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May 13, 2011

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

**RE: Connect America Fund, WC Docket No. 10-90; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; A National Broadband Plan for Our Future, GN Docket No. 09-51; Regulation of Prepaid Calling Card Services, WC Docket No. 05-68; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135**

Dear Ms. Dortch:

On Thursday, May12, 2011, Michael Hunseder of Sidley and Austin LLP and Kim Meola, Jack Habiak, Adam Panagia and the undersigned of AT&T met with Rebekah Goodheart, Randy Clarke, Jenny Prime, Albert Lewis, John Hunter, Doug Slotten, Jay Atkinson, William Dever and Victoria Goldberg of the Wireline Competition Bureau and Terry Cavanaugh and Margaret Dailey of the Enforcement Bureau. At the meeting, AT&T commended the Commission on separating the arbitration issues from the larger intercarrier/USF reform proceeding and urged them to move quickly towards a final order on traffic pumping, phantom traffic, VoIP compensation for traffic to/from the PSTN, and other arbitration related issues. The attached presentation was used to guide the discussion consistent with AT&T's comments in the proceeding.

Please call me if you have any questions.

Sincerely,

/s/ Brian J. Benison

cc: Rebekah Goodheart Randy Clarke  
Jenny Prime Albert Lewis  
John Hunter Doug Slotten  
Jay Atkinson William Dever  
Victoria Goldberg Terry Cavanaugh  
Margaret Dailey

# Intercarrier Arbitrage



# Address Arbitrage Issues Now



- FCC appropriately placed arbitrage problems on a faster timeline
  - Traffic pumping, phantom traffic and VOIP compensation all have complete records enabling immediate action.
  - Commission also needs to address related arbitrage problems including mileage pumping, tandem arbitrage and prepaid into local



