

D.T.C. 07-9
DTC-ATT 1-5 Exhibit C
September 11, 2008
Consisting of 10 pages

**AT&T EX PARTE FILING
WC DOCKET NO. 05-276, ESTABLISHING JUST AND REASONABLE RATES
FOR LOCAL EXCHANGE CARRIERS**

DATED FEBRUARY 21, 2008



Brian Benison
Director
Federal Regulatory

AT&T Services Inc. T: 202.457.3065
1120 20th Street, NW F: 202.457.3070
Suite 1000
Washington, DC 20032

February 21, 2008

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

**RE: Establishing Just and Reasonable Rates for Local Exchange
Carriers, WC Docket No. 05-276**

Dear Ms. Dortch:

On behalf of AT&T Services, Inc. Jack Habiak, Safir Rammah, Peter Jacoby and the undersigned met with Randy Clarke, Albert Lewis, Deena Shetler, Doug Slotten, Victoria Goldberg, Lynn Engledow and Jay Atkinson of the Wireline Competition Bureau on February 20, 2008. We explained that the access pumping problem is rapidly moving from ILECs to CLECs and that absent swift Commission action this arbitrage that undermines the policy goals of the access charge regime will continue to expand. All of the matters discussed during the meeting were consistent with AT&T's previous filings in this docket. The attached presentation served as the basis for the discussion.

Sincerely,

/s/ Brian Benison

cc: Randy Clarke
Albert Lewis
Deena Shetler
Doug Slotten
Victoria Goldberg
Lynn Engledow
Jay Atkinson



at&t

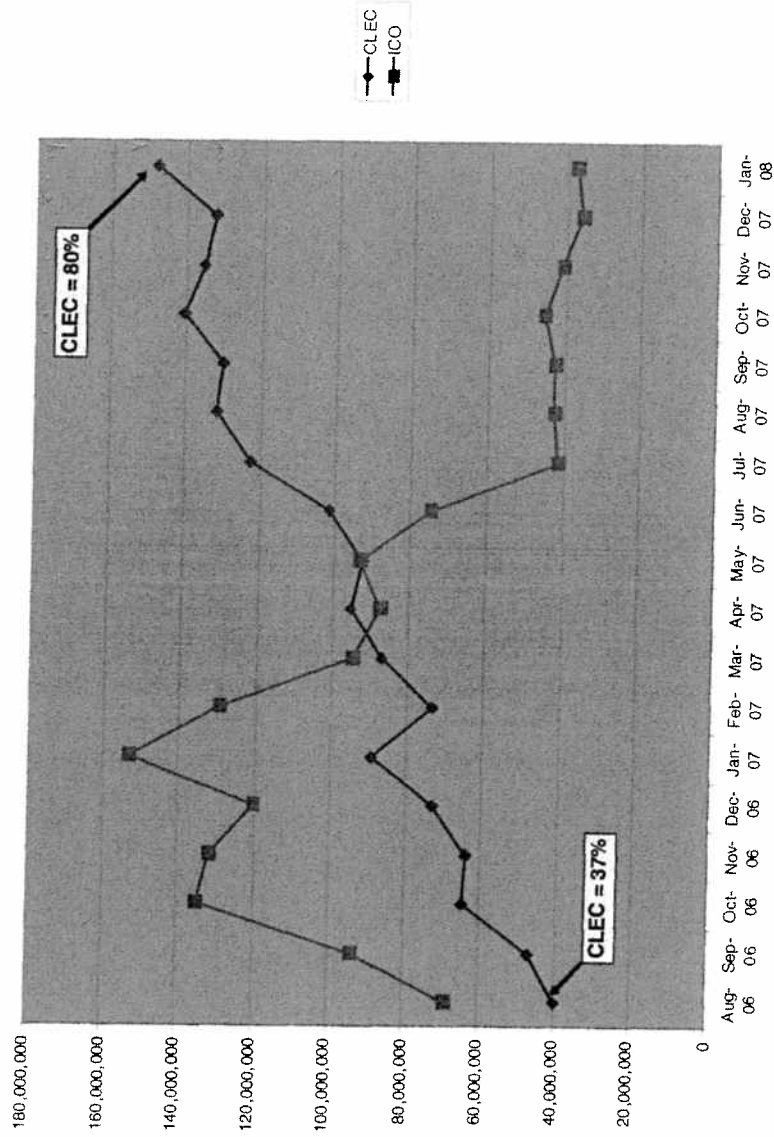
Access Pumping

Rural CLEC Growth

Overview

- Rapid Transition of traffic pumping to CLECs
- Volumes approaching peak before FCC intervention
- Solutions
 - Certifications
 - Triggers
 - Declaratory Rulings

Access Pumping Moves to the Rural CLECs



AT&T delivered traffic



Transition to CLECs

AT&T Interstate MOU to Traffic Pumpers

	Jan-07	Jan-08
Top 24 CLECs	89,385,269	148,209,474
Top 29 ILECs	153,397,679	37,553,803
Total	242,782,948	185,763,277

While last year's tariff intervention by the Commission hindered traffic pumpers, the volumes continue to grow on the CLEC networks.

