

EXHIBIT NO.: 10
ISSUE: Certificates for Operator Services
WITNESS: Gary L. Pace
SPONSORING PARTY: Midwest Independent Coin Pay Phone Association
TYPE OF EXHIBIT: Direct Testimony
CASE NO: TA-88-218

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF THE APPLICATION OF)
AMERICAN OPERATOR SERVICES, INC. FOR)
A CERTIFICATE OF SERVICE AUTHORITY) CASE NO.
TO PROVIDE INTRASTATE OPERATOR-) TA-88-218
ASSISTED RESOLD COMMUNICATIONS)
SERVICES AND ALL OTHER CASES CONSOLIDATED)
HEREIN)

AFFIDAVIT OF GARY L. PACE

STATE OF MISSOURI)

ss.

COUNTY OF ST. LOUIS)

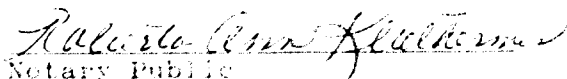
Gary L. Pace, of lawful age, being duly sworn, deposes and states:

1. My name is Gary L. Pace. I am presently President of World Communications, Inc. and the elected President of the Midwest Independent Coin Payphone Association.
2. Attached hereto and made a part hereof for all purposes is my testimony consisting of Pages 1 through 10.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.



Gary L. Pace

Subscribed and sworn to before me this 15th day of August, 1988.



Notary Public

My commission expires: 11-2-91

Exhibit No. 10
Date 9/29/88 Case No. TA-88-218
Reporter DR

DIRECT TESTIMONY OF GARY L. PACE

Q.1 Please state your name, address, and occupation.

A. My name is Gary L. Pace. My business address is 1992 Innerbelt Business Center Drive, St. Louis, Missouri 63114. I am President of World Communications, Inc. and the elected President of the Midwest Independent Coin Payphone Association.

Q.2 Please describe your educational background and experience.

A. I attended the University of Missouri in St. Louis from 1971 thru 1974. My major was Business Administration. Prior to my involvement with World Communications, I was a Directory Representative with Southwestern Bell, and a Division Manager with United Parcel Service.

Q.3 Would you briefly describe the background and history of World Communications, Inc.

A. World Communications was incorporated in Missouri in August, 1986. The express interest of W.C.I. was to become active as a vendor of payphone equipment. World is operating in Illinois, Texas, Georgia and to a small extent, Missouri. The excessively high coin tariffs that exist in Missouri preclude much market penetration by the private payphone sector. World currently manages over 350 payphones.

Q.4 Would you briefly describe the background and history of the Midwest Independent Coin Payphone Association.

A. The M.I.C.P.A. is a non-profit organization founded in December, 1987. The membership is a cross section of users, vendors, manufacturers and other service companies who have interests in the private industry in the Midwest region. The M.I.C.P.A.'s objectives, per its by-laws, are as follows:

- a) to promote and preserve the general welfare of the pay telephone ("payphone") industry and of the individuals and entities that the association serves.
- b) to establish a permanent organization for operators, manufacturers, suppliers, and distributors of payphones in order to foster and maintain fraternal and social relations between them.
- c) to encourage the highest standards of business ethics and to seek, through cooperative efforts

consistent with all applicable laws and the elimination of unfair or improper business methods in the payphone industry.

- d) to encourage state and federal legislation and regulations advantageous to the members of the association and to oppose legislation and regulations which would be detrimental to the members' welfare.
- e) to help increase the profitability of payphone companies by providing needed education, training, and exchange of ideas on operations and industry trends in a manner complying with all applicable laws;

Q.5 What is the purpose of your testimony?

A. The purpose of my testimony, as President of the M.I.C.P.A., is to provide the commission with a consensus of our organizations views regarding the need for competitive operator services.

Q.6 What does the M.I.C.P.A. view as the key issues of operator services?

A. We agree that some of the key issues are: (A) Public Safety; (B) Rate Levels; (C) Billing; (D) Customer Notification; (E) Quality of Service and (F) Complaints. This is an agreement with the NARUC Task Force Report on A.O.S.

However, there are two other main issues we would like to address: (G) competing on a level playing field with the Local Exchange Carriers (LEC's) and AT & T; (H) NARUC's view that every provider of operator services, other than the LEC's and AT & T, is an "AOS" that should be subject to proposed guidelines.

