

# Attachment 1

# FCC Must Act to Reassert Its Oversight and Control of Inherently Governmental Decisions, Reopen Competition in NPAC Services, and Preserve Competition in ENUM Services

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- ■ ■ Telcordia's 2009 Requests Before FCC and NANC
  - Amendment 70 Petition
    - Begin competitive bidding for new NPAC contract.
    - Leave Amendment 70 prices in place during bidding and implementation transition.
    - Terminate existing contract when new contract is implemented.
  - NANC Dispute on Whether URIs Can Be Implemented Without a NANC or FCC Finding that they are "Necessary to Route Telephone Calls."
  - Request for a Standstill Order Pending NANC Dispute Resolution

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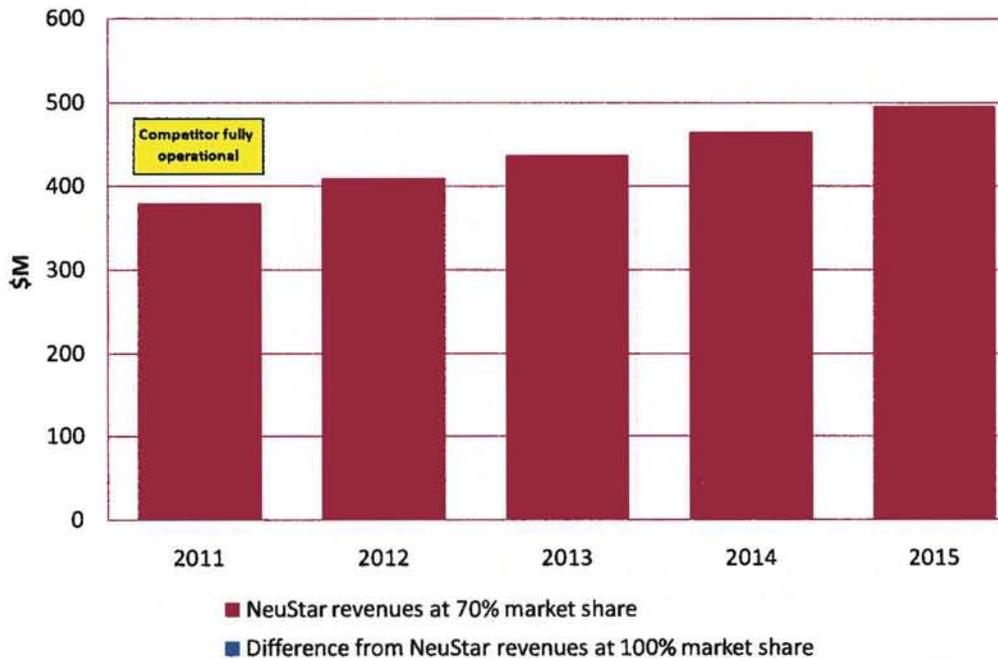
## Amendment 70 is Anti-Competitive And Attempts to Frustrate FCC Oversight
- NAPM and NeuStar eliminate all possibility of competitive NPAC services until 2016 (extended from 2012) – done in secret, without FCC approval.
  - Industry and consumers are overcharged by ~\$550 million thru 2015
  - NAPM is exercising the FCC’s inherently governmental authority over when to extend contracts or conduct bids.
  - Failure to bid violates Presidential directive and Competition in Contracting Act.
- NAPM improperly exceeds its authority by permitting NeuStar to transform the NPAC into an ENUM provisioning database – enabling NeuStar to extend its monopoly from NPAC to ENUM by 2016, without FCC approval.
- “All-or-nothing” inseverability clause, NAPM and NeuStar deliberately frustrate FCC oversight and consideration of policy issues.

