the almost 100 loss of value of the assets and investment and of the time expended by the payphone owner. With respect to srucharges, we have not experienced any specific complaints from any of our customers on this subject although we have had complaints on many other subjects and problems.

If a cap on sucharges is mandatory then it should not be set at lower than $1.00. Alternatively, if the Commission beleives that a lower ceiling on surcharges be adopted due to public pressure the consideration should be given to other devices or alternatives sources of revenues which could be made aavailable to offset the short fall caused by the reduced surcharge. Alternatives being:

* Increase in the rate charged for local calls.
* Compensation to Payphone Operators by Regional Telephone Companies, Long Distance Carriers, AOS's for any and all calls originating on payphone operators equipment whether they be toll call, long distance calls, interntional calls, intercharge access calls, etc.

Rates for surcharges, commissions on calls origination

* A combination of the above.

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on private payphone equipment chould be specifically set forth in the regulations and subject to negotiation in tariff rate negotiations with the central OSP's, AOS's, LEC's, Long Distance Carriers, etc with provisions to permit the private payphone operators to challenge the rates on an exception basis where their interests may not be fairly represented by the "rate makers". This last measure is important to protect the "Aggregators" ability to earn a fair return on their investment without placing an undue burden upon the Commission or Regulating body.

Payments of commissions etc to payphone operators should be centralized in either the central AOS or Regional Telephone Company who bills the customer and should specify the schedule and means of payment.

(h) SMALL BUSINESS IMPACT STATEMENT - We concur in general with the trend reflected in the SB impact statement, Table 1 of the Jan revision to the proposed rules particularly with the fact that the impact of the proposed changes has a much greater economic impact on Small COPTS thenlarger COPT's, OSP's, LEC's et at. This would also support my concern with regard to an unjustifiable windfall benefit to LEC's who deserve it least.

(I) COMPETITION - AT&T has recently inaugureated an intensive program of advertising which we beleive goes way beyond the

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borders of ethical and moral pracitices. The message in this advertising indicates to users of private payphones that the service and charges afford at the private payphone station are inferior to, and much more expensive than those afforded by AT&T, and directs the user to call 10-XXXX-0 in order to obatin quality service at a cheaper price. There is no way that the private payphone operators can afford to counter this kind of heavy advertising through the accumulation of quarters (box revenues). When adding this to the intensive campaign of US West to acquire more telephone sites and ween site owner away from private payphone operators by offering much higher commission including commissions on all toll and long distance calls, it isn't helping the revenue situation for private payphone operators.

If this kind of advertising can be stopped by regulation as falling within "unfair" competition it would not only help the small COPT but in the long run may proove to be a blessing for the consumer, who may in time face a state monopoly in the public payphone industry.

We further beleive that this impact on small COPT's is greater than the 18.5% reflected therein and is probably closer to 25 - 30% and more in line with the study made by Intellecall as set forth in their March 5 brief. This data would have a lot more significance, however, if it evaluated also the cost of operation and established a base cost for purposes

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of better understanding and significance of the data and trends sit forth in that table. Also the income level portrayed was higher then the normal revenues that can be expected from 15 public payphones.

We have made a very determined and exhaustive effort to portray the data in our brief using different approaches all based on extensive "real time" data. In order to provide the commission a clear cut picture of the impact of the proposed rules on small payphone operators. We hope these data will be helpful to the Commission in making it's final determination regarding these matters without destroying the small payphone operator's.

Respectfully submitted
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Attachments & Enclosures:
Attachment 1 - Explanation of Addendums
Attachment 2 - AT&T competion and its impact
Enclosures Addendums 1-7