Arizona Payphone Association ("APA") hereby files comments in this docket specifically related to the discrete issue concerning the basis and structure of Arizona Universal Service Fund ("AUSF") contributions and surcharges as proposed by Arizona Corporation Commission Staff ("Staff").

The Direct Testimony of Staff Witness Wilfred Shand recommends that the methodology to collect the AUSF surcharge be changed and now assessed on jurisdictional retail revenues rather than the current methodology whereby the Arizona Corporation Commission ("Commission") assesses the AUSF surcharge on intrastate long distance revenues and on interconnection trunks. See Direct Testimony of Wilfred Shand, page 30, Question 11, lines 17-24. Staff also now recommends that AUSF contributions come from all sectors of the industry, Id. at page 12, lines 2-6. While the APA does not take a position on how to assess the AUSF...
surcharge, APA is requesting that payphone providers’ status remain the same so that payphone providers are not required to contribute to the AUSF.

Currently, under the existing AUSF rules, payphone providers do not pay an AUSF surcharge. This practice should continue, regardless of whether the surcharge is based on intrastate long distance revenues and interconnection trunks or jurisdictional retail revenues. Payphone providers are customers of local exchange carriers (“LECs”) and pay tariffed rates to LECs. The LECs are providing a service to payphone providers which have been deemed to cover their costs and provide a reasonable return on their investment. Additionally, many payphone providers are competing with LECs in rural areas or where there are poor or non-coverage cell phone areas (usually in rural areas). LECs serving in competing areas are often receiving AUSF support or in the future may be able to receive such support. Requiring payphone providers to contribute to the AUSF is not equitable; the AUSF system should continue as it is today whereby payphone providers do not pay into the AUSF.

Additionally, APA considers payphone providers to be in a unique situation compared to other telecommunication service providers. Arizona payphone providers provide public safety, information, and communication for all Arizonans. Customer-owned pay telephone (COPT) providers are defined as entities authorized by the Commission to provide public pay telephone service to end-users. A.A.C. R14-2-901(3). The key word in the prior sentence is “public.” While many of us may not regularly use payphones like we once did, Arizonans continue to rely on payphones for their public safety and communication needs. Our rural, Native American and disadvantaged communities use payphones to meet their daily communication needs and to overcome poor cell phone coverage in the remote areas of our state. However, payphones also
provide a critical safety net to all Arizonans in times of emergency. It serves the economically disadvantaged and is a key communications tool in our poor and homeless communities. Payphones have proven themselves to be a public service necessity during terrorist attacks, 9/11, Katrina, fires, floods and earthquakes when cell phone service was disabled by equipment failure or overwhelmed by call volume.

Payphones are also an option for roadside emergencies for motorists needing assistance for family or from emergency responders and is an option in emergencies as a reliable communication system in response to assaults and accidents. Unfortunately, the payphone industry has experienced dramatic declines in recent years and this public service risks further deterioration. Today, the APA and its members find it necessary to approach the Commission in hopes of working together to preserve a system of payphones and the public services they provide.

Payphones are not part of the AUSF funding mechanism today, and APA respectfully requests that the Commission continue the status quo. Payphones would generate a miniscule amount of revenue for the AUSF with less than an estimated 9,000 payphones in Arizona as of December 2009, a decrease of close to 50% in the number of payphones in the last 3 years. If payphones have to fund AUSF, APA expects the numbers to drop even more dramatically.

Additionally, APA asks the Commission to bear in mind that the payphone industry is competing against the very same rural LECs that will receive AUSF funds and may be asked to put monies into the very same fund that LECS will withdraw from to help keep LECS in business to serve the very same rural communities that payphones serve. As the payphone industry does not have much in the way of cost cutting ability or the ability to pass on an increase in
expense, if payphones have to absorb an AUSF surcharge, payphones may become a thing of the past. As payphones are already the true source of universal service, APA urges the Commission to keep payphones exempt from the AUSF for the above mentioned reasons.

RESPECTFULLY submitted this ___ day of February, 2010.

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