- ■ ■ NeuStar and NAPM LLC – A History of Secret Deals That Harm Competition for Short Term Cost Savings
  - Original bid contract – Term 1997-2002
  - First No-Bid extension (12/2000) – Term extended to 2006, w/option for 2007.
  - Second No-Bid extension (10/2003) – Term extended to 2011.
  - Third No-Bid extension (Amendment 57, 9/2006) – Term extended to 2015; competitive bidding forbidden before 2012 with penalty clauses.
  - Fourth No-Bid modification (Amendment 70, 1/2009) – Competition blocked to 2016

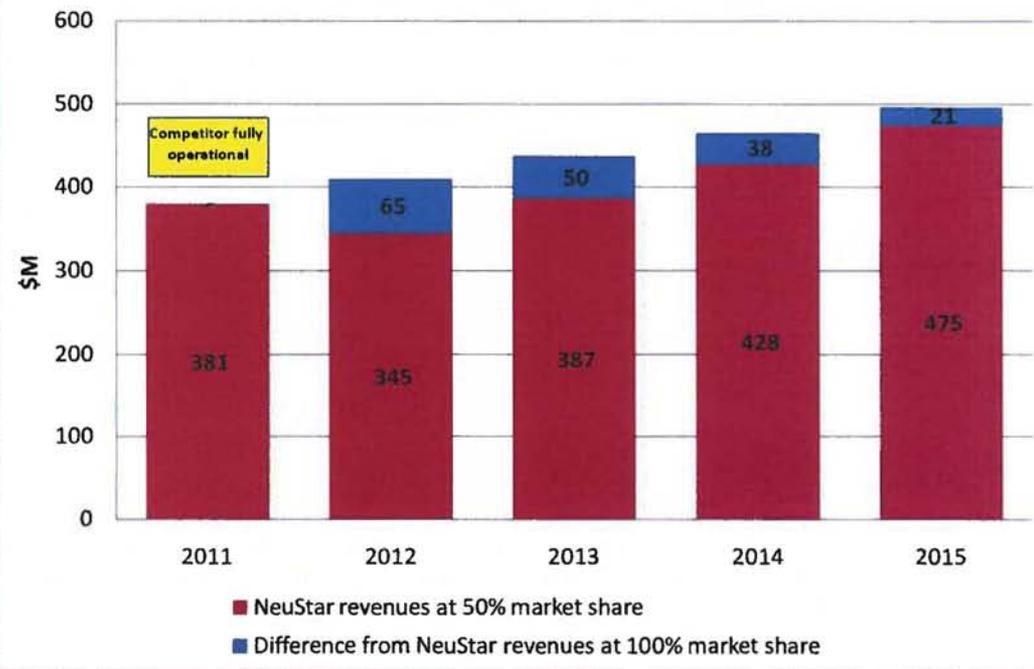


■ ■ ■ ■ ■ Amendment 70: At 50% Market Share Loss, NeuStar Keeps 92% of Revenues – 2011-2015; at 30% Market Loss, it Keeps 100%