Q.7 What does the M.I.C.P.A. mean by "Level Playing Field"?

A. Level playing field means being able to compete on a non-discriminatory basis, with regulations applying uniformly across the board to all providers of services. This has application to the competitive operator services industry.

Q.8 In general, what function(s) does operator services companies provide for the private payphone industry?

A. The operator services companies basically are willing to share a portion of their revenues with the companies that provide those revenue streams (i.e., private payphone vendors, hotels, etc.) They offer enhanced services, such as conference calling, voice messaging, multi-lingual

operators, operator assisted international calling, and detailing of trouble calls from our pay stations.

Q.9 Before operator services became a reality, what "0+, 0-" revenues were available to the private payphone industry?

A. None, AT & T delayed as long as possible in making available it's commission plan. When publicized, the plan had little impact on the average private vendor of payphones. The plan was geared towards very large accounts, of which only 2 or 3 private companies could qualify. Since that time AT & T has reconstructed their commission program for the private coin industry. However, AT & T has not yet been able to obtain accurate data so that they are paying the proper commissions to the private vendor. It appears they are guessing.

As for Intra Lata revenues, LEC's did not respond. In fact, several Bell Operating Companies (BOC's) began marketing their payphone services by informing location customers that private payphone companies could not provide commissions on "0+,0-" type calls, that only the LEC's could pay on these types of calls. This was held like a noose over our industry's head.

Q.10 Other than the willingness to compensate their private payphone vendors for revenues provided, what other advantages does your industry receive from the operator services companies?

A. Most operator services companies will process trouble calls generated from your payphones. If an end user dials "0" to receive assistance with a trouble call all the proper information is documented and sent to your firm for processing. This is of great importance to our industry. (See Attachment A)

Q.11 In the past, how was this type of call handled?

A. Normally, an end user who would dial "0" to report a problem would obviously get the local exchange operator. The operator would state that "the instrument was not a 'LEC' instrument" and they were unable to assist them with their problem. Almost always, this led to annoyed customers, and on occasion, led to abuses by the LEC operator.

Q.12 Do any LEC's in Missouri compensate location agents for non sent paid traffic generated on public telephones.

A. Yes, United Telephone of Missouri was recently awarded a contract to provide public telephone services at Fort Leonardwood. United's accepted bid was a commission

structure of 22.5% of ALL revenues, including coin and non-coin, Intra Lata and Inter Lata. Southwestern Bell has implemented commission plans in both Texas and Kansas that will pay on non sent paid Intra Lata. It is our opinion, given more competition in Missouri, S.W.B. and other LEC's will institute similar commission schedules.

S.W.B. has signed long term, multi-state payphone contracts with large companies such as Circle K and Quik-Trip. They will be paid on non sent paid Intra Lata ("0+,0-" type calls).

However, until the advent of competition the general rule was that LEC's did not pay commission on Intra-lata non-sent paid.

Q.13 How does the M.I.C.P.A. view the public safety issue?

A. We are greatly concerned about public safety. As providers of the payphones we are at risk too. The M.I.C.P.A. agrees that operator services companies that are not designed to handle emergency calls should not be allowed to accept "0-" traffic. However, companies that are designed to handle these calls should be allowed to do just that, process them through their designed networks.

Additionally, the M.I.C.P.A. believes requiring an operator services company to splash back an emergency call to the "LEC" operator will only delay the processing of the call and confuse an already upset caller.

Q.14 When the LEC's are required by regulation to process all "0-" traffic because of safety concerns, what other potential benefit does the LEC's receive by this decision?

A. Revenues. A substantial portion of collect and third party calls are dialed "0-". The LEC's know by getting "0-" traffic defaulted to them because of "safety" issues, they also recover potential lost revenues.

Q.15 How does the M.I.C.P.A. view it's role in customer notification?

A. We do not want to see our private payphones become billboards! Although some information is appropriate, the M.I.C.P.A. is concerned that the private payphone provider is needlessly being encumbered with Posting requirements that AT & T and the LEC's are not saddled with. Unusual posting requirements has the adverse effect of "flagging" the private phone.