INS Request

- AT&T was notified by Iowa Network Services (INS) on 2/14/08 that they expected an additional 50-80 million minutes per month of “conference traffic” through the Kamrar Tandem.
- An average rural LEC* would have to be serving over 300,000 new access lines to produce this volume of traffic.
- This nearly doubles the volume of traffic on the INS ring.

* The average volume of terminating minutes for a rural carrier is 215 minutes a month. See Appendix B to AT&T’s Comments

Solution: Reporting and Certification

- The Commission should require ILECs filing under Rules 61.38 and 61.39 and CLECs that seek to benchmark to a rural ILEC rate or to take advantage of the rural exemption:
 - (1) to report their access traffic quarterly (and rural CLECs should also report their access lines);
 - (2) to certify upon the filing of a tariff that they will not enter into any traffic pumping arrangement (as defined below);
 - (3) to include in all tariffs a commitment to revise the tariff and reduce rates in the event traffic exceeds specified thresholds (and to make appropriate refunds to access customers injured before the reduced rates become effective).

Solution: Refiling Triggers

ILECs:

**Category of LEC by
Annual Minutes
Trigger**

**Year-Over Year
Quarterly Growth Rate**

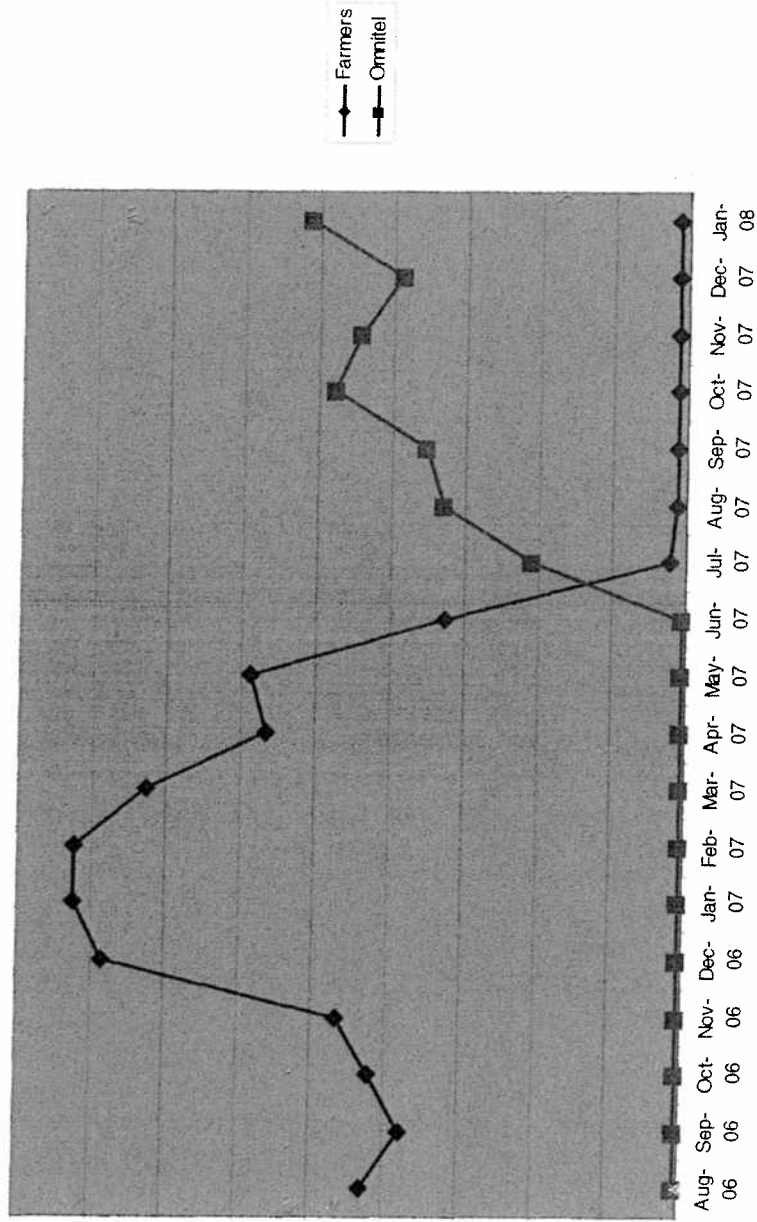
10 million MOUs or less	100 percent
10 million MOUs to 50 million MOUs	75 percent
50 million or more MOUs	50 percent

CLECs: Monthly 2,000 access minutes per line

Solution: Declaratory Rulings

- The Commission should issue declaratory rulings that
 - (1) any LEC revenue sharing arrangement in which the LEC becomes the net payor of the customer is an unreasonable practice under Section 201(b);
 - (2) the practice of manipulating interconnection points to artificially inflate access charges is an unreasonable practice under Section 201(b);
 - (3) no small LEC may opt into the Commission's current price cap rules absent express permission from the Commission.

Farmers of Riceville and Omnitel



AT&T delivered traffic



D.T.C. 07-9
DTC-ATT 1-5 Exhibit D
September 11, 2008
Consisting of 1 page

**TWO CHARTS AT&T RELIED ON IN DETERMINING THAT
CLEC ENGAGED IN ACTIVITY THAT RESULTED IN
SUSPICIOUS VOLUMES OF TERMINATING TRAFFIC**

DTC-ATT 1-5 Exhibit D

CHART 1

Term	Company	Term State	Data	Term AMOUs	Term AMOU/WTN
1		MA	549,118	20,367,861	37
2		MA	43,791	13,126,587	300
3		MA	7,077	10,298,067	1,455
4		MA	114,545	5,838,286	51
5		MA	84,150	4,011,586	48
6		MA	40,271	3,106,225	281
7		MA	51,590	2,652,425	51
8		MA	60,645	2,613,076	43
9		MA	58,482	2,220,325	38
10		MA	44,013	1,918,469	44
11		MA	40,925	1,804,006	44
12		MA	17,314	1,152,406	67

CHART 2

Term	WTN	MOUs	Dial Result	Google Result
978XXXXXX		183,182.34	Please enter your authorization code now (English, Spanish other foreign language)	www.ibuyphonecard.com/phonedir.htm or http://www.deshiphones.com/access_number_diarnond_KY_NC.htm or www.phonecardsforsale.com/imgs/localaccess/localaccess1.htm
978XXXXXX		69,667.62	Please enter your authorization code now (English, Spanish other foreign language)	none found
978XXXXXX		63,495.54	Please enter authorization code now	http://www.phonecardsforsale.com/imgs/localaccess/localaccess1.htm
978XXXXXX		55,500.93	Spanish greeting instructing one to enter PIN	none found
508XXXXXX		52,228.00	modem	www.galaxyvoice.com/dialup/rma.html
508XXXXXX		49,141.30	modem	www.galaxyvoice.com/dialup/rma.html
617XXXXXX		43,250.42	modem	www.freedialup.org/site/content/view/22/27/
978XXXXXX		41,137.38	Spanish greeting then Please press 2 for English please enter your PIN number or press *0 to be connected to customer service	none found
978XXXXXX		41,016.58	We're sorry due to network difficulties we cannot complete your call at this time Please hand up and try again message 43	http://www.qfmphone.com/product_info.php?products_id=2020&osCsid=94a7a52e465ae7fd9371911ca3b5886b
978XXXXXX		38,778.16	modem	none found
781XXXXXX		35,482.71	Hello Hello we are working on a Fall River MySpace Page should be working ... (Chat)	
781XXXXXX		31,980.57	For English prompts press *0 Please enter your PIN now	onecentinternational.com/PhoneCardDirections.html or russian-romance-guide.com/calling-card/InternationalPenny.htm
617XXXXXX		31,924.89	Please enter your authorization code now (English, Spanish other foreign language)	www.phonecardsforsale.com/imgs/localaccess/localaccess1.htm or www.qfmphone.com/product_info.php?cPath=385&products_id=2024&osCsid=cee0c511290c4cd8f8ee487e1c8d0366
781XXXXXX		31,635.23	Please enter your authorization code now (English, Spanish other foreign language)	www.phonecardsforsale.com/imgs/localaccess/localaccess1.htm

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE
DATA REQUESTS TO AT&T CORP.

Witness Responsible: Ola Oyefusi and Christopher Nurse

DATE

PROPOUNDED: September 3, 2008

DTC-ATT 1-6

Refer to your testimony at pages 18 and 19. If CLEC rates are capped at Verizon's rates, and CLEC's are forced to recover any additional switched access costs from their end users, would CLEC's be placed at a competitive disadvantage which could reduce competition in the local exchange market in Massachusetts? Please explain.