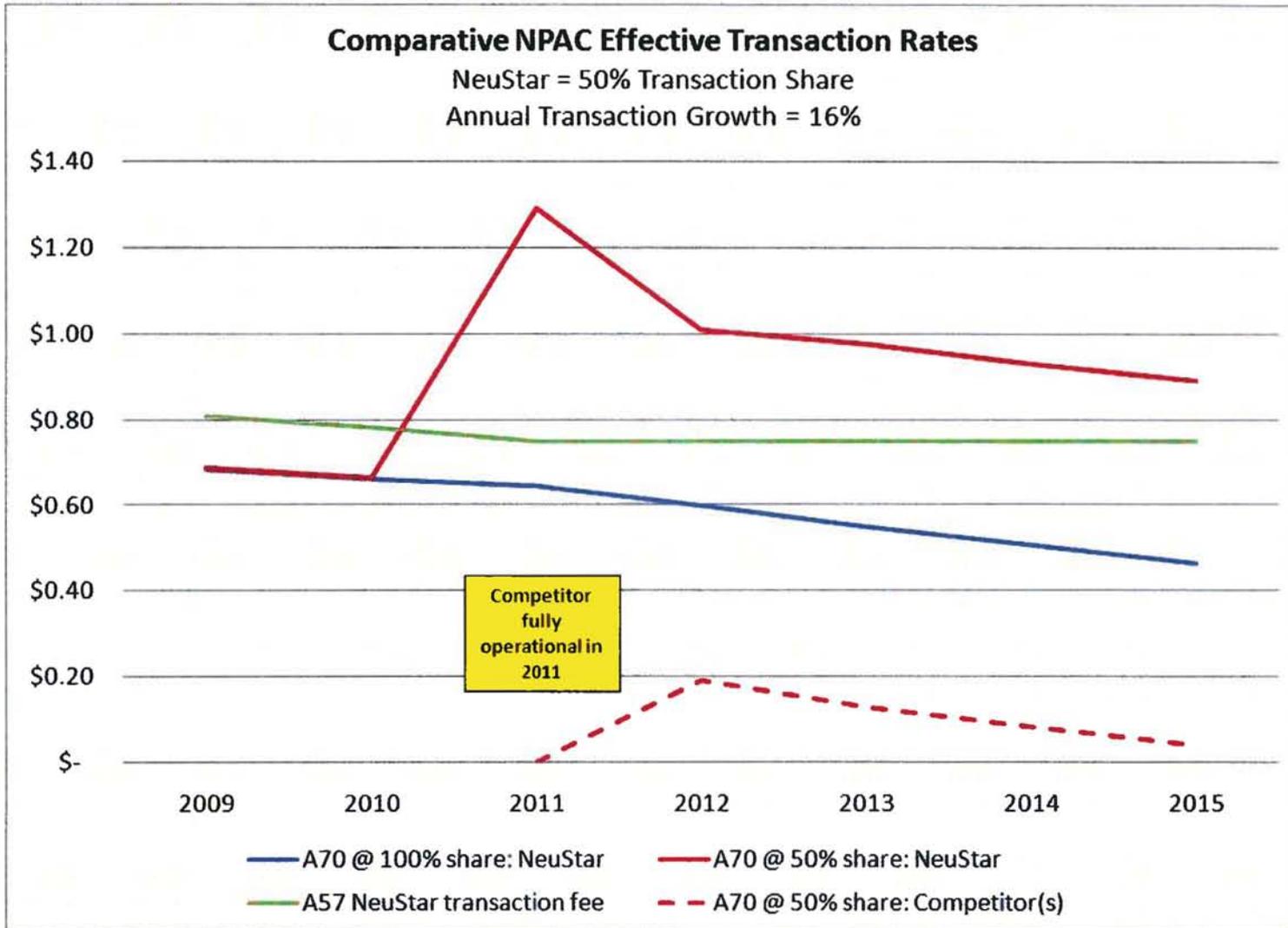
**NeuStar revenues at 70% v. 100% market share**  
(Assumes projected 16% transaction growth rate)



**NeuStar revenues at 50% v. 100% market share**  
(Assumes projected 16% transaction growth rate)



■ ■ ■ Another View – At 50% Share, Competitor’s Effective Per Transaction Price Must Be Over 5x Lower than NeuStar’s (And Free for the First Year)





## ■ ■ ■ Amendment 70 Harms ENUM Competition

NeuStar CEO: “What [Amendment 70] does is takes an existing platform that all networks are currently physically interfacing with, they’re currently depending upon it for routing virtually all telephone calls and it puts into that database the first three simple IP data points that are necessary for the first simple IP applications that networks are going to provide.” (1/28/09 Investor Call)

- Amendment 70 cross-subsidizes the creation of an ENUM provisioning database by using the NPAC contract to create financial incentives (up to \$22.5M) for the industry to issue the change orders and to actually use the URIs by 2011.
- URIs populated and modified under Amendment 70 are paid by industry as a whole, not by customer, creating another cross-subsidy.
- No other vendor can integrate NPAC and ENUM before 2016 due to Amendment 70’s competitive lock-out.
- High costs for others to create database means NeuStar can recoup monopoly profits after it drives other ENUM vendors from market.

