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Calling back the pay phone

Suddenly relevant during Superstorm Sandy, the city's coin-op oldies are due for a do-over. Here's a first look.

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Lowly old pay phones are having their moment, and not only because they kept working after Superstorm Sandy knocked out cellular service in parts of lower Manhattan. The Bloomberg administration has asked businesses to reimagine the future of these coin-operated anachronisms. If some of the ideas pitched to the city—and made available to *Crain's*—come to fruition, they would usher Superman's onetime changing room into the age of the iPhone.

They would also keep pay phones from becoming an endangered species as their numbers rapidly dwindle. The Department of Information Technology and Telecommunication's request for information in July began a process that will culminate in new franchise contracts being awarded by October 2014—replacing deals signed in 1999.



Buck Ennis

According to interviews with franchisees and nearly two dozen responses to the RFI, free Wi-Fi—already available at some locations—would be just the start.

The bulky three-paneled kiosk could become a sleek, solar-powered workstation. There would be plug-ins for recharging mobile devices. And touch screens (coming soon in a pilot project) could display maps, local ads and public-service messages. Phone calls would be free via the Internet and subsidized by sponsors, saving franchise holders the expense of collecting coins.

There could be enough pay phone-based Wi-Fi activity to take pressure off overloaded cellphone carriers. And the phones could still resort to what's known as "plain old telephone" service, which runs on copper wire and doesn't need electricity—offering a connection of last resort in emergencies.

The city just has to figure out how to provide services in an aesthetically pleasing structure that generates enough ad revenue to pay for the whole shebang. Then pay phones would be used every day, not just in an emergency.

"If it's done well, they can be embraced as something wonderful on city streets," said Stanley Shor, assistant commissioner for franchise administration at DoITT. "We'll have structures where people will be writing us letters saying, 'Can't I have one installed in front of my store?'"

That is hardly what people are saying now. Rendered largely obsolete by cellphones, phone kiosks get picked on for taking up pedestrian space and, in worst cases, serving as outdoor bathrooms. In a characteristic response to the RFI, Community Board 8 on the Upper East Side asked that pay phones in its district be reduced by half.

The economics of pay phones are helping accomplish that goal. Citywide, there are 11,483 phones—down from 35,000 a dozen years ago.

Still, pay phones—or rather their kiosks and hoods—make money for the city and its 13 franchisees. In fiscal 2012, the city's 36% revenue share totaled \$17.7 million, a 14% increase over the prior year. Just \$1.2 million came from phone calls and the rest from advertising.

The challenge will be to maintain that revenue while keeping all sides happy, which won't be easy. The city, for example, would like to see smaller and sleeker structures. One version considered in the RFI responses would consist of a single, dual-sided panel placed perpendicular to the street so as not to block the view of stores. Current and potential franchise holders are open to the change, but want other factors to be weighed, too.

"You'd be losing the most valuable advertising panel," said Mark Johnston, president of outdoor-ad firm Van Wagner Communications, referring to the street-facing back panel. "The question is how these decisions get balanced."

Mr. Johnston pointed out that a digital panel, which can change ads every eight seconds, could make up for any lost ad revenue. Considered potentially too distracting to passersby, digital panels are currently restricted to a pilot project.

A PHONE FOR THE FUTURE

From a public-service perspective, there is also the question of how many pay phones should remain. In the days following Sandy, usage doubled and tripled in areas that lost power. But there are still far more phones on city streets than there were prior to the breakup of AT&T in 1984, when there were just 9,500.

Franchise holders think a further thinning of the herd is inevitable.

"Can we still provide the same kind of coverage with fewer phones?" asked Ray Mastroianni, chief executive of Telebeam Telecommunications. "My feeling is we can."

In addition, solar-powered phones might be designed so they could operate in a blackout.

DoITT plans to gather feedback from interested parties and issue a request for proposals in the first half of 2013. One thing is for sure: Franchisees and others applying for the contracts will take into account how fast technology is changing.

"So much has happened in the past five years," said Donald Allman, CEO of Titan Outdoor. "We want to build enough forward-thinking creativity into our proposal to reflect the future changes."



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