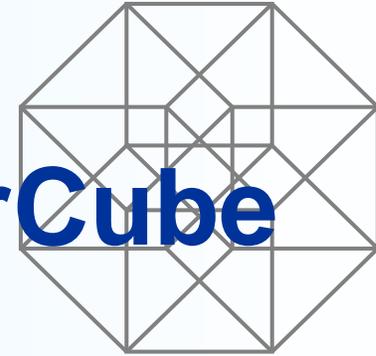


HyperCube



Ex Parte Presentation

**Establishing Just and Reasonable Rates for Local Exchange Carriers
WC Docket No 07-135**

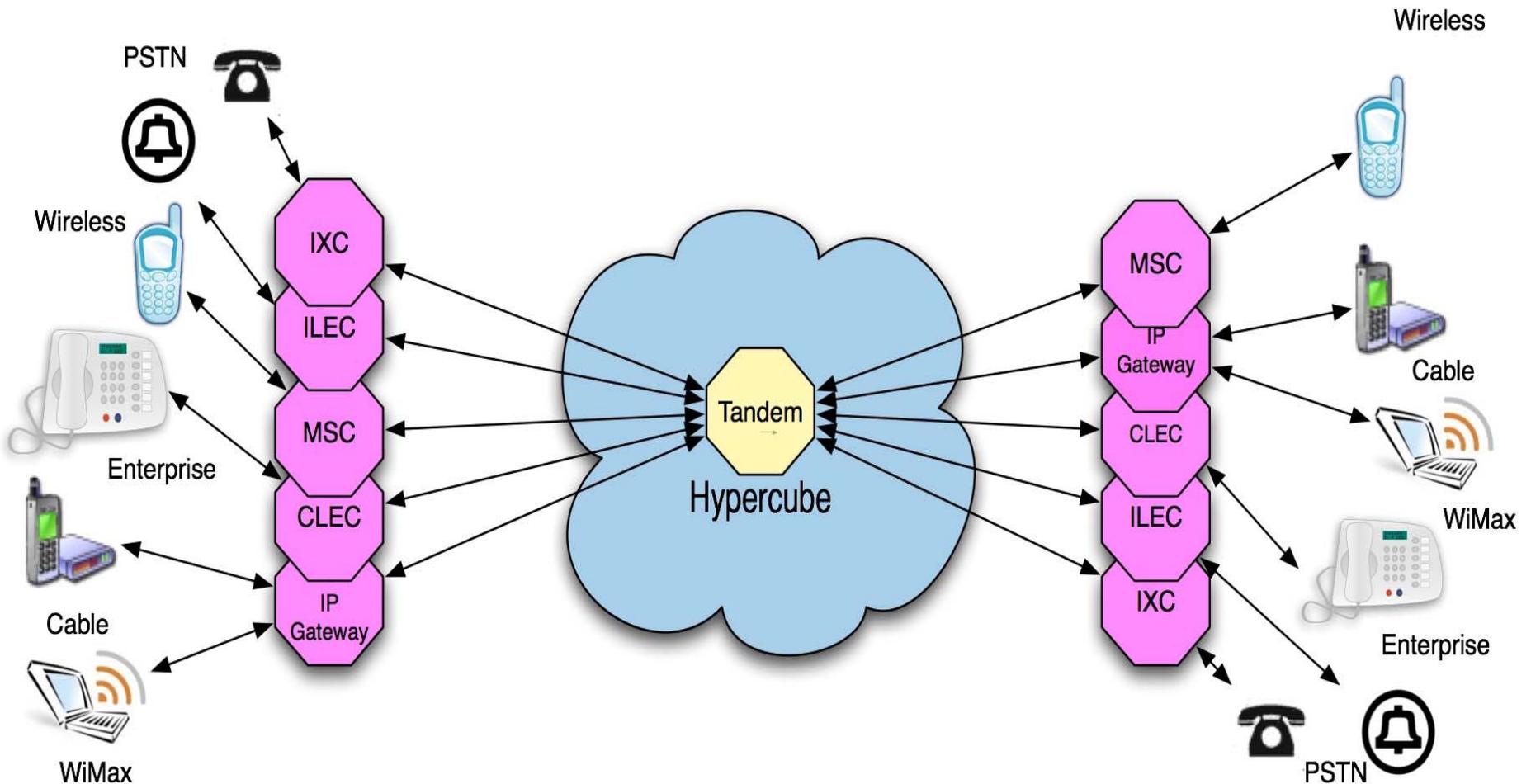
May 2008

Background: HyperCube

Services Provided	<ul style="list-style-type: none">• HyperCube provides competitive tandem services as an alternative to ILECs<ul style="list-style-type: none">– advantage is lower cost to originate and terminate traffic– provides network diversity to achieve ubiquity and reliability in telecom networks– capable of handling traffic from a broad spectrum of carriers
Why do we provide these services?	<ul style="list-style-type: none">• Competitive landscape characterized by numerous growing independent networks<ul style="list-style-type: none">– interconnecting these networks efficiently is necessary– growth in total minutes of use exchanged between companies• ILECs not currently investing in legacy tandem infrastructure• ILEC networks are not always an efficient means of interconnecting networks<ul style="list-style-type: none">– ILEC tandem architecture was originally designed to serve only the ILEC's end users• Innovative operating models can often provide the same services more efficiently• Competitive tandem services is emerging as a direct result of a competitive marketplace
Why is HyperCube different?	<ul style="list-style-type: none">• Highly scalable and very flexible allows carriers to customize interconnection• Cost recovery incentives offered to carriers selecting HyperCube as a tandem provider<ul style="list-style-type: none">– offset costs required to transition traffic to HyperCube's network• Strategy serves end users without creating or changing end user calling patterns• Provides a single efficient interconnection point• Promotes collaborative and mutually agreed interconnection plan

HyperCube Competitive Tandem Services

Efficient, scalable and innovative network design



Competitive Tandem Advantage

	ILEC	HyperCube
North Texas Wireless MTA # 7	<ul style="list-style-type: none"> • Area covers 12 LATAs • 90 tandems 	<ul style="list-style-type: none"> • 1 softswitch
Network Architecture	<ul style="list-style-type: none"> • No major changes in last 20 years • Designed primarily to serve ILEC end users 	<ul style="list-style-type: none"> • Softswitch, highly scalable • Colocate switches with competitive providers • Purchase transport from all providers
Market Positioning	<ul style="list-style-type: none"> • No incentive to serve the needs of competitive carriers 	<ul style="list-style-type: none"> • Deliver innovative services to the edge of competitive carriers' network
Tandem interconnection for competitive carriers	<ul style="list-style-type: none"> • Requires traffic to be delivered to ILEC's network • Required to purchase ILEC services to interconnect • Required to interconnect at multiple tandems within a LATA 	<ul style="list-style-type: none"> • Collaborative and mutually agreed interconnection plan • Reflects customers' chosen network architecture
Outcome for competitive carriers	<ul style="list-style-type: none"> • Requires 90 interconnections • Higher network and transport costs 	<ul style="list-style-type: none"> • Single, efficient interconnection point • Willing to carry traffic on their own network to a single interconnection • HyperCube offers cost recovery incentives to offset network transition costs