## FCC Rules Do Not Permit NAPM to Add URIs to the NPAC

- 47 C.F.R. 52.25(f) prohibits addition to NPAC of data not “necessary to route calls to the appropriate telecommunications carriers.” “The NANC shall determine what specific information is necessary.”
- NANC has never found URIs to be “necessary to route calls to the appropriate telecommunications carriers.”
  - NANC considered in 2005 and failed to reach consensus.
  - As stated in the NANC 400 Report, “At the April 14, 2005 joint meeting of the Future of Numbering and LNPA Working Groups there was agreement of all parties that placement of Internet URIs (Universal Resource Identifiers) in the NPAC (Number Portability Administration Center) was not necessary to support PSTN (Public Switched Telephone Network) call completion.”
- Neither NAPM nor the LNPA Working Group are NANC, and thus cannot add URIs to the NPAC without NANC finding the fields to be necessary. NANC operates pursuant to FACA – NAPM does not.
- No entity other than the FCC can authorize adding fields to the NPAC that are not “necessary to route calls to the appropriate telecommunications carriers.” NANC cannot make policy.

## ■ ■ ■ What the FCC Needs to Do

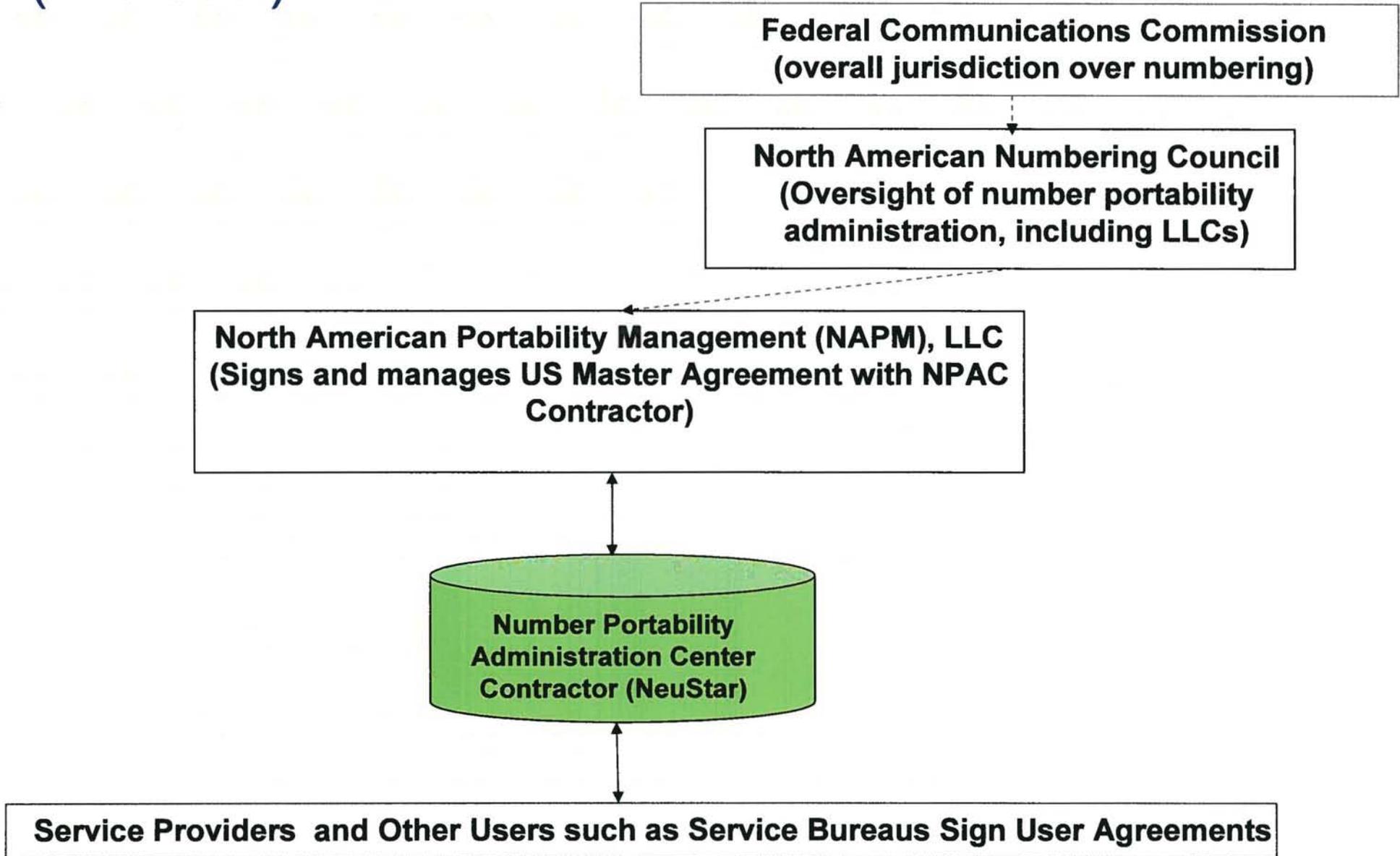
- Prevent Further Harm
  - Immediately direct the NAPM and NeuStar to halt implementation of URI change orders, pending resolution of NANC dispute.
  - Direct NAPM not to execute further amendments without prior NANC and FCC review and approval.
- Reestablish Competition in NPAC Services at the Best Possible Price for Consumers
  - Declare current contracts, unjust, unreasonable, contrary to public interest, and thus void after transition.
  - Immediately begin a competitive procurement for multivendor NPAC to replace the current contracts.
  - During bidding and transition use Amendment 70 to set NeuStar compensation.
- Reestablish Governmental Oversight
  - End the NAPM LLC's management of the NPAC contracts.
  - FCC makes final decision on all contract amendments.



