

Tamar Finn
Direct Phone: 202.373.6117
Direct Fax: 202.373.6001
tamar.finn @bingham.com

October 28, 2008

VIA ELECTRONIC FILING

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

Re: Notice of Ex Parte Communication, Docket No. CC 96-45;
Docket No. WC 06-122

Dear Ms. Dortch:

On October 27, 2008, James A. Courter, Chief Executive Officer, of IDT Corporation (“IDT”) held a teleconference with Chairman Kevin J. Martin. Mr. Courter discussed IDT’s support for a “pure” numbers-based Universal Service Fund contribution methodology as set forth in its comments and other submissions in the above-referenced proceeding.

Mr. Courter urged Chairman Martin to make clear that prepaid calling cards are residential services if the Commission adopts a numbers-based methodology limited to residential numbers. As the Commission recognized, the prepaid calling card industry has “played a vital role in providing telecommunications services to low-income consumers and members of the armed services.”¹ Because residential consumers are the most prevalent users of prepaid calling cards, and it is not possible for prepaid calling card providers to track and record the classification of each card holder, the Commission should classify all prepaid cards as residential.²

Several sources demonstrate that prepaid calling cards are used overwhelmingly by residential consumers rather than business consumers. First, attached to this document (see Appendix A) is a declaration from Mr. Joe Farber, President of Union Telecard Alliance (UTA), which is the exclusive distributor of certain of IDT’s calling cards. As

¹ *Regulation of Prepaid Calling Card Services*, WC Docket 05-68, Declaratory Ruling and Report and Order, FCC 06-79, ¶ (rel. June 30, 2006).

² Prepaid calling cards are different from post-paid calling cards. Purchasers of post-paid calling cards usually have an ongoing business relationship with the provider of service. The provider may issue a monthly bill or automatically add value to the calling card by using the consumer’s credit card. Post-paid cards are much more often used by business customers. In contrast, purchasers of prepaid calling cards, usually purchase the card at a retail outlet and have no ongoing relationship with the provider. As shown below, prepaid cards are most often used by residential consumers.

Boston
Hartford
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
Santa Monica
Silicon Valley
Tokyo
Walnut Creek
Washington

Bingham McCutchen LLP
2020 K Street NW
Washington, DC
20006-1806

T 202.373.6000
F 202.373.6001
bingham.com

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the affidavit says, UTA believes that the primary users of prepaid calling cards are residential, based in part on the fact that those cards are distributed to small retail outlets such as bodegas and convenience stores and are usually purchased in small denominations.

Furthermore, a survey of prepaid calling card users conducted by the Global Strategy Group (see excerpts of this survey in Appendix B) shows that 81% of consumers use calling cards to make phone calls from their home (see question 38). Furthermore, the majority of users of these cards who answered the question have household incomes of under \$50,000 per year, which demonstrates that most calling card users come from low-income households (see question 50). Other survey questions reveal that calling card users purchase multiple cards per week or per month, that the price or the number of minutes offered by the card is the most important feature affecting their buying decision, and that the cards are purchased in a bodega, supermarket or deli. All of these survey results indicate that the primary users of these prepaid cards are residential, not business, users.

Furthermore, Members of Congress and the Federal Trade Commission have also recognized that prepaid calling cards are used by residential consumers, not business users. Sen. Bill Nelson (D.-FL) said “prepaid telephone calling cards are used by many Americans to stay in touch with loved ones around the country and around the world.”³ Rep. Eliot Engel (D.-NY), when urging passage of his bill concerning prepaid calling card fraud, stated “The fraud harms segments of the population who are least able to afford it, the poor, recent immigrants, minorities and seniors . . .”⁴ Speaking in favor of the same bill, Rep. Dingell (D.-MI) said “Many of our consumers – especially recent immigrants, the poor, students, and members of the military and their families – are vitally dependent on these prepaid cards to keep in touch with family and friends.”⁵ In a recent court filing, the Federal Trade Commission noted that the calling card “industry [] annually sells approximately \$4 billion worth of cards primarily to recent immigrants looking for a cheap and easy way to call friends and family in other countries.”⁶

³ Cong. Rcd, S3976-77, May 8, 2008.

⁴ Cong. Rcd, H9937, Sept. 25, 2008.

⁵ Id.

⁶ Memorandum of Points and Authorities in Support of Plaintiff’s Motion for Temporary Restraining Order and Other Equitable Relief and Order to Show Cause of the Federal Trade Commission in the United States District Court of New Jersey, March 31, 2008, page 1, available at <http://ftc.gov/os/caselist/0823013/080331motion.pdf>.

In sum, if the Commission adopts a numbers-based contribution methodology limited to residential numbers, it should find that for purposes of federal Universal Service assessment, prepaid calling cards are residential services and a prepaid calling card provider shall pay Universal Service fees based on the telephone numbers that it uses to provide prepaid calling card service.⁷

Very truly yours,

/s/

Tamar E. Finn

Counsel to IDT Corporation

cc (by e-mail): Chairman Kevin J. Martin

Dan Gonzalez

Amy Bender

Greg Orlando

Nick Alexander

Scott Deutchman

Scott Bergmann

Dana Schaffer

Jeremy Marcus

⁷ The Commission should use the definitions in Section 64.5000 of its rules:
(a) Prepaid calling card. The term “prepaid calling card” means a card or similar device that allows users to pay in advance for a specified amount of calling, without regard to additional features, functions, or capabilities available in conjunction with the calling service.
(b) Prepaid calling card provider. The term “prepaid calling card provider” means any entity that provides telecommunications service to consumers through the use of a prepaid calling card.