Currently LEC's are selling advertising space on their

payphone instruction labels. S.W.B. is using the lower instruction card to advertise it's calling card and offer the space to potential advertising customers. The private vendor is required to use this space for posting of the following messages:

THIS IS NOT A L.E.C. PAYPHONE
DETAIL TOLL BILLING RECORDS ARE PROVIDED FROM
L.E.C. SHOWING DATE, TIME AND NUMBERS CALLED.
ALTERNATE OPERATOR SERVICES ARE BEING UTILIZED
WHICH COULD RESULT IN HIGHER COST FOR TELEPHONE
SERVICE THAN WHERE AOS ARE NOT EMPLOYED. FOR
COMPLAINTS ON A.O.S. SERVICE DIAL 1-800-XXX-XXXX
PRIVATE VENDORS NAME, ADDRESS AND PHONE NUMBER

Would anyone use a payphone displaying this notice if an alternative was near?! It conveys a very negative connotation. S.W.B. and other LEC's have taken unwarranted advantage of the commissions imposed distinctions between LEC and private payphones. See S.W.B.'s "Phantom of the Opera" advertising campaign (see attachment). This advertisement arrived as a billing insert. Illinois Bell is continually mailing information to customers distinguishing between Illinois Bell phones and "private" phones. The private sector can not win a propaganda war.

- Q.16 Is posting warranted based on the evidence presented in the NARUC report?
- A. In our estimation, no. The number of logged complaints is a minuscule percent of what was processed by these operator services companies. Also, ten (10) of the twenty two (22) "non-regulatory" agencies responding to the survey who provided the data were LEC's. Hardly an unbiased group!
- Q.17 How does the M.I.C.P.A. view the "Complaint Procedure Notification" issue?
- A. Additional posting is unnecessary. If a customer becomes confused at the time he/she is attempting to place a call, by calling the service number on the instruction card (as required by Missouri) the caller can receive verbal instructions. If a complaint arises over billing, the customer can call the 800 number provided on the billing insert. Posting a complaint number on the paystation just for operator service complaints is not practical nor serves any purpose that is not already being addressed.
- Q.18 In what manner should the end user be informed as to what carrier they have gained access to?

A. The end user is informed of what carrier they have accessed via a recorded message. Most of the operator services providers do not simulate the "bong" tone. Instead, there is a message which directs users of the service. At some point in this process, the user is informed of what carrier they have accessed. Some companies recite this message on 2 occasions throughout the processing of the call. This should suffice, especially if rates are within proposed guidelines.

Q.19 Are transient users entitled to rate information upon request?

A. In our opinion yes. Any caller, regardless of what carrier they access, should be afforded this information. This should be in a verbal form. However, M.I.C.P.A. opposes the posting of rate information on our phones. We are unsure as how to accomplish posting rate information in a simple enough manner that would be informational and useful. Again, the private industry should not be saddled with cumbersome posting regulations that do not apply to AT & T and the LEC's.

Q.20 How does the M.I.C.P.A. view the rate levels that are applied by the operator service companies.

A. We advocate rates that are reasonable. First off, the M.I.C.P.A. has already seen what competition and public pressures can do to rates. Almost all operator services companies have responded to public pressure by lowering their rate schedules. Secondly, high rates mean unhappy end users which mean no repeat customers to our pay stations.

But basic business principles are applicable here. If operator services companies pay substantially higher billing, collection, and validation rates than AT & T, the economics of the situation dictate that their cost will be higher than AT & T's. They will be hard pressed to operate at AT & T type rates. Again, it goes back to the concept of competing on a level playing field. The members of the M.I.C.P.A. face this dilemma constantly.

If the billing, collection and validation rates were tariffed and provided to all carriers on an equal, non-discriminatory basis, competitive pricing practices would result. The marketplace will not allow them to do otherwise.

Q.21 Does M.I.C.P.A. support Certification of operator services companies?

A. The M.I.C.P.A. supports the certification process. However there is not a rational basis for treating these providers differently than other traditional certified carriers. The M.I.C.P.A. disagrees with the NARUC report this distinction is necessary because users of the operator services are captive, therefore more regulations are required. As owners/operators of payphones utilizing operator services, we allow access to other carriers through 950-xxxx and 800-xxx-xxxx. The public demands this access, and the location owners will not suffer their complaints.

