



Sprint Nextel
2001 Edmund Halley Drive
Reston, VA 20191

June 9, 2008

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
Room TW-A325
445 12th Street., SW
Washington, D.C. 20554

Re: Ex Parte Presentation, WC Docket No. 07-135

Dear Ms. Dortch:

It is clear from the record in this proceeding that traffic pumping is an on-going problem that has reached critical dimensions. The record also demonstrates that traffic pumping activity is now being perpetrated primarily by certain competitive local exchange carriers (CLECs), many of which are affiliates of incumbent local exchange carriers (ILECs) that have been forced by Commission action, such as tariff-trigger requirements, to curtail their traffic pumping activities. Indeed, in recent article in USA Today, Rod Laudner, CEO of Farmers Telephone (an ILEC), freely acknowledged that “he shifted calling-service traffic from Farmers to a CLEC he owns, OmniTel Communications, after the FCC crackdown.”¹ Sprint Nextel can confirm the success of Mr. Laudner’s aggressive CLEC traffic pumping schemes. In the first 5 months of 2008, Omnitel has billed Sprint 11,791% more minutes than it did for the entire 12 months of 2006.

The Commission’s prompt actions in the 2007 annual access tariff proceeding,² in which it required certain ILECs to include a volume-based trigger in their tariffs, was instrumental in curtailing traffic pumping by ILECs. Sprint Nextel urges the Commission to take similar action to curtail certain CLECs’ traffic pumping activities, and to adopt the trigger mechanism proposed by Sprint Nextel in its filed comments in the instant proceeding.

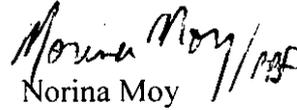
¹ Paul Davidson, “Big telecoms decry high costs of ‘traffic pumping,’” *USA Today*, June 6, 2008 at 5B. In this same article, AT&T suggests that sky-rocketing traffic pumping costs (\$250 million in 2007 alone) may force an increase in the price of its \$55 unlimited calling plan. A copy of the article is attached.

² *In the Matter of July 1, 2007 Annual Access Tariff Filings*, WCB/Pricing No. 07-10, Order released June 28, 2007 (DA 07-2862).

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I request that this letter, which is being filed electronically, be placed in the file for the above-captioned proceeding. Please contact me at (703) 433-4503 with any questions.

Sincerely,

A handwritten signature in black ink that reads "Norina Moy" followed by a stylized flourish or initials.

Norina Moy
Director, Government Affairs

Attachment

cc: Amy Bender
Scott Deutchman
Scott Bergmann
Chris Moore
John Hunter
Dana Shaffer
Albert Lewis
Deena Shetler
Doug Slotten
Jay Atkinson
Marcus Maher
Randy Clarke
Victoria Goldberg

Big telecoms decry high costs of 'traffic-pumping'

Rural phone companies are paid for calls routed through their networks

By Paul Davidson
USA TODAY

AT&T says schemes that route adult chat and other calls made by its customers to rural phone numbers are costing it hundreds of millions of dollars and may force it to raise the price of its \$55 unlimited-calling plan.

With rural phone carriers able to charge high rates to connect calls to their networks, AT&T, the nation's largest phone company, says the ploys cost it \$250 million last year.

Most large land-line and wireless companies, including AT&T, Verizon, Qwest and Sprint, say they're being gouged by the practice — known as traffic-pumping — and they've asked the Federal Communications Commission to put a halt to it.

"If left unchecked, these scams will impact the ability of carriers to offer consumers affordable unlimited-

calling plans," says AT&T spokesman Michael Balmoris. The FCC did crack down on the rural phone companies last summer, but a new band of rural competitors is skirting the constraints.

The rural upstarts say they're doing nothing illegal and accuse the large carriers of not paying their bills.

Rural phone companies are allowed to charge about 2 cents to 8 cents a minute to connect long-distance and wireless calls to their networks. The fees, up to 100 times higher than rates charged by large local phone companies, offset the rural companies' high costs and low call volumes.

About two years ago, specialty calling services saw an opportunity in the high fees and teamed with some rural phone companies, largely in Iowa. About 10 rural carriers provided local numbers to the services. The companies advertised the numbers, luring customers with free conference calling, adult chat and other services. Then they split the call-connection revenue with the rural carriers.

Ron Laudner, CEO of Farmers Telephone of Riceville, Iowa, says the set-up was routing up to 40 million minutes of calls each month to his network, generating

\$2.2 million in monthly revenue.

Yet, since most customers of AT&T, Verizon and Qwest pay a flat fee for unlimited local and long-distance calls, the strategy saddles those companies with added costs but little new revenue.

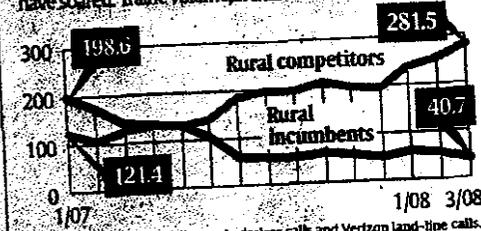
Last summer, the FCC suspended the rural companies' rates and proposed rules to permanently ban traffic-pumping.

Since then, the practice has shifted to about a dozen competitive local exchange companies, or CLECs, many affiliated with the rural carriers, the long-distance carriers say. CLECs, which lease the networks of rural incumbents, play by different rules because their rates aren't based on call volumes. About 160 million minutes of calls by AT&T customers were routed to rural CLEC networks in March, surpassing the peak level of calls to rural incumbents — 153 million minutes — in January 2007, AT&T says. Sprint told the FCC that its bill from 11 CLECs soared 5,000% in 21 months.

The rural CLECs acknowledge they're striking deals with calling services but say they're playing by the rules. CLECs "are not doing anything the law does not allow," says A. Enrico Soriano, a lawyer for Telstar

Changing calls

Since January 2007, calls from customers of AT&T and Verizon to phone numbers operated by rural phone company incumbents have fallen sharply while calls to rural competitive local exchange companies (CLECs) have soared. Traffic volume, in millions of minutes of use:



Note: Includes AT&T land-line and wireless calls and Verizon land-line calls.

Source: AT&T and Verizon

By Julie Snider, USA TODAY

Communications, a CLEC.

Laudner says he shifted calling-service traffic from Farmers to a CLEC he owns, Omnicel Communications, after the FCC crackdown. "What I'm trying to do is provide a free service," he says. "It's not pumping, it's not anything. This was a business opportunity."

Laudner, as have other rural CLECs, has sued the long-distance carriers, for not paying their bills.