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July 18, 2008

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

Re: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Intercarrier Compensation for ISP-Bound Traffic, WC Docket No. 99-68; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135

Dear Ms. Dortch:

On behalf of AT&T Services, Inc. Robert Quinn, Hank Hultquist, Cathy Carpino and Mary Henze met with Amy Bender of Chairman Martin's office and Marcus Maher and Julie Veach of the Wireline Competition Bureau on July 17, 2008. At the meeting, AT&T reviewed three filings it was making concurrently, 1) a framework for comprehensive reform to achieve a unified terminating rate for all carriers, 2) petition for declaratory ruling and waiver today with respect to VoIP compensation that would be mooted by comprehensive reform and 3) a letter on VoIP jurisdiction that urges the Commission to formally extend the preemptive effect of the *Vonage Order* to fixed-location VoIP services, such as AT&T's U-verse VoIP and makes a proposal to narrowly address the important state interest in preserving and advancing universal service.

AT&T expressed support for Chairman Martin's leadership on this issue and urged action to resolve the growing disputes arising from this problem to expedite the transition to broadband for all consumers. The attached presentation served as a basis for the discussion.

Sincerely,

/s/ Brian Benison

Attachment

cc: Amy Bender
Marcus Maher
Julie Veach

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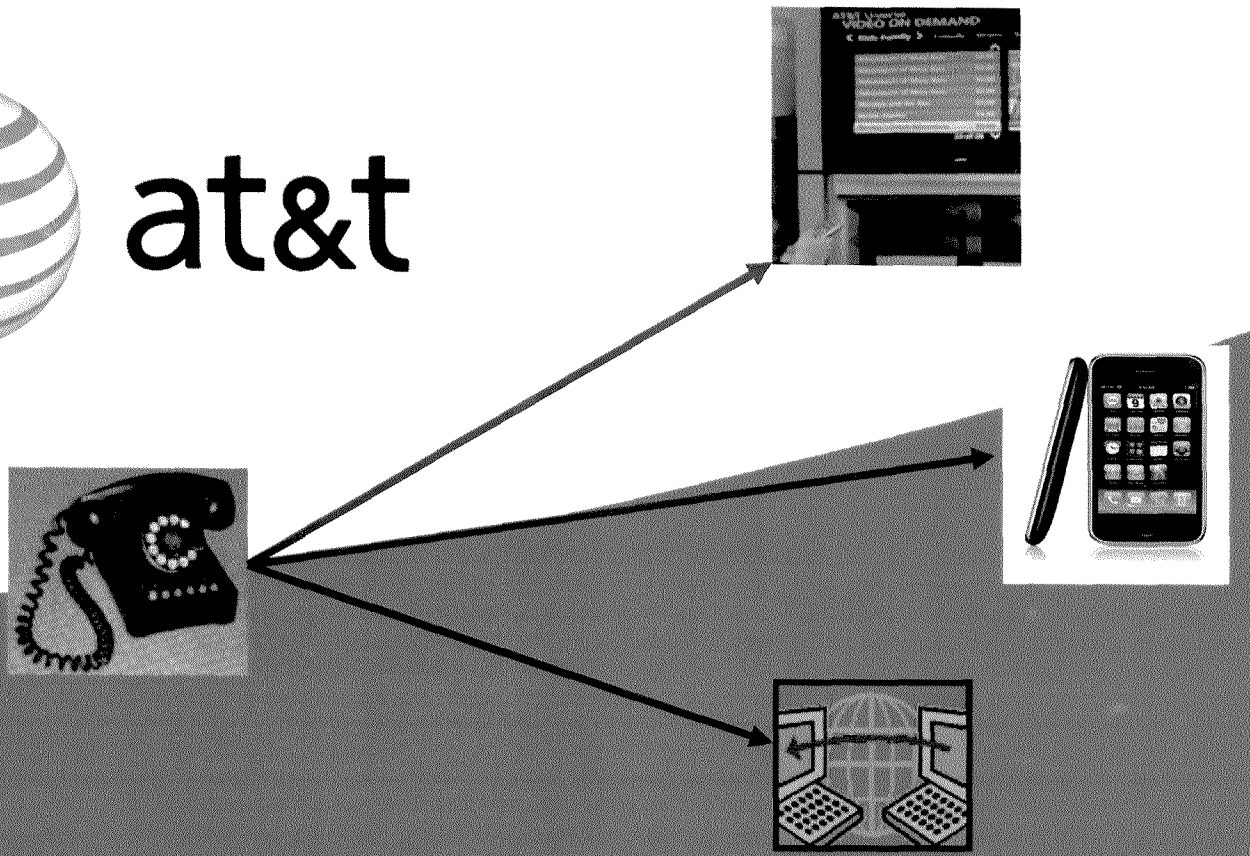