The M.I.C.P.A. views "certification" as a process to ensure that the company applying for certification can perform in a fiscal and managerial manner that will not be injurious to the public.

Q.22 How does the "freedom of choice" access concept affect the private payphone industry.

A. It will probably have a negative impact on our industry, while benefitting AT & T and the LEC's. When an end user requests a LEC operator, the operator services company has incurred cost, and recovered zero revenues. The private payphone provider has incurred cost (equipment and line access charges) but recovered zero revenues. The LEC, by being the entrenched monopoly, or AT & T, the dominant carrier, received revenues with only incurring transmission cost, not access cost. These revenues ultimately become a resource that is used to compete against our industry - a perfect Catch 22. If freedom of access choice is mandated, then commissions should flow back to the provider of these revenues (hotels, motels, and private payphone companies, etc.) After all, is this not the same relationship that has been in place between AT & T and the LEC's. How else does Illinois Bell pay commissions of \$.03 a minute for Inter lata non-sent paid calls on calls generated from Illinois Bell pay phones? How else is United going to pay commissions to Fort Leonardwood on Inter lata calls?

Again, the concept of "a level playing field" is an issue that needs to be addressed. We are looking for a two-way street.

Q.23 How does the "quality of service" issue affect the private payphone industry?

A. Quality is paramount for ourselves and our customers. Hotels, motels, hospitals, universities and private payphone vendors can not tolerate inferior service; our customers will not tolerate it. Quality is an issue, but competition has already solved the majority of these problems.

Q.24 How much of the revenues generated from pay stations are of the non-sent paid nature ("0+,0-" type calls)?

A. A tremendous amount of the revenues generated from payphones are from "0+,0-" type calls. This figure will vary by location. But a review of a report provided by S.W.B. to the Kansas Commission showed the following. From Page 111 A-B. Number of company coin lines in place as of September 30, 1986.

Public	11849
<u>Semi-Public</u>	<u>4247</u>
Total	16096

From Page IV-A Local message sent - paid 10/85 to 9/86

Public	\$7,770,765.00
<u>Semi-Public</u>	<u>\$1,272,305.00</u>
Total	\$9,043,070.00

(See attachment C.)

Without trying to play economist, simple arithmetic suggests average monthly local coin revenues for S.W.B. paystations in Kansas was \$46.82. We were shocked at how low the coin revenues were on S.W.B.'s pay phones and conveyed this to this Kansas Commission. In response to this conclusion, S.W.B. wrote the Kansas Commission stating "It is sufficient response to say that placement decisions for S.W.B.T. public telephones encompass many factors, some of which include potential revenues (sent-paid and non sent-paid local and intralata long distance), geographic location, visibility, current penetration level, etc." In this response S.W.B. identifies that non sent-paid local and intra lata revenues are very much in consideration when making "placement decisions". We would estimate that non-coin revenues double coin revenues in the above scenario.

Q.25 Why are you using coin revenue figures from another state?

A. These figures for Kansas were the most current and readily available. The M.I.C.P.A. only uses this illustration to show that non-coin revenues are also of vital importance to the LEC's.

Q.26 What conclusion should be made from the above analysis?

A. That non-coin revenues are essential for association members, the private providers, to be profitable as private

payphone vendors and therefore provide the benefits of competition to the public.

Q.27 In what manner has the advent of operator services benefited the public?

A. They have been responsible for the creation of new technologies and have increased public access to more public payphones. In the past, AT & T had little or no incentive to improve its own operator services. With the advent of competition we now see AT & T creating new programs and improving technology to meet the threat of competition and revenue erosion.

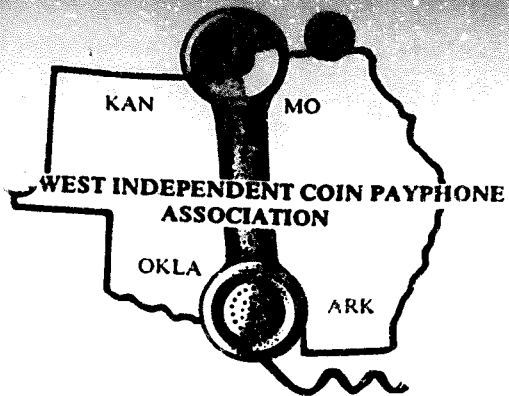
The LEC's have addressed competition by increasing commissions to location owners. RBOC's are currently testing a new technology, "voice messaging", a response to competition. Before competition, technology in the payphone division of the LEC's had come to a complete stand still. Now everyone views the public payphone as an information terminal. Who or what is responsible for this transition? Competitive Operator Services! (The competition and revenues they provide.)