# ADDITIONAL BACKGROUND

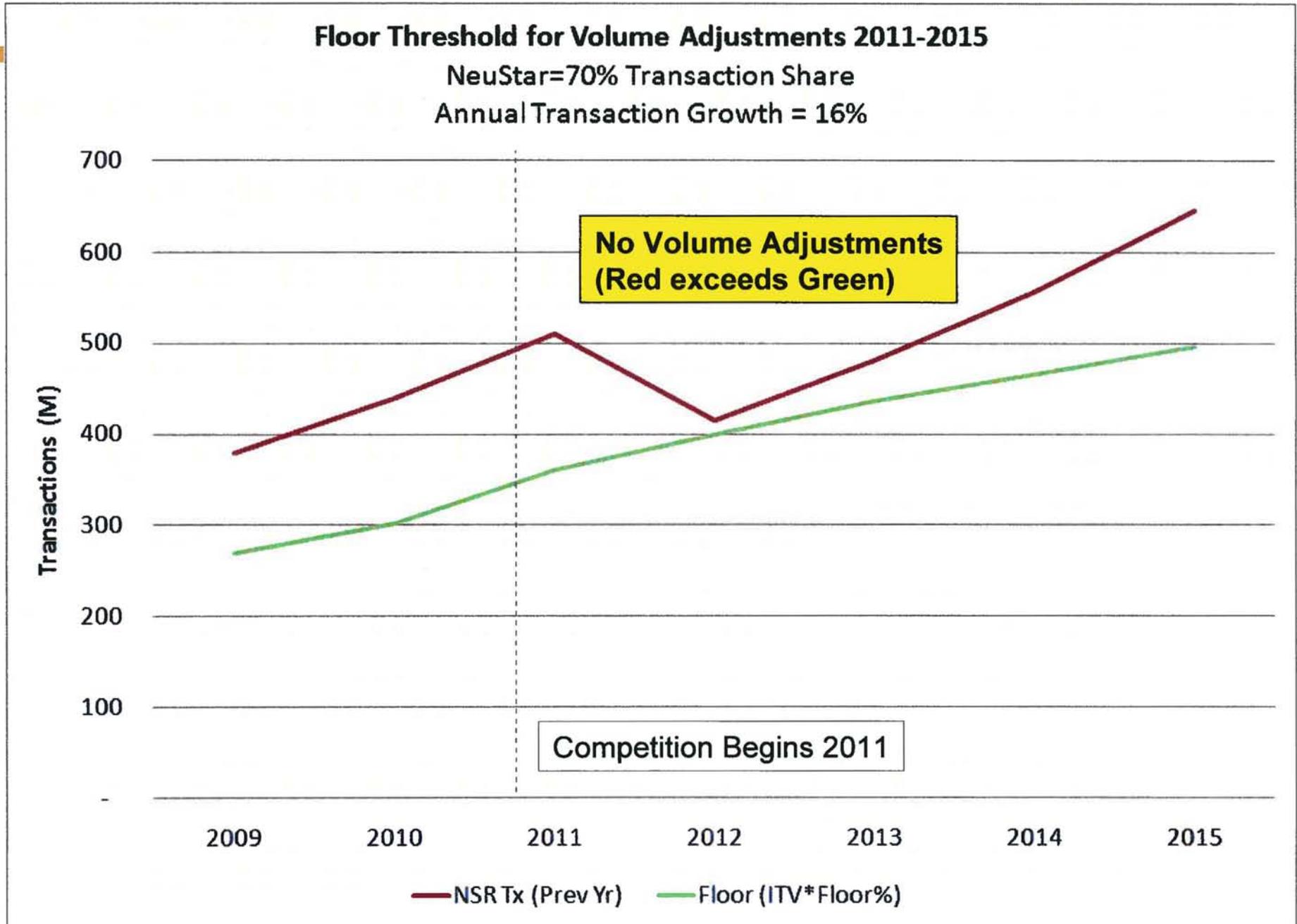
# Oversight of Number Portability in the USA