The Path to a Broadband Future - Unified Terminating Rates

Everyone Agrees Reform Is Critical

- Deteriorating access volumes are undermining both Universal Service and broadband goals of the FCC
- Current system incents carriers to cling to the traditional voice model discouraging broadband adoption
- Access disputes also absorb time and energy of FCC and carriers in a game of Whack-a-Mole

Comprehensive Reform is the Best Solution

- AT&T urges the FCC to finally complete comprehensive intercarrier compensation reform
- Compensation certainty is critical to creating environment for broadband
- Stabilizing revenue streams through explicit recovery mechanisms necessary to achieve federal policy goals
- Comprehensive reform more straightforward and effective than piecemeal actions to resolve disputes

Ongoing Disputes

- ISP Bound Traffic Dkt 99-68, Dkt 01-92
- VOIP Compensation Dkt 01-92, Dkt 04-36
- Traffic Pumping Dkt 07-135
- VOIP Asymmetry Dkt 01-92, Dkt 04-36
- IP in the Middle Dkt 05-276
- Interconnection Point Manipulation Dkt 07-135
- Phantom Traffic Dkt 01-92
- Feature Group IP Forbearance Dkt 07-256
- Embarq Forbearance Dkt 08-08

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A Framework for Comprehensive Reform

The Goal: Unified Terminating Rates

- Single, low and unified terminating rate will eliminate arbitrage opportunities and allow transition from old POTS business model to IP world

The Framework: Benchmark-based

- Establish National Comparability Benchmark to facilitate comparability of end-user rates
  - Set the benchmark at amount that ensures equitable balance between end-user recovery and targeted explicit support for high cost areas
  - Compare carrier's rate composite against benchmark (its local rates, state and Federal SLCs, and proxy for state USF charge, if any)

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The Framework (cont'd)

- Result of Benchmark comparison determines how much of terminating access reduction is replaced by end-user rates vs. Federal USF
- Reform "dials" can be adjusted to achieve desired policy outcomes
  - Intercarrier termination rates
  - Federal subscriber line charge
  - Universal Service support

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Baseline Issues

- The following slides illustrate example of various dial settings within the framework, these are rough estimates
  - Assumptions for examples
    - Terminating rate is the same for all carriers
    - Financial impacts are based on national averages
- AT&T is proposing a framework to provide a common platform for the policy discussion

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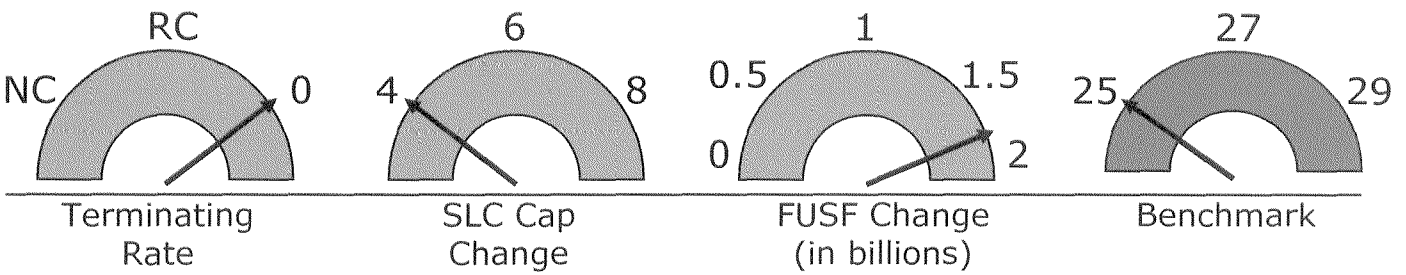
Scenario 1A:
Unified Terminating Rate set to Zero



