Intercarrier Compensation Reform: Proposals to Correct Abuses

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Who Are Our Users?

- Millions of users
  - Government and Military Institutions
  - Charitable and Non-Profit Organizations
  - Small to Large Business Entities
  - Family, Social and Educational Groups
  - Prayer and Religious Groups
- Users depend on the service for livelihood
- New uses that continue to evolve from the "FREE" model
- Consumer friendly = "FREE" toll conferencing

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Economic Perspective

- Over 15 million callers use FreeConferenceCall.com monthly
- Greater than the number of unemployed workers 14.8 million or 9.6% of work force
- 200 million calls to FreeConferenceCall.com per year

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Its Just "Free" Toll Conferencing

- Consumer uses Long Distance service to connect
  - Which means = All participants pay their way
- Organizer Fee
  - Some toll conferencing requires charging the organizing participant to pay a fee – for all of the other participants they join the conference for "FREE," except that they have to pay for their long distance
  - FreeConferenceCall.com does not charge the organizer an additional fee

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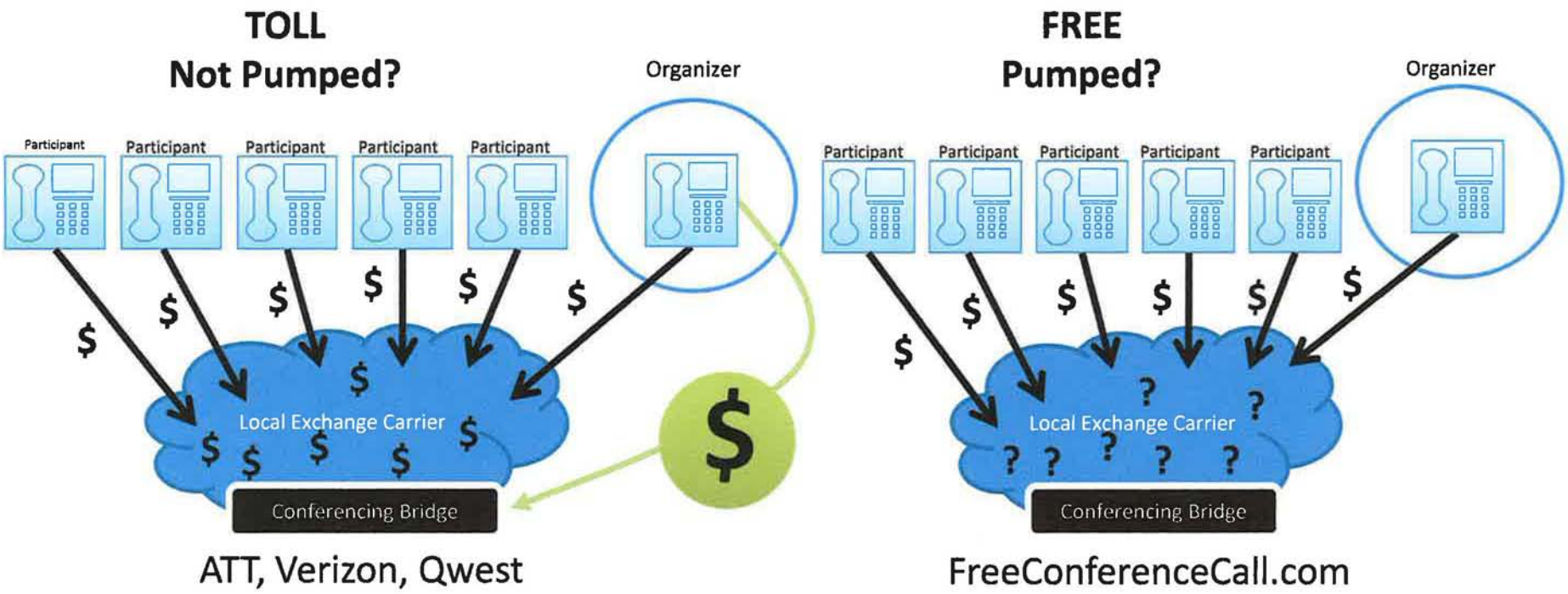
Organizer Fee



Participants and organizers pay their own long distance fees to get to both free and toll conference call bridges. The long distance carriers of each caller pays the local exchange carriers where numbers for conferencing bridges are terminated. Organizer of toll conference pays an additional fee not paid on a free conference call.

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What is Illegal "Traffic Pumping"?

- Artificially generated traffic for the sole purpose of arbitraging terminating access
- Intentional purchase of a long distance plan at a rate < than the termination rate
- Serves no consumer purpose

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Proposed "Traffic Pumping" Solution

- Two-part solution:
  - Ban artificially generated non-consumer driven traffic that is generated for the sole purpose of creating compensable minutes with no consumer purpose and;
  - Ban terminating access arbitrage, including arbitrage where the cost to carry the call to the exchange is less than cost to terminate the call at the exchange and the buyer of the long distance is collecting some portion of the termination fees

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What is Access Stimulation?

- When a rural local exchange carrier enters into an agreement to, or engages in, the hosting and promotion of incoming voice services generating consumer driven traffic on a tariff filed under the Rural Exemption

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Potential Issues Involving Access Stimulation

- High cost rural locations that base their tariff on low volume and then conduct high volume services
- High intra-state rates
- Based on regulatory arbitrage not arbitrage
  - Consumer driven phone calls
  - Consumer purpose and benefit

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Proposed Access Stimulation Solution

- High Volume Access Tariffs (HVAT) that would nullify the Rural Exemption based on volume increases ONLY when stimulating access conferencing or chat applications, while retaining original intent of the Rural Exemption
  - Alleviates problems associated with high cost inter-state and intra-state traffic and regulatory arbitrage
  - Prohibits any self-help in the marketplace via withholding of non-payment

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Conclusion

- Toll Conferencing and Free Toll Conferencing are the same thing
- Traffic Pumping Solution solves all of the problems with artificially generated traffic and arbitrage
- HVAT Solution solves all of the issues with the Rural Exemption and gets payments flowing again by prohibiting self-help. Inspires venture capital in evolving business models

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