In states where viable coin tariffs exist for the private vendor there is an additional public benefit, more coin phones in operation. In an audit of the phones managed by World Communications, over 18% are new locations. However this benefit has not been realized in Missouri, but could be realized if coin tariffs were based on cost of service provided, as in Texas, a S.W.B. state.

If a level playing field is created in all aspects of the operator services industry and the private payphone industry, continued evolution and advancement of technology is a given, price regression is a definite possibility. But without the threat of competition, the entrenched monopolies have little or no reason to deviate from the status quo.

Q.28 Does this conclude your testimony?

A. Yes.



MEMBERSHIP ROSTER

THE PHONE CONNECTION
KEITH BOLLER
808 N. WASHINGTON
JUNCTION CITY, KS 66441
(913) 663-4444

PAYCOM
MIKE THAYER
906 EAST 31ST
HUTCHINSON, KS 67502
(316) 663-4767

PSR TELECOMMUNICATIONS, INC.
PAUL ROSSLAN
RT. 1, BOX 328
CENTERTOWN, MO 65023
(314) 584-9208

WORLD COMMUNICATIONS, INC.
GARY PACE
1992 INNERBELT BUSINESS CTR.
ST. LOUIS, MO 63114
(314) 429-5557

FORTEC, INC.
JACK OLSON
W226 N825 EASTMOUND DR.
WAUKESHA, WISC. 53186
(414) 544-4300

PIERSON, BALL & DOWD
JUDITH ST. LEDGER ROTY
1200 18TH STREET
WASHINGTON, D.C. 20036
(202) 457-8656

TOTALCOM
MARTY SEGAL
5932 NORTHWEST HIGHWAY
CHICAGO, ILL 60631
(312) 775-2400

PAYPHONES, INC
FRED EISENBARTH
4747 TROOST
KANSAS CITY, MO 64110
(816) 931-2130

SITE OIL COMPANY
GEORGE KRAUSE
7751 CARONDELET
ST. LOUIS, MO 63105
(314) 725-4321

THOMPSON & ASSOCIATION
DAVID THOMPSON
504 N. W. 88TH
KANSAS CITY, MO 64155
(816) 436-1000

INTELLICALL, INC.
DOUG PRESSON
2155 CHENNAULT, SUITE 410
CARROLLTON, TX 75006
(214) 416-0022

MFI
TIMOTHY P. JONES
2650 BRIDGEPORT DRIVE
SIOUX CITY, IOWA 51102
(712) 252-3417

TELECOM MANAGEMENT, INC.
F. LEE HARTZ
TWO FINANCIAL CTR., STE. 400
LITTLE ROCK, ARK 72211
(501) 223-8100

MIDWEST TELECOM
JERRY PETROKA
1750 S. BRENTWOOD, STE. 511
BRENTWOOD, MO 63144
(618) 345-2052

BELL CITY COMMUNICATIONS
GREG KINTZ
124 W. WASHINGTON
OFALLON, ILL 62269
(618) 624-2004

LAW OFFICES OF
PHILLIP NEWMARK
7777 BONHOMME,, STE. 1910
CLAYTON, MO 63105
(314) 725-5150

ATTACHMENT A

PROGRAM NAME: coin_refund

INTERNATIONAL TELECHARGE, inc.