End user behavior	<ul style="list-style-type: none"> • No influence on calling pattern • No effect on number of calls placed 	<ul style="list-style-type: none"> • No influence on calling pattern • No effect on number of calls placed

Revenue sharing is not a reliable indicator of traffic stimulation

- FCC finding with respect to private payphone commissions, “it is not unlawful per se” for a carrier to pay commissions to aggregators “to compensate them for their costs” in making services available to end users.
- Offering incentives (which is often construed as revenue sharing) is necessary and a common business practice in the current telecommunications environment.
- Eliminating revenue sharing for CLECs but not for IXC is discriminatory to CLECs that are not vertically integrated. Large integrated carriers would be advantaged in the current marketplace.
- There is a distinct difference between revenue sharing models
 - those models that serve end users and influence end user calling patterns, and
 - “incentive” or expense recovery models that serve networks and do not influence end user calling
- Eliminating revenue sharing for CLECs will drive traffic to the large integrated carriers.
- Common revenue sharing examples:
 - IXCs share revenue with marketing agents
 - International carriers share settlement revenue
 - IXCs & payphone providers share revenue with premises owners (e.g. airports, hospitals, hotels)

“Net payor” test discriminates in favor of large integrated carriers with diverse assets

- CLECs rely on business partnerships with unaffiliated companies in order to offer a competitive alternative to and effectively compete against large integrated carriers who have the advantage of diverse corporate affiliates.
- CLECs need the flexibility to offer incentives to effectively compete with large integrated carriers, encourage customers to switch from legacy providers, grow their networks and achieve economies of scale.
- Establishing a “net payor” test for CLECs will drive traffic volumes to the large integrated carriers.
- Bundled offerings from large integrated carriers typically have net payor components between jointly owned companies. Regardless of which affiliate books the revenue, the large integrated carrier benefits.
- A broad “net payor” test combined with other prohibitions could possibly penalize CLECs that have succeeded in attracting greater market share by limiting market opportunities for CLECs and ultimately reducing consumer choices.
- Proposed “net payor” test is not limited to carriers serving end users and applying such test to CLEC “carrier services” would be highly detrimental to that market.

Summary

- HyperCube urges the FCC not to adopt any form of broad “net payor” test or broad prohibition on CLEC revenue sharing.
- Hypercube also opposes the adoption of minute of use thresholds or “triggers”, and other proposals including certifications.
- Hypercube believes such rules on “price cap” CLECs such as Hypercube could have unintended consequences that would impede competition.
- Any such rules should be narrowly tailored and not apply to any CLEC that charges or mirrors non-rural ILEC interstate access rates.
- Such rules might be best implemented as a supplement to the available complaint process so as to avoid unintended consequences.