47 C.F.R. § 64.5000.

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Appendix A

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board)	CC Docket No. 96-45
On Universal Service)	
)	
Universal Service Contribution)	WC Docket No. 06-122
Methodology)	

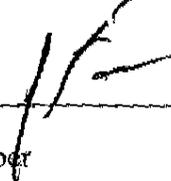
DECLARATION OF JOE FARBER

1. My name is Joe Farber. I am the President of Union Telecard Alliance, LLC ("UTA"). UTA is a subsidiary of IDT Corporation ("IDT"). My business address is 520 Broad Street, 6th Floor, Newark, New Jersey 07102.
2. I am authorized to make this declaration on behalf of IDT and UTA.
3. IDT is a multinational telecommunications company that operates as a facilities-based and resold common carrier both domestically and internationally. The telecommunications services provided by IDT include calling cards, local and long-distance residential services, prepaid wireless and wholesale carrier services. UTA is and has been the exclusive distributor of certain IDT prepaid calling cards in the United States since 1998.
4. The vast majority of IDT's prepaid calling card sales are completed through a network of distributors and resellers before being purchased by the ultimate end user consumer. Typically, the card is sold by IDT to a distributor. That distributor, in turn, may sell the card to one or more "sub-distributors." Ultimately the cards are sold to a retail store.
5. For the vast majority of its prepaid calling cards IDT has no contact or billing information for the consumers that purchase such prepaid calling cards. IDT identifies each card through a personal identification number or PIN that is assigned to each calling

card. Although IDT cannot state as a factual matter that the majority of its prepaid calling card customers are residential, IDT believes this to be the case based on a number of factors.

6. First, the majority of IDT's prepaid calling cards are sold in small denominations, such as \$2, \$3, or \$5. Prepaid calling cards entitle the consumer to a certain amount of calling time, which varies on a number of factors, including the rate per minute to the destination called. Once the consumer "uses up" the full balance on a single card, he/she can no longer place calls using that card. In fact, if the consumer is in the middle of a phone call he/she will hear an indication noise approximately one minute prior to the card's balance running out which notifies the consumer that the card's balance is almost completely depleted and that the call will be disconnected at that time.
7. Second, based on IDT internal data for a three month period beginning November 15, 2006, approximately one-third of IDT's prepaid calling cards distributed by UTA were exhausted in one call. In other words, the consumer used all of the available minutes associated with the card on a single telephone call. For some destinations, the percentage is even higher.
8. Third, the attached Global Strategy Group survey of prepaid phone card use found that only 3% of consumers use prepaid calling cards from the office, and 81% use the cards from home.
9. Fourth, the vast majority of IDT's prepaid calling cards are typically sold in independent ethnic markets commonly referred to as "bodegas".
10. Fifth, IDT has a business unit that sells calling cards to corporate accounts. That business unit accounts for less than .05% of IDT's calling card sales on a monthly basis.

I affirm under penalty of perjury that the foregoing is true and correct.



Joe Farber

Appendix B



Global Strategy Group
www.globalstrategygroup.com

TOPLINE REPORT
Phone Card Customer Satisfaction Survey
600 Interviews conducted 8/8-8/13/03, MOE \pm 4.0%
Project #0277-03-04
Note: Percentages may not add to 100 due to rounding

[EXCERPTS]

SCREENER

1. Are you at least 18 years old?

100% Yes

2. Would you prefer this interview be conducted in English, Spanish or another language?

73% English
27% Spanish

3. In the past year, have you purchased and used a pre-paid phone card to make a long distance call within the United States or to another country?

33% Yes, to make a long distance call in the US
44% Yes, to make a call to another country
24% Yes, to make both international and long distance calls within US
.....

6. In general, where do you purchase your [INSERT FROM Q.5] phone card?
85% Bodega/supermarket/deli
4% Discount store
4% Newspaper stand
3% Calling card store/phone card store
1% Pharmacy
1% Check cashing place
1% Other/miscellaneous
1% Don't know/Refused
.....

9. What is **THE ONE** most important factor in how you decide which pre-paid phone card to purchase? (n=91)

- 57% The most minutes for the cost
- 16% Cost of calls is cheaper than through regular long distance service
- 11% Recommendation from a friend or family member
- 5% I buy whatever is available
- 5% The brand of the card
- 1% Clear connection
- 3% Other/miscellaneous
- 1% Don't know/Refused

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19. How often do you purchase pre-paid phone cards?

- 36% More than once a week
- 18% Once a week
- 21% A couple times a month
- 12% Once a month
- 9% Several times a year
- 4% Once a year
- * Don't Know/Refused

.....

38. When you make long distance phone calls, which do you usually use to make the call?

- 81% Home phone
- 11% Cellular phone
- 3% Phone at work
- 3% Public telephone
- 1% Friend or neighbor's phone
- Other
- 1% Don't know/Refused

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50. Bearing in mind that this is completely confidential, please tell me which category best describes your yearly household income. Is it...

- 25% Under \$25,000
- 25% \$25,000 to \$49,000
- 10% \$50,000 to \$74,000
- 3% \$75,000 to \$99,000
- 2% \$100,000 to \$149,000
- * \$150,000 to \$200,000
- * Over \$200,000
- 7% Don't know
- 29% Refused