Total Access Shift = $4.3 Billion

Change in FUSF = $1.8 Billion

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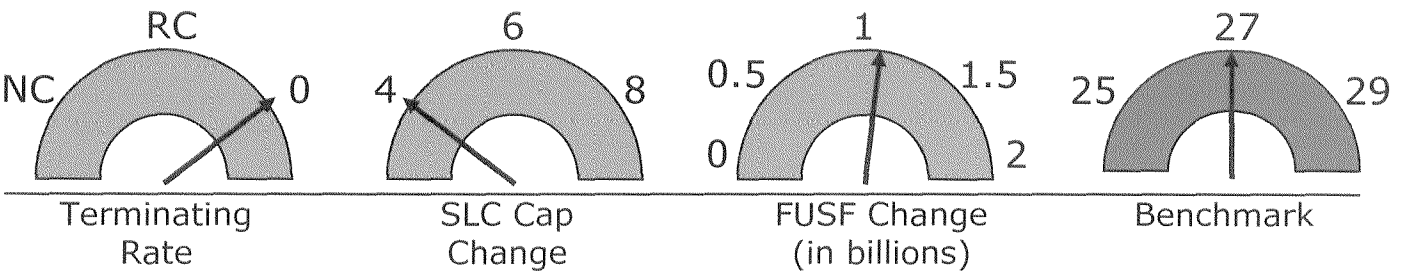
Scenario 1B:
Unified Terminating Rate set to Zero



Access Shift = $4.3 Billion

Change in FUSF = $1.1 Billion

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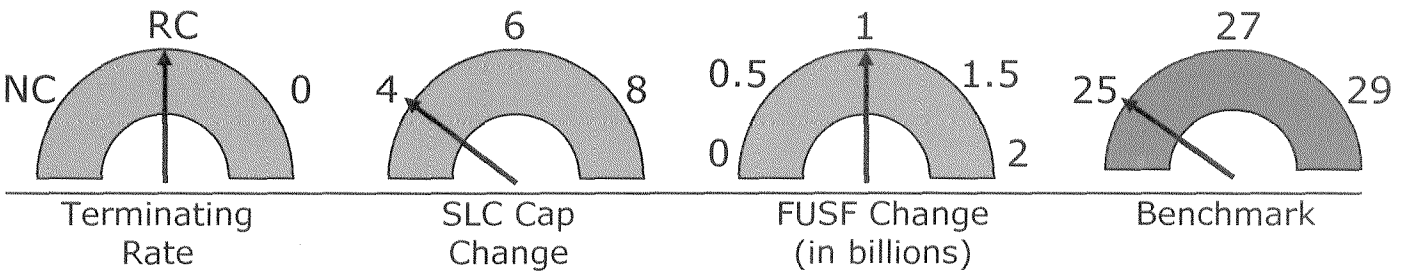
Scenario 2A:
Unified Terminating Rate set to Reciprocal Compensation



Access Shift = $2.9 Billion

Change in FUSF = $1.0 Billion

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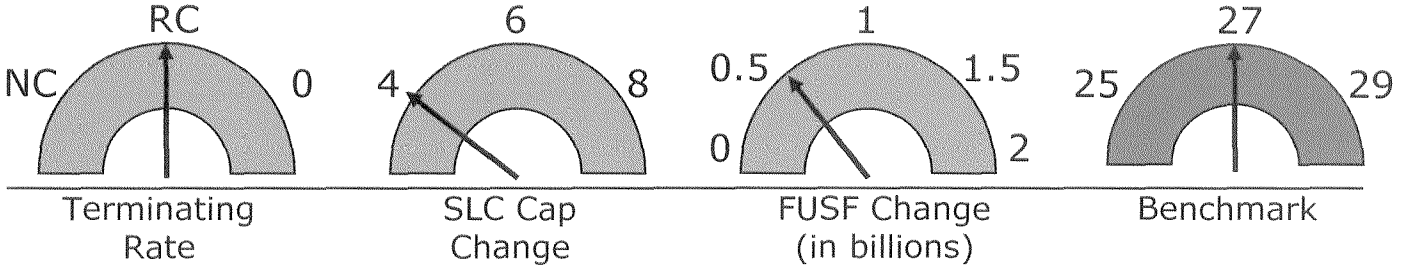
Scenario 2B:
Unified Terminating Rate set to Reciprocal Compensation



Access Shift = $2.9 Billion

Change in FUSF = $0.6 Billion