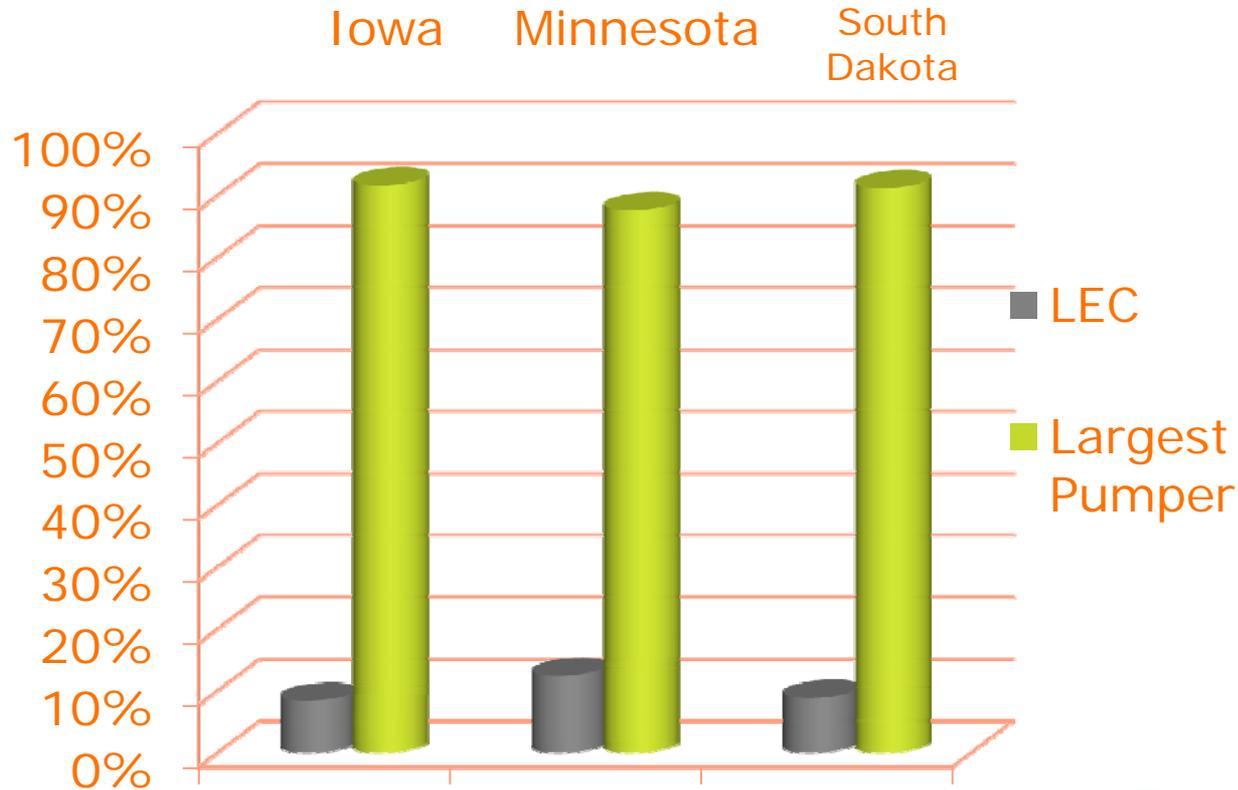
# Traffic Pumping - Solutions



- Mandatory Detariffing
  - Most deregulatory approach consistent with current rules
  - Similar to IUB, allows market to set the price
- ISP rate is a reasonable alternative
  - Very low cost of routing large volumes to bridges
  - Dramatic difference in volumes



# Traffic Pumping – Volume Comparison



March 2011 interstate terminating minutes



# Traffic Pumping - Triggers



- Multiple triggers
  - Arbitrage is a perniciously reoccurring problem
  - Addresses vertically integrated carriers
  - Easier to enforce
  - Elimination of “deemed lawful” is appropriate
  - No evidence of over inclusion of legitimate LECs



# Most Cost Routing



- Traffic is rerouted to increase mileage
- LERG designations are based not on legitimate network needs but to increase costs by routing to more distant tandems
- New longer mileage routes charge higher ICO transport rates rather than the old route RBOC rates.
  - Most new designations are resolved B2B but a few carriers are trying to foist construction and transport costs on to IXCs.



