

PRISON POLICY INITIATIVE

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July 5, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Ms. Dortch,

In response to the Wireline Competition Bureau's recent request for additional information on fees related to inmate calling services¹, I write to highlight our previous submission and one of its exhibits. Our May report, "Please Deposit All of Your Money: Kickbacks, Rates, and Hidden Fees in the Jail Phone Industry," reviewed deposit, account, refund and many other fees for 11 companies in the industry.²

You may find helpful Table 3's discussion of the various deposit fees, Table 4's list of refund fees, and Table 5's list of tariff-disclosed fees, and we wish to draw your attention to Exhibit 48, which is re-attached to this letter. Exhibit 48 presents a chart of the account fees charged by 10 of the companies in the prison and jail telephone industry. Our exhibit includes the "justifications" for each fee in the companies' own words.³

We assembled this chart by reviewing the companies' tariffs and websites to glean the companies' claims justifying the various fees. For example, according to its interstate tariff, NCIC charges a "Billing Cost Recovery Fee" of \$2.95/month "in order to partially offset increased expenses associated with billing calls via local exchange carriers."⁴

¹ Public Notice "More Data Sought on Extra Fees Levied on Inmate Calling Services" for WC Docket No. 12-375 published on June 26, 2013.

² Prison Policy Initiative, *Comment*, In re Rates for Interstate Inmate Calling Services, Before the Federal Communications Commission, WC Docket No. 12-375, submitted May 9, 2013, available at <http://apps.fcc.gov/ecfs/comment/view?id=6017338922>

³ In most cases, the justification is paraphrased from their tariff filings, and in some cases from their website. All source materials are cited referencing the original materials collected as exhibits in the report. The report, and full exhibits can be found in our May 9 submission to the FCC or at <http://www.prisonpolicy.org/phones/>

⁴ We are aware of only one significant change in the fees listed in Exhibit 48 since our report was released in May. As I discuss in my blog post, "Our Report Leads Two Phone Companies to Clarify & Improve Policies," NCIC has reduced its account maintenance fee and significantly increased the amount

Many of these “justifications” raise questions about their legitimacy. For example, many of the fees with government-sounding names may not in fact be paid to the government. (See e.g. the section “Collecting fees under the guise of taxes” on pages 10-13 of the report, and in particular our analysis of Telmate’s use of “taxes” to pad out deposit fees on pages 11-13.) Additionally, as we discuss in our report, many of the fees are clearly arbitrary.

Fees like the examples in our Exhibit have an enormous impact on prison phone bills. Our research found that 38% of the \$1 billion annual price of calling home is made up of fees alone. Our report details how prison telephone companies charge fees at every step of the way for “services” such as:

- accepting customers’ money (deposit fees of up to \$10/deposit)
- holding on to customers’ money (monthly account fees as high as \$12)
- closing customers’ accounts (refund fees of up to \$10)

And, as we explain in our report, these hidden fees are so complex and misleading that it is not even clear that the prisons and jails are aware that the companies are using fees to hide income from the commission system.

We urge you to craft regulation that both controls calling rates and bans exploitative fees in the prison phone industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Wagner', with a stylized flourish at the end.

Peter Wagner
Executive Director

EXHIBIT 48

Memo - Phone Fees and Justifications

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To: Peter Wagner, Executive Director
From: Aleks Kajstura, Legal Director
Date: April 19, 2013
Re: Prison Phone company justifications for the fees charges

Question presented

What justifications are offered by the prison phone companies for the various fees charged?

