

Who is ANPI/Zone?

- Today we provide voice services to roughly 700 Independent telephone companies across the U.S. and carry billions of minutes per year across our network.
- We also serve numerous wireless customers, CLEC's and Tier 1 carriers.
- We are in a unique position to observe the call quality issue:
 - From its' onset more than two years ago,
 - To its culmination into the pervasive and critical problem it has become.
- Our focus today:
 - To identify the factors that have created the problem's epidemic expansion.
 - To discuss the interrelationships between call quality, bypass, ICC reform.
 - To touch on the longer range implications of the issue
 - To identify what we, and you, can do about the problem.

Overarching Observation

The call quality issue is but one manifestation of a larger and more imposing reality.....

Voice, particularly to rural areas, is devolving into a best effort service.

Further.....

Without intervention and focus, the degradation we have observed to date will only worsen. If you haven't been effected yet, you will be.

As such....

We need to work together and make resolution of this issue a priority.

How Did We Get Here?

- The economics of the voice business have grown more difficult.
 - Margins are decreasing, competition is fierce
- Companies are increasingly probing new ways to enhance margins,
 - The desire to reclaim margins creates an eco-system which has become rife with:
 - Substandard technology – Open source shared servers, employing open source code, terminating over open IP.
 - Carriers manipulating digits and terminating LD calls over local trunks in schemes ranging from an aggressive stretching of the rules to outright blatant illegal bypass.
 - Carriers employing off-netting applications which simply do not reliably terminate calls to rural areas.
 - Access remains far and away the largest cost component in the delivery of voice services across the PSTN.
 - Economic incentives to engage in this activity are IMMENSE.

Why Rural Areas Are Particularly Impacted

A few years ago, the issue of access pumping came to the forefront.

Historically, carriers did not understand the connection between toll costs (wholesale and retail) and the underlying cost of doing business.

Access pumping put the issue on the radar, with carriers embarking on implementation of systems that created visibility to relative costs of terminating traffic across geographies.

These systems were then linked to billing for both wholesale and retail traffic which gave insight into profitability.

- Epiphany, carriers were losing billions on traffic terminating to higher cost geographies.

Why Rural Areas Are Particularly Impacted

What was the collective response:

Dramatically raise wholesale rates to rural geographies

Accelerate focus on intercarrier compensation reform to reduce access rates.

Take every action available to cut the costs out of the system

- Much more aggressive LCR including decks that bypass access.
- De-Commission FGD and offnet as much as possible
- In essence, invoke a self help strategy that eliminates the ICC glide path and delivers a much lower terminating cost today.
- Economic incentives are immense. Carriers are waiting for push back, if no counter weight is introