

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	WC Docket No. 05-068
Regulation of Prepaid Calling Card Services	)	

**REPLY COMMENTS OF IDT TELECOM, INC.**

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May 16, 2005

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IDT Telecom, Inc. (“IDT”), through its undersigned counsel, hereby submits its reply to comments filed in response to the Notice of Proposed Rulemaking (“NPRM”) in the above-captioned docket.<sup>1</sup>

**INTRODUCTION**

IDT agrees with MCI, Inc. (“MCI”) and SBC Communications, Inc. (“SBC”), that the overarching issue before the Commission is the need for comprehensive intercarrier compensation reform and until that issue is resolved, the Commission should not expend resources on secondary or tertiary issues such as the classification of enhanced calling card services. Until the Commission resolves the critical flaws in the current intercarrier compensation regime, any resolution of the issues in this proceeding will be only a temporary fix.

In addition, IDT believes that the issues raised by other parties regarding the existing Universal Service Fund (“USF”) program fail to address the entirety of the problem. If the Commission is going to address USF issues in this docket, it should consider several changes to the fund that would recognize the critical role enhanced calling card play in bringing innovative, low-cost alternatives to low-income consumers.

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<sup>1</sup> *AT&T Corp. Petition for Declaratory Ruling Regarding Enhanced Prepaid Calling Card Services; Regulation of Prepaid Calling Card Services*, Order and Notice of Proposed Rulemaking, WC Docket Nos. 03-133 and 05-68, FCC 05-41 (rel. Feb. 23, 2005) (“NPRM”).

## COMMENTS

### **I. THE COMMISSION SHOULD FIRST ADDRESS THE INTERCARRIER COMPENSATION REGIME BEFORE RESOLVING SECONDARY OR TERTIARY ISSUES SUCH AS THE CLASSIFICATION OF ENHANCED CALLING CARDS.**

As SBC pointed out, the existence of multiple compensation regimes “based on jurisdictional and regulatory distinctions that are not tied to economic or technical differences of services” has created artificial distinctions that distort the telecommunications markets at the expense of healthy competition. The Commission recognized these problems over four years ago when it opened CC Docket No. 01-92 to consider reform of intercarrier compensation. Because of the inequities and inconsistencies in the current intercarrier compensation regime, different compensation schemes apply to a service depending upon its classification as telecommunications service, information service, interstate or intrastate communications. The lack of clear standards for distinguishing among these categories leads to inconsistent classifications and compensation obligations from carrier to carrier.

Regardless of any action the Commission takes in this proceeding, these inconsistencies and incentives will continue unless the underlying intercarrier compensation regime is reformed. Consequently, any “fix” in this proceeding will be temporary and inadequate in the long term at best and will not resolve the underlying problem.

Moreover, until the intercarrier compensation regime is reformed, the Commission will be required to address secondary and tertiary issues, such as the classification of enhanced calling cards, on a piecemeal, individual basis rather than in a comprehensive manner. Accordingly, IDT joins MCI and SBC in urging the Commission to refrain from creating new rules applicable to calling card services, which would serve only to exacerbate the current problems with intercarrier compensation and create new problems based upon those rules, and instead

focus on developing an equitable intercarrier compensation regime that promotes efficiencies and furthers healthy competition.

**II. THE COMMISSION SHOULD NOT CHANGE THE UNIVERSAL SERVICE FUND RULES APPLYING TO ENHANCED PREPAID CARD SERVICES WITHOUT CONSIDERING THE BENEFITS OF THESE SERVICES TO LOW-INCOME CONSUMERS.**

A number of parties in this proceeding have urged the Commission to ensure that users of calling card services contribute to the Universal Service Fund. In particular, it has been suggested that the Commission should amend its rules to impose contribution obligations on providers of all prepaid cards, regardless of whether the cards offer telecommunications or information services. None of these comments, however, address how these proposals would affect low-income consumers who rely upon prepaid cards as a primary source of access to the Nation's information infrastructure. Before the Commission changes existing rules governing the contribution obligations of prepaid calling card services and their users, it should also consider the other side of the equation: whether users of these services should be eligible for subsidies from the Fund.

The principal users of prepaid calling cards, including cards offering enhanced services, are low-income persons and ethnic minorities. Making telephone service more affordable to consumers, and in particular to low-income consumers, is the central purpose of the USF. The Commission's Lifeline and Link-up America programs subsidize monthly telephone service and installation charges for low-income persons. These programs, however, do not currently apply to calling card providers, even though calling cards meet the same social goals of making affordable telephone services available to low-income persons. The Commission could expand the reach of these programs and further its goal of making telephone service more affordable and accessible to all Americans by permitting calling card providers to access these programs and

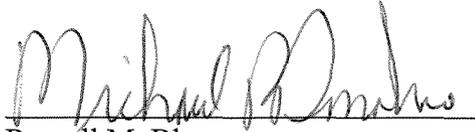
withdraw from the USF. It might also wish to consider identifying and subsidizing other types of services that provide particular benefits to low-income consumers.

The Commission should address these issues simultaneously with any consideration of expanding the USF contribution obligations associated with prepaid card services, to avoid the unintended consequences of shifting additional costs to the very users who are supposed to benefit from the universal service program.

### **CONCLUSION**

For the foregoing reasons, IDT submits that the Commission should refrain from adopting a new set of rules directed to individual calling card services until it has resolved the more fundamental problems arising from the current intercarrier compensation regime. Adopting new rules for calling cards now will only exacerbate the underlying problem and will not provide a long-term solution. In addition, IDT urges the Commission to reexamine the scope and accessibility of the USF and other subsidies, before seeking to extract additional contributions to these programs from users of calling cards, to ensure that it includes all services that provide low-cost alternatives to low-income consumers and to avoid favoring a particular segment of the industry to the detriment of consumers and competition.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael P. Donahue", written over a horizontal line.

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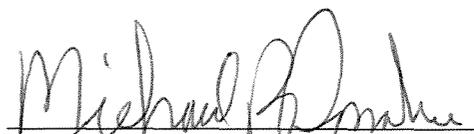
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Dated: May 16, 2005

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **REPLY COMMENTS OF IDT TELECOM, INC.** was filed by ECFS and copies sent as indicated on this 16<sup>th</sup> day of May 2005 to the parties on the attached list.



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