Answer

I reviewed the tariffs of the companies and in some cases their websites to find any available explanation for the various fees charged. Each table row below contains the actual and complete quote of that company's explanation:

Company	Fee	Justification	Source
AmTel	LEC Billing Cost Recovery Fee	Partial offset of expenses with billing calls through local exchange carriers.	Exhibit 34, Original Page 33
	Direct Billing Cost Recovery Fee	Partial offset of expenses with billing calls through local exchange carriers.	Exhibit 34, Original Page 33
	Printed Statement Fee	<i>No justification provided</i>	Exhibit 34, Original Page 32

Company	Fee	Justification	Source
Global Tel* Link	Federal Regularity Cost Recovery Fee	To partially recover expenses incurred with regard to interstate and international regulatory costs and taxes. This includes, but is not limited to, such items as expenses associated with billing, collecting and remitting federal USF, the national fund for TRS, local number portability, federal regulatory fees, expenses for federal regulatory proceedings and compliance, portions of local and state property taxes associated with interstate and international calling and other non-income-tax related tax costs associated with interstate and international calling.	Exhibit 35, 3 rd Revised Page 18.1
	Public Telephone Surcharge	In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard RTCed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company's service and is unrelated to the service accessed from the pay telephone.	Exhibit 35, Original Page 10
	Single Bill Fee	This fee will be charged only once per billing period regardless of the number of calls accepted.	Exhibit 35, 3 rd Revised Page 18
	Validation Surcharge	The Validation Surcharge is applied to recover revenue lost due to the difficulty of rating calls and the cost of verifying the geographic location of the called party for security purposes pursuant to Correctional Institution contracts.	Exhibit 35, 3 rd Revised Page 18.1

Company	Fee	Justification	Source
ICSolutions	Bill Statement Fee	In order to partially offset increased expenses associated with billing calls via local exchange carriers, a bill statement fee may apply each billing period in which local or long distance collect calls are billed through a Customer's local exchange carrier.	Exhibit 36, Original Page 21.1
	Federal Cost Recovery Surcharge	To partially recover expenses incurred with regard to interstate and international regulatory costs and taxes. This includes, but is not limited to, such items as expenses associated with billing, collecting and remitting federal USF, the national fund for TRS, national number portability, federal regulatory fees, expenses for federal regulatory proceedings and compliance, portions of local and state property taxes associated with interstate and international calling and other non-income-tax related tax costs associated with interstate and international calling.	Exhibit 36, 4 th Revised Page 13

Company	Fee	Justification	Source
Infinity Networks	Public Telephone Surcharge	In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard tariffed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company's service and is unrelated to the service accessed from the pay telephone.	Exhibit 37, Original Page 12
	Single Bill Statement Fee	This fee is for the purpose of offsetting Company's billing and regulatory expenses associated with the services offered.	Exhibit 37, 1 st Revised Page 32
	Regulatory Assessment Fee	This fee is assessed to recover expenses the Company incurs with regard to state compliance requirements. This fee is not a tax or charge imposed or required by any government entity.	Exhibit 37, 1 st Revised Page 32
	Wireless Administration Fee	No justification provided	Exhibit 38

Company	Fee	Justification	Source
Lattice	Bill Statement Fee	In order to partially offset increased expenses associated with billing calls via local exchange carriers, a billing cost recovery fee will apply each billing period in which local or long distance collect calls are billed through a Customer's local exchange carrier or directly by the Company.	Exhibit 39, 1 st Revised Page 18
	Federal Cost Recovery Surcharge	To partially recover expenses incurred with regard to interstate and international regulatory costs and taxes. This includes, but is not limited to, such items as expenses associated with billing, collecting and remitting federal USF, the national fund for TRS, national number portability, federal regulatory fees, expenses for federal regulatory proceedings and compliance, portions of local and state property taxes associated with interstate and international calling and other non-income-tax related tax costs associated with interstate and international calling.	Exhibit 39, 1 st Revised Page 18