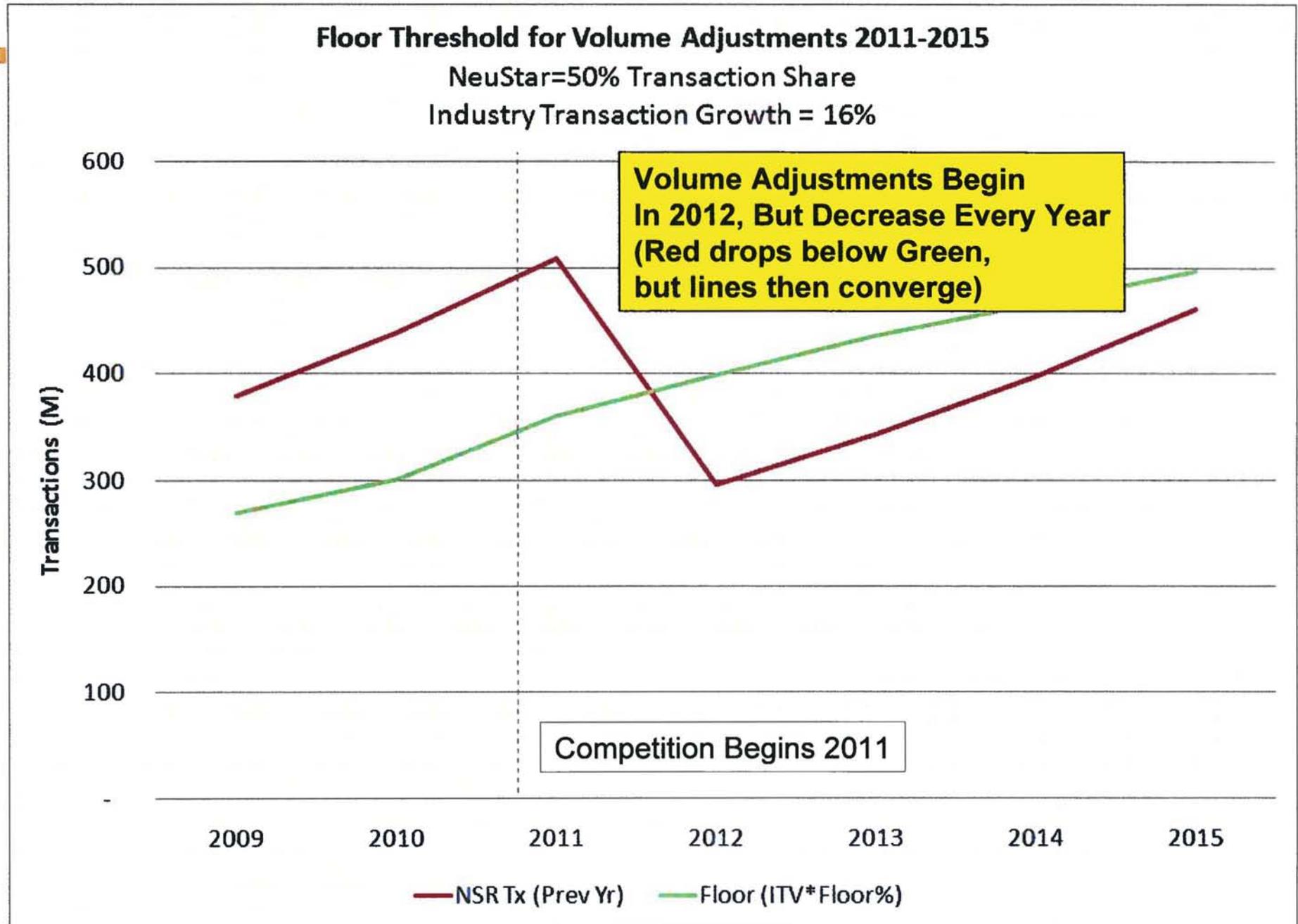
## ■ (The Cast)



