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VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of *Ex Parte* Communication, Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, 05-68

Dear Ms. Dortch:

On March 28, 2006, Ely Tendler, Chief Legal Officer of IDT Corporation ("IDT"), Diane Clark, Counsel to IDT, along with Russell Blau, Jean Kiddoo and Douglas Orvis, outside counsel to IDT, met separately with Ian Dillner, Legal Advisor to Chairman Martin; Scott Bergmann, Legal Advisor to Commissioner Adelstein; Jessica Rosenworcel, Legal Advisor to Commissioner Copps; and Thomas Navin, Thomas Buckley and Amy Bender of the Wireline Competition Bureau (together the "FCC Participants").

The purpose of these meetings was to discuss the Commission's pending reforms to the USF contribution methodology, including IDT's endorsement of a numbers- and connections based- contribution methodology. IDT also presented information on the diversity of the Company's telecommunications offerings, which include, among other things, prepaid calling cards (which account for less than 50% of Company revenue), presubscribed local and long distance services, wholesale services and prepaid wireless services.

IDT encouraged the Commission to streamline reporting obligations by making a numbers- and connections-based methodology applicable to all support mechanisms and regulatory fees that operate off of the current Form 499-A.[1] As noted in the written presentation, the current Form 499 methodology requires prepaid card providers, unlike any other category of telecommunications providers, to report their revenues in a manner inconsistent with generally accepted accounting principles, requiring them to maintain costly parallel revenue accounting systems. IDT therefore urges that all fees,

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[1] The fees include Telecommunications Relay Service ("TRS"), North American Numbering Plan Administration ("NANPA"), Local Number Portability ("LNP") and portions of the FCC's Regulatory Fees.

contributions, and surcharges currently assessed by the Commission on the basis of revenues should use the same numbers- and connections-based methodology.

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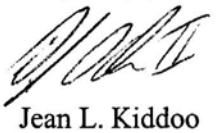
IDT believes that revenue-based assessments have a disproportionate and regressive impact on low income consumers who rely on prepaid telecommunications products, including prepaid wireless, and that these consumers as a class would be less burdened by a numbers-based assessment. Low income and ethnic consumers are the most common users of IDT's services, as IDT's market research indicates that 25 percent of calling card users have annual household income under $25,000, and 50 percent of all calling card users report household income under $50,000 per year. In addition, fully 90 percent of calling card users self-identify with an ethnic minority. IDT's sales of over one billion dollars worth of prepaid calling cards annually are more representative of telecommunications used by low income and ethnic consumers than certain prepaid wireless and other services provided by those who advocate that maintenance of a revenue-based system.

The attached presentation was provided to the FCC Participants at the meetings. The regulatory treatment of menu-based prepaid calling cards was also discussed, in a manner consistent with IDT's previous public filings in Docket 05-68.

Should any additional information be required with respect to this *ex parte* notice, please do not hesitate to contact the undersigned.

Very truly yours,



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Enclosure

cc: FCC Participants (by email)

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IDT Corporation

March 28, 2006

About IDT

- IDT Corporation is a $2.4 billion company that provides a variety of communications, entertainment and media services
- IDT is headquartered in Newark, New Jersey and is led by CEO Jim Courter, a former Member of Congress
- IDT provides prepaid calling cards in the U.S. and in other countries, as well as local and long distance phone services, wholesale carrier's carrier services, and a variety of other services
- Other services include prepaid wireless and local residential services

IDT

IDT History

1990 – IDT founded by Howard Jonas as a provider of discounted international re-origination (callback) services. Initial customers were small businesses and consumers with family overseas

1993 – IDT begins offering Consumer Long Distance and International calling

1995 – IDT begins Wholesale (Carrier) division, trading traffic with large IXCs and PTTs

1996 – IDT's IPO on the NASDAQ National Market

1997 – IDT begins selling pre-paid calling cards, serving primarily recent-immigrant users

2001 – IDT acquires assets of Winstar

2004 – IDT ranked #3 behind AT&T and MCI in international voice minutes

IDT

USF Reform

- IDT supports reform of USF and other contribution systems (TRS, LNP, NANPA)
- Current system is broken
  - Bundled service packages make it difficult to distinguish intra/interstate services, telecom/information services
  - Prepaid calling cards are singled out by face value rule to pay higher effective USF contribution rate
  - Limited International Revenue Exemption ("LIRE") (currently 12%) applies only to USF (not other funds). If the Commission maintains a revenue-based system, the LIRE
    - Should be expanded to other funds
    - Should be increased to account for higher contribution rates
    - Alternatively, international revenue should be exempted from contribution
  - Current revenue reporting rules conflict with accounting rules

IDT

USF Reform

- Prepaid calling cards already bear a higher contribution burden than post-paid services
  - Most prepaid calling card providers only receive a percentage of the face value in revenue, e.g., 70%, making the effective USF rate higher that the current LIRE level (for example, on a $10 face value card, $1.10 out of $7.00 is effectively 15.7%)
  - Because prepaid calling card revenues are largely international, increasing LIRE will benefit the low income and immigrant consumers who would otherwise be hit with a higher effective USF contribution rate
  - Inequitably assessing USF on calling cards is contrary to the preservation and advancement of Universal Service, as many calling card users are low-income
  - Because the sales of cards to distributors are made at an amount less than face value, prepaid calling card providers alone pay USF on revenue that they never collect.
  - USF contribution is distinct from federal excise tax, which has explicit statutory authorization to base assessments on what customers actually pay and the face value of cards

IDT

USF Reform

- IDT supports numbers-based contribution methodology
  - Reporting should be streamlined for all funds; TRS, NANPA, FCC Regulatory Fees should also be based on numbers
  - Based on working telephone numbers and non-switched, high-speed, dedicated connections
  - The system should adopt a unitary numbers/connections-based system with no revenue carve-outs (either minimum contribution or service specific).
  - A hybrid system would be inequitable and administratively burdensome.
  - A hybrid system would not remedy Commission concerns regarding the stability of the contribution base
  - Prepaid calling cards continue to contribute under a numbers- and connections-based plan, based on access numbers (both local and toll-free)
  - A hybrid system would have prepaid calling cards paying multiple times, both for the numbers used and also for the revenue
  - A hybrid system would encourage gaming, where carriers would exploit a differential assessment methodology to their advantage, whereas a unitary system eliminates much of this opportunity

IDT

USF Reform

- The record is full of incorrect statements about USF contribution on prepaid calling cards and IDT's position.
  - For instance, Verizon incorrectly stated that prepaid calling cards do not use numbers
    - In fact, prepaid calling cards do use both numbers and connections (through access) to facilitate their services, and would likely contribute to USF on both the access numbers and the connections
  - GCI claimed that IDT incorrectly stated that calling cards were a largely international product, based on GCI's limited sales sample in largely rural areas
    - In fact, IDT's calling cards are almost entirely international
  - GCI also claimed that IDT was trying to game the system by arguing for the preservation of LIRE
    - In fact, the Commission is prohibited from charging USF on largely international services by existing court precedent. IDT also believes LIRE becomes largely irrelevant under a numbers-based system

IDT