Company	Fee	Justification	Source
Legacy	Bill Statement Fee	This fee will be assessed when the Company bills for its services on the Customer's local telephone bill.	Exhibit 40, Original Page 43
	Carrier Cost Recovery Fee	To recover certain costs associated with providing intrastate local exchange service including expenses for national regulatory fees and programs, and connection and account servicing charges. This fee is not a tax or charge required by the government.	Exhibit 40, 1 st Revised Page 44, Original Page 17 - 1 st Revised Page 42.2
	Network infrastructure Fee	To recover various costs of network development and maintenance, regulatory oversight proceedings and compliance, fraud monitoring, account provisioning and maintenance and other costs incurred by the company in the provision of interstate telecommunications services. This fee is not a government mandated tax or surcharge.	Exhibit 40, 1 st Revised Page 44
	Non Subscriber Fee	No justification provided	Exhibit 40, Original Page 43, Original Page 17 - 1 st Revised Page 42.2
	Payphone Surcharge	In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), a per call charge may apply to interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company's service and is unrelated to the service accessed from the pay telephone.	Exhibit 40, Original Page 11
	Premise Impose Fee	No justification provided	Exhibit 40, Original Page 21
	Prepaid Wireless Fee	No justification provided	Exhibit 40, 1 st Revised Page 44
	Regulatory Compliance Fee	This fee is utilized to recover expenses the company incurs with regard to state compliance activities. This fee is not a tax or charge imposed or required by any government entity.	Exhibit 40, Original Page 43

Company	Fee	Justification	Source
NCIC	Account Maintenance Fee	A prepaid collect account is deactivated when no customer initiated activity occurs within 30 days following the last customer-initiated transaction. After 30 days of inactivity, a monthly Account Maintenance Fee may be applied to the prepaid collect account. The monthly fee is \$10.00 or the remainder of the balance in the account, whichever is smaller.	Exhibit 8, 2 nd Revised Page 55
	Billing Cost Recovery Fee	In order to partially offset increased expenses associated with billing calls via local exchange carriers, a billing cost recovery fee may apply each billing period in which local or long distance collect calls are billed through a Customer's local exchange carrier.	Exhibit 8, 2 nd Revised Page 55
	Regulatory Cost Recovery Fee	In order to partially recover expenses incurred with regard to interstate regulatory costs and taxes, such as expenses associated with billing, collecting and remitting federal USF; national TRS and LNP funds, national number portability, federal regulatory fees, expenses for federal regulatory proceedings and compliance, and interstate and international allocations of property and other taxes.	Exhibit 8, 2 nd Revised Page 55
	Federal USF Cost Recovery Fee	To recover expenses associated with billing, collecting and remitting federal USF.	Exhibit 8, 2 nd Original Page 10.1
	Regulatory Assessment Fee	For costs associated with regulatory proceedings and filings, compliance with regulatory orders and mandates, and administration of federally mandated taxes and surcharges.	Exhibit 41

Company	Fee	Justification	Source
Pay Tel	Bill Processing Fee	To recover costs associated with the Company's administration, billing, collection and remittance of various government-mandated fees, surcharges and other amounts associated with the provision of services by the Company. No fee will be assessed in any month when there are no collect or prepaid collect calls billed.	Exhibit 42, Original Page 37

Company	Fee	Justification	Source
Securus	Bill Processing Charge	The bill processing charge is a monthly fee to recover some of the Company's billing expenses associated with calls from Confinement Facilities served by the Company.	Exhibit 43, page 2
	Billing Statement Fee	In order to partially offset increased expenses associated with billing calls through local telephone companies, a billing fee may apply each billing period in which local or long distance collect calls are billed to a consumer's local telephone company.	Exhibit 43, page 2
	Federal Regulatory Recovery Fee	No justification provided	Exhibit 43, page 3
	USF Administrative Fee	The Federal Regulatory Recovery Fee helps recover costs associated with the provision of state-to-state and international long distance services including the administration of the federal universal service fund (USF), other federal regulatory fees, proceedings and compliance items.	Exhibit 43, page 3
	Wireless Administration Fee	No justification provided	

Company	Fee	Justification	Source
Telmate	Bill Statement Fee	No justification provided	Exhibit 44, Original Sheet 18
	Carrier Cost Recovery Fee	No justification provided	Exhibit 44, Original Sheet 18
	Regulatory Assessment Fee	No justification provided	Exhibit 44, Original Sheet 18