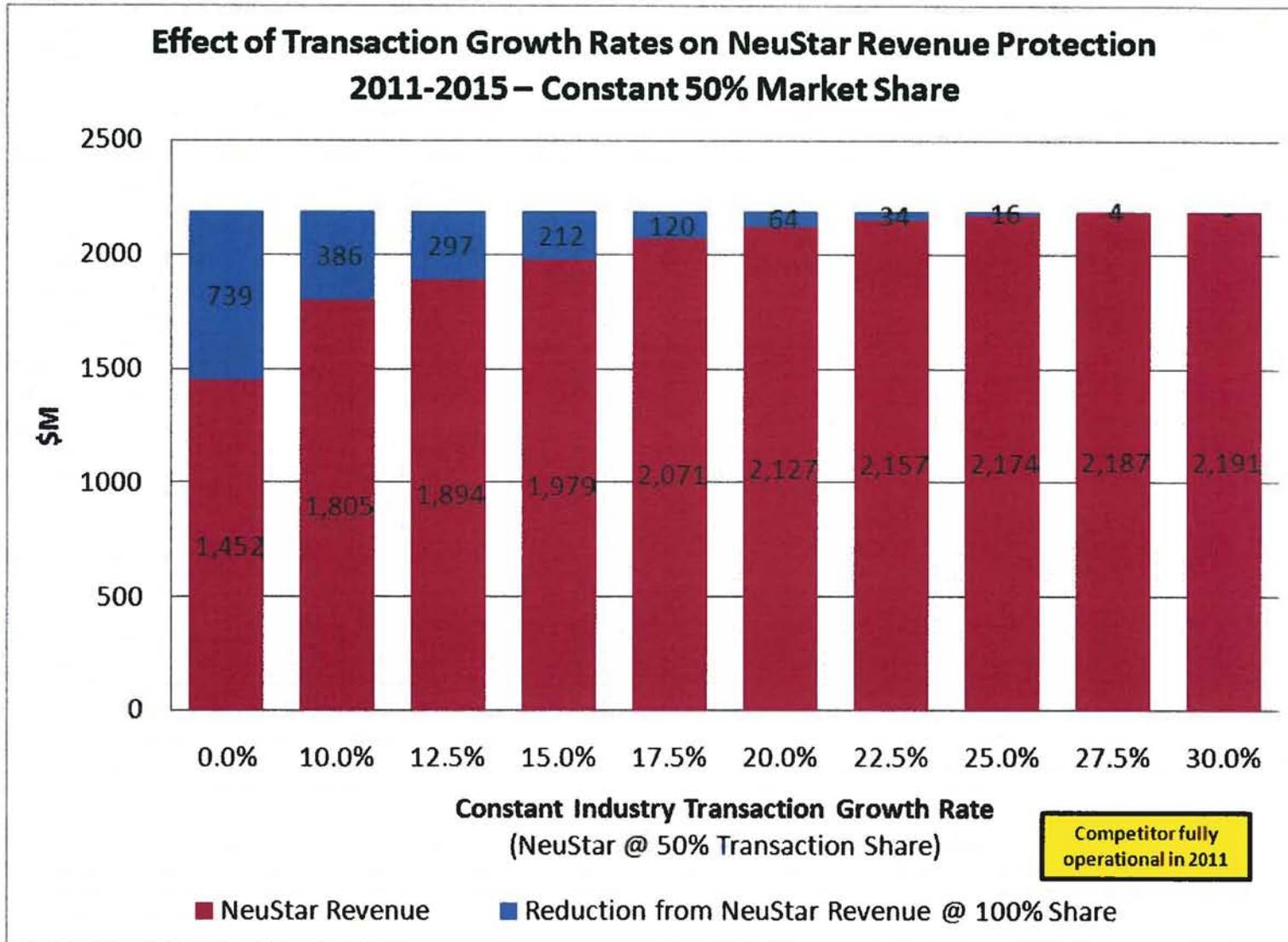
## ■ ■ ■ How Does Market Foreclosure Occur?