PAGE : 00158

RUN DATE: 08/03/88

COIN REFUND REPORT

FOR: 07/30/88

AGENT NUMBER : 0005
TOTAL COM INCSUBSCRIBER NUMBER : 0433
WORLD COMMUNICATIONS

GARY PACE

1992 INNENBILT BUSINESS CENTER ST. LOUIS

MO 63114- 314 429-5557

DATE	CALLING NUMBER	CALLED NUMBER	USER NAME	ADDRESS	CITY	STATE	ZIP	AMOUNT	REASON
07/31/88	3146732607	6194423196	JAIMES ANDERSON	P O BOX 165	FORIS TELL	MO	63348	\$4.00	7
07/30/88	3147354215	3145015019	GARY BEDFORD	317 COCHEESE	INDEPENDENCE	MI	64056	\$2.35	8
07/31/88	6182447535	6182421564	MIKE REMAKEL	2549 BUTTERCUP DR	RICHARDSON	TX	75082	\$2.95	2
07/30/88	6183723120		E MYERS	P O BOX 824	ELISHORE	CA	92330	\$1.10	2
07/30/88	6183986527		FELICIA BARNHILL	646 N 78 TH ST	SAINT LOUIS	MO	62203	\$1.40	6
07/31/88	6184353947	3192439980	LARRY SOMBERG	724 TIMBER ST	PONTIAC	IL	61764	\$1.00	8
07/30/88	6184631646	6183741061	CHUCK GILBERT	210 PARKHURST	ST LOUIS	MI	63119	\$2.50	8
07/30/88	6184986613	6182321218	KAREN HEITZIG	RURAL ROUTE	VILLAGE RIDGE	IL	62031	\$2.95	8
07/30/88	6185669977	6187343705	MARLINE WILBURK	R T 1 BOX 590	ST LOUIS	MO	62996	\$1.25	8
07/30/88	6186322989		TISHA STAGTLER	6919GRANE HOLLY	ST LOUIS	MO	63123	\$1.25	8
07/30/88	6188775572		GERDGE YOINGDAUER	59 APT A 2ND	MADIASON	IL	00000	\$1.18	3
07/30/88	6188775572	3143677263	GREGERY B ACKMAN	P O BOX 21314	ST LOUIS	MO	63115	\$1.45	6
07/30/88	6189425724		BRIAN AUDIBERY	713 N 23RD	HAREH	IL	62948	\$2.25	7

NUMBER OF COIN REFUNDS : 13

REASON CODES

1) Busy Signal 2) Ring No Answer 3) Pressed Coin Return 4) Wrong Number 5) Hung Up No Connect 6) Reached Recording 7) Call Disconnect 8) Other



The wrong pay phone
can drive you crazy.

Be careful. With the
influx of new pay
phone suppliers, you could
end up losing more than
your temper.

That's why most
people specify Southwestern
Bell Telephone.

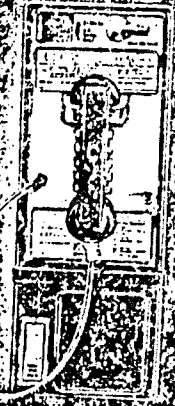
We install it for you.
We maintain it for you.
And we handle all repairs
for you—all free but parts.

We provide free
equipment, free long distance
And free advice on how to
make the most of it. In all
the east, south and west.

We handle all your
claims. Make all repairs.
And even handle all trans-
fer calls—all at no extra
charge to you.

So before things start
to get hairy, call the number
for Public Connections
Customers in the front of
your directory.

Considering the alter-
natives, you'd be crazy
not to.



 Southwestern Bell
Telephone

The one to call on.

ATTACHMENT C

III-A-B

A. Number of Telephone Company coin lines in place as of September 30, 1985:

Public	11407
Semi-Public	4532
TOTAL	<u>15939</u>

B. Number of Telephone Company Coin Lines in place as of September 30, 1986:

Public	11849
Semi-Public	4247
TOTAL	<u>16096</u>

TELEPHONE COMPANY COIN REVENUE COMPARISON

	LOCAL MESSAGE SENT-PAID -----	MONTHLY RECURRING -----
1984 REVENUES		
SEMI-PUBLIC	\$1,354,585	\$563,022
PUBLIC	\$6,634,312	0
	----- \$7,988,897	----- \$563,022
10/85 TO 9/86		
SEMI-PUBLIC	\$1,272,305	\$551,638
PUBLIC	\$7,770,765	0
	----- \$9,043,070	----- \$551,638
COMPARISON	\$1,054,173	-\$11,384

SOURCE - MR4 REPORT DECEMBER 1984 LINES 11C, 13C AND 46C
 MR4 REPORT MONTHLY 10/85 TO 9/86
 LINES 11A, 13A AND 46A