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Q: When Is A Toll Call Not A Toll Call?
A: Whenever The Carrier Says So.

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There was a time when it was easy to tell what “toll revenue” was: it was the extra charge which was imposed for a long distance call. But it seems like nothing is ever easy any more. Nowadays carriers, especially wireless carriers, often offer bundles of service that permit you to call anywhere in the country for a flat rate; calls to distant points under such a plan may be “long distance,” but there’s no extra charge for the call. Are those “toll” calls? Conversely, other plans sometimes permit customers to make flat rate calls within a very limited “home service” area; calls made outside the service area may not be long distance at all, yet a surcharge is imposed. Are those “toll” calls?

Inquiring minds – in this case, Cingular and CTIA – wanted to know, so they asked the FCC for a declaratory ruling as to what constitutes toll revenue. The issue was an important one because a carrier’s USF contributions are based on self-reported “toll revenues,” and there are severe penalties for underreporting one’s toll revenues. The problem is particularly thorny for those bundled rate plans which impose no specific charge for the long distance component of the plan. Intuitively, it is obvious that some portion of the revenue received by the carrier is for the long distance service provided to the customer. If some of that bundled revenue constitutes “toll revenue,” how was the carrier to calculate the correct attribution?

The FCC, for once, made it easy. Toll revenue, the Commission clarified, is only revenue which is received from distinct charges for service to areas outside the “home calling area” of the plan the customer is on. The home area can be defined however the carrier wants, but if an extra charge is imposed for service outside that area, that’s toll revenue. That means, as the FCC acknowledged, that you could have home areas defined to include the entire United States (as many plans do) so that no domestic toll revenues would exist. It was unclear whether you could include the entire planet in your home area, but some intrepid carrier will no doubt push that envelop. The FCC also made it clear that roaming revenues are not included in toll revenues.

By the same token, plans which have very restricted coverage areas, with surcharges for calls outside that area, *do* generate toll revenues, even though the calls may only be going to a neighboring county. Carriers with such plans may need to double check whether they are correctly including those “out-of-plan” calls in their USF toll revenue calculations.

Cynical observers such as ourselves marvel at the FCC’s refusal to go for the quick buck here. They could easily have chosen to say that a portion of the bundled revenues must be toll and therefore carriers have to either determine what percentage of their traffic was attributable to non-local calls or use a safe harbor percentage. (This is the way, for example, that the FCC allocated revenues between interstate and intrastate for purposes of USF contributions – it assumes that 37.1% of your revenue is interstate, unless you do a traffic study to support an alternative percentage.) Roaming revenues are also sort of non-local and therefore might have qualified for “toll” treatment. Instead, the FCC adopted a fairly easily administered definition and stuck with it. Where’s the catch?