- Key is how the “Floor” trigger for volume-related reductions works.
  - No adjustments for one-year after market share loss occurs.
  - No volume-related adjustments unless the Floor is breached.
  - Adjustments are taken from ever-increasing fixed price.
  - The Floor increases at 6.5% per year (parallel to fixed price increases); thus, if transactions grow faster than 6.5%, NeuStar must lose an even greater market share before losing any revenue.





# Slower Transaction Growth Does Not Negate Market Foreclosure; Faster Growth Enhances It



# ENUM and the NPAC Chronology

- 2005
  - July – NANC sends report of no consensus on NANC 400 adding URI data in NPAC to FCC based on NANC Future of Numbering Working Group (FoN) Report
  - Nov – CableLabs issue RFI for VoIP Peering, reported that over 30 companies respond
- 2007
  - Nov – CC1 ENUM LLC issues RFP for Provider ENUM
- 2008
  - Feb – FCC permits the industry to reconsider NANC 400 in light of the FCC 08-188 Order on Number Portability (VoIP and Porting Fields Order)
  - May – LNPA Splits NANC 400 into 4 change orders one per URI (NANC 429-432) and includes in SP prioritization of next release; two of the URI COs are “above the line” in initial prioritization. Meeting of prioritization new Change Order 435 adding SMS added and included
  - July – Three of the URI Cos are included on the Recommended List for a next NPAC Release to LLC; neither NANC nor FoN consensus has been sought with regard to adding URI data to NPAC per the original report.
  - Sept – Amendment 62 expands definition of “calls” to include video, music, pictures and text.
- 2009
  - Jan – NeuStar and NAPM LLC sign Amendment 70 with discounts for inclusion of URI Data in NPAC
  - Feb – VeriSign issues press release announcing PacketCable certification of ENUM Server Provisioning Protocol for cable providers
  - Feb – Telcordia issues press release announcing award of CC1 ENUM LLC Service Provider ENUM registry to Telcordia

# Chronology of Events Including Telcordia – NAPM LLC Activity

**Legend**  
 LLC Disclosure  
 Telcordia Disclosure

- 2005
  - Telcordia (and other competitor) submit unsolicited NPAC proposal presentations
- 2006
  - NAPM and NeuStar sign Amendment 57
- 2008
  - Mar - Telcordia presents unsolicited Regional proposal w/discounted pricing
  - July - Telcordia submits unsolicited Regional and Multi-Peering proposals
  - Aug – NAPM asks 28 questions regarding Peering proposal
  - Sep - Telcordia presents Peering responses and industry ROI information
  - Sep – NeuStar advises the NAPM that it “wanted to discuss a restructuring of pricing terms in the Master Agreements”
  - Nov 20 – NAPM informs Telcordia that it will not consider a regional model because it “will not provide Users with a sufficient level of vendor choice that the Members of the NAPM LLC believe will best serve and benefit consumers . . . .” Says “The Multi-Peering Administrator Model deserves and warrants further consideration.” Requests Telcordia to initiate “appropriate industry-wide subject matter expert consideration, review and buy-off” on a peering NPAC.
- 2009
  - Jan 8 – LNPA WG meets to consider multi-peering NPAC architecture.
  - Jan 28 – NAPM adopts Amendment 70 and notifies NANC and the FCC.