# Great Plains Transport Cost Change Comparison



## Transport to Sidney, Ne.

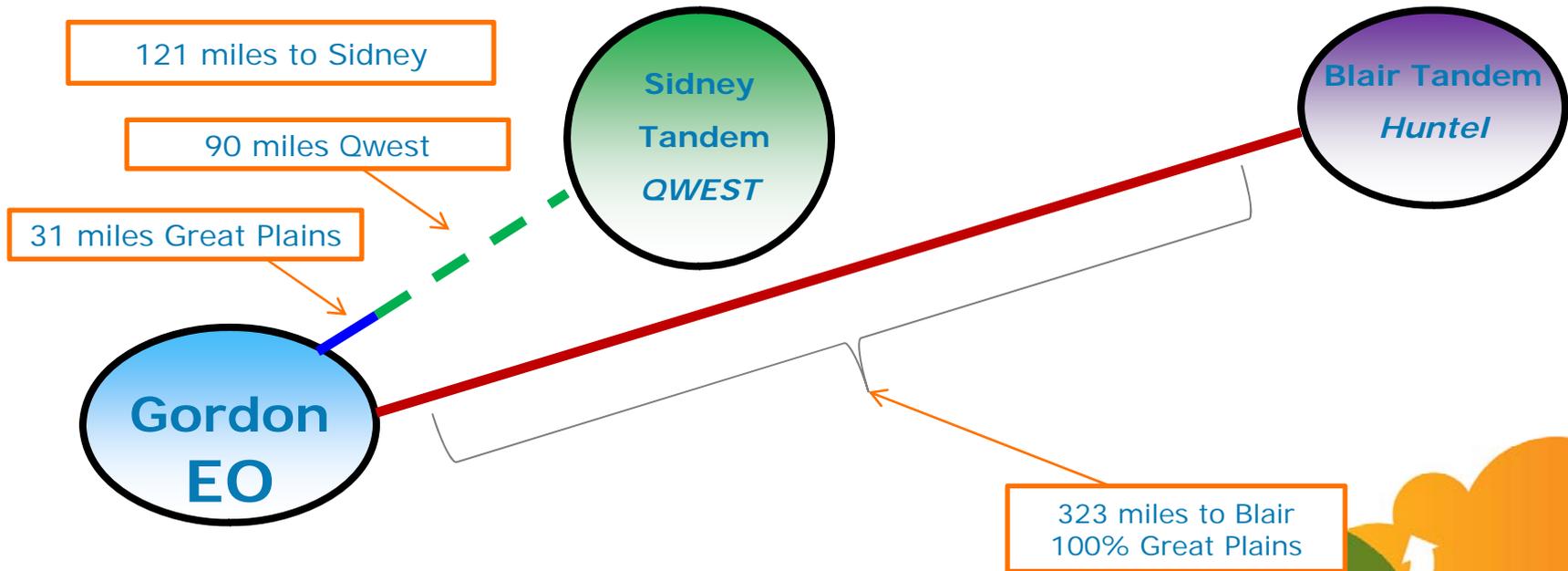
### Interstate

Great Plains	0.0075
Qwest	0.0052
Total	0.0127

## Transport to Blair, Ne.

### Interstate

Great Plains	0.0766
Huntel	0.0043
Total	0.0809



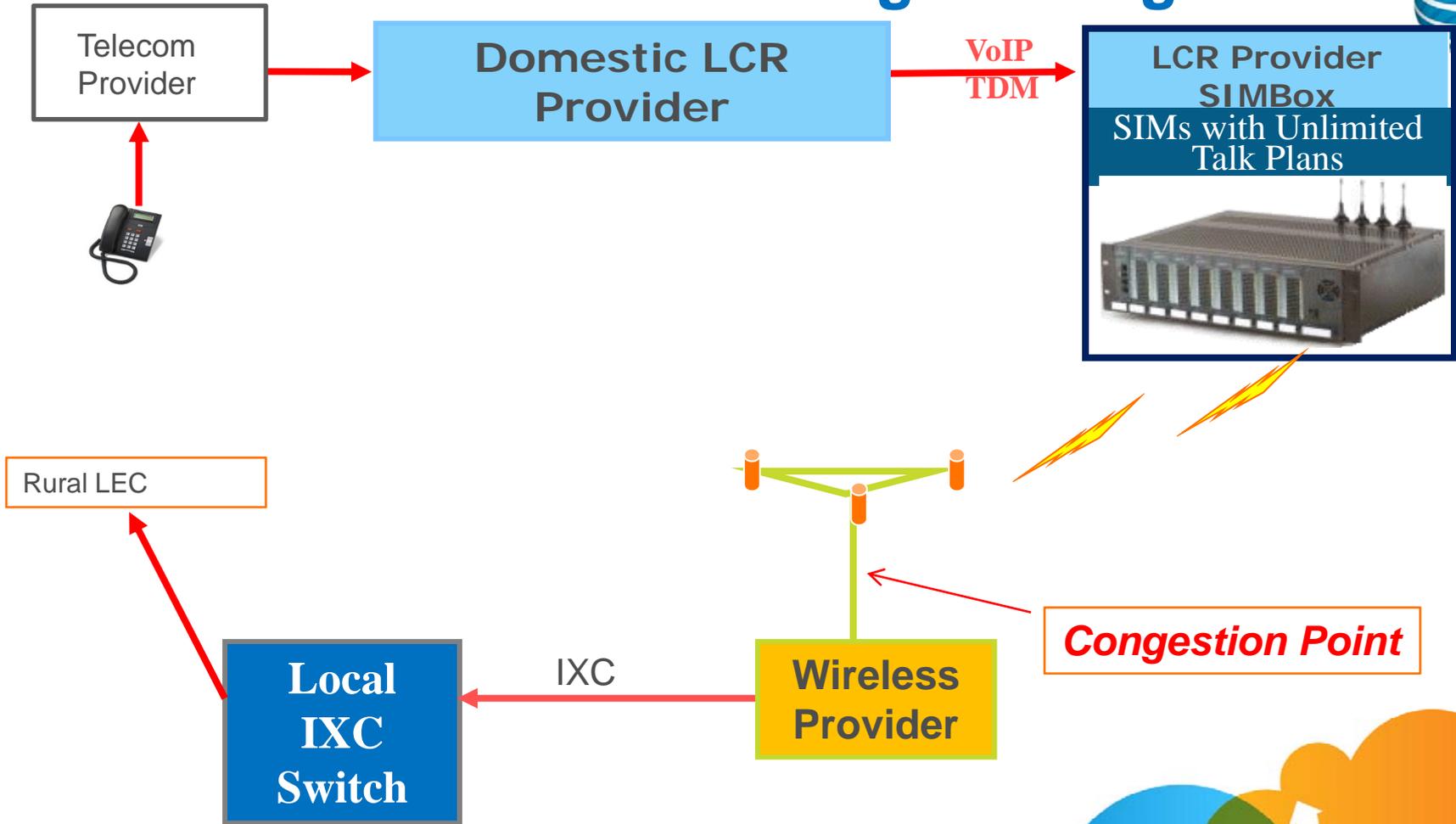
# Other Arbitrage Problems



- 8YY traffic is routed to maximize access and dip revenue increasing costs to toll free customers.
- Competitive tandems abusing rules to increase costs above incumbent and shift them to the IXC.



# Least Cost Routing Arbitrage



# Prepaid Calling Cards



- Commission should confirm that access has always applied to prepaid calls initiated over local trunks
  - AZ Dialtone PFR has been pending for six years
  - Market is skewed against carriers who play by the rules
  - FCC should examine whether carriers who abuse LCR arrangements are filing accurate prepaid certifications