RESPONSE:

No, competition would be enhanced because the additional costs to be recovered from the CLEC end users are the portion of their combined or joint costs that belongs to local service. Efficient competitors are not disadvantaged by a well-functioning market which provides consumers with correct price signals. If a carrier's total cost of providing telecommunications services are higher than the price at which other competitors can satisfy all consumers demand requirements, that carrier is inefficient and should not be subsidized to stay in the market. Ultimately, consumers bear the costs of subsidizing such inefficient providers. The purpose of competition is to lower prices for consumers not increase them so that inefficient carriers can stay in the market.

It is entirely to be expected that, in a competitive market, some participants may not make the competitive cut; that is a core characteristic of any competitive undertaking, whether it is competitive sports try out or a competitive telecommunications market. State and federal regulatory agencies have determined that there are no insurmountable barriers to entry in the telecommunications markets subject to DTC regulation. Thus in the natural course of events, new competitors will replace failing competitors. The rigor of competition is what drives benefits to consumers and rewards to the innovative and efficient carriers. If, increasingly, inefficient providers were provided with increasingly large subsidies, the market would tend in exactly the wrong direction – rewarding and expanding inefficiency.

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE
DATA REQUESTS TO AT&T CORP.

Witness Responsible: Ola Oyefusi and Christopher Nurse

DATE

PROPOUNDED: September 3, 2008

DTC-ATT 1-7

Please indicate the annual revenue effect of Verizon's proposal on your company, both in dollar terms and by percentage of overall intrastate revenues.

RESPONSE:

AT&T and its affiliates will lose approximately **<BEGIN PROPRIETARY>** **<END PROPRIETARY>** in annual access revenue in Massachusetts as a result of Verizon's proposal. This represents **<BEGIN PROPRIETARY>** **<END PROPRIETARY>** of the total intrastate switched access revenue billed by AT&T and affiliates in Massachusetts. AT&T and its affiliates would save approximately **<BEGIN PROPRIETARY>** **<END PROPRIETARY>** in access payments annually if Verizon's proposal is adopted.

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE
DATA REQUESTS TO AT&T CORP.

Witness Responsible: Ola Oyefusi and Christopher Nurse

DATE

PROPOUNDED: September 3, 2008

DTC-ATT 1-8

Please explain how your company will be able to make up the lost revenues and over what time period.

RESPONSE:

There is no assurance of “making up” revenue in a competitive market; a revenue requirement or entitlement is an obsolete, monopoly-era construct applicable to rate-of-return regulation. AT&T faces rapidly increasing costs particularly for health care, electricity, and gasoline; competitors in all markets seek to reduce their expenses and increase prices to the extent the competitive market will support higher prices.

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE
DATA REQUESTS TO AT&T CORP.

Witness Responsible: Ola Oyefusi and Christopher Nurse

DATE

PROPOUNDED: September 3, 2008

DTC-ATT 1-9

Please explain how your company was able to make up the lost access charge revenues resulting from the FCC's Access Charge Order and over what period of time.

RESPONSE:

The FCC Access Charge Order drove CLEC interstate rates down to the ILEC interstate rate. This was only one component of cost, revenue, and capital that works through to competitive pricing. AT&T perpetually faces many cost increases and cost reductions and strives to manage its cost structure down below the market prices. Competition has forced AT&T to undertake aggressive cost reductions.

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE
DATA REQUESTS TO AT&T CORP.

Witness Responsible: Ola Oyefusi and Christopher Nurse

DATE

PROPOUNDED: September 3, 2008

DTC-ATT 1-10

Please explain in detail, with supporting documentation, whether adoption of Verizon's proposal will force your company to exit the Massachusetts market.

RESPONSE:

No, adoption of Verizon's proposal will not force AT&T, or AT&T's CLEC to exit the Massachusetts market. First, we have invested substantial capital in an extensive fiber ring network from southern New Hampshire to Rhode Island and entrances into a large number of commercial buildings and collocations. Second, as in the case of AT&T's response and adjustments to the FCC Access Charge Order, if an order is issued in this case similarly reducing intrastate access charges of CLECs AT&T will adjust its cost structure to cope with the new pricing structure. As noted above, AT&T constantly faces many cost increases and cost reductions and strives to manage its cost structure down below the market prices. AT&T will react and adjust to the capped CLEC access rates as it does to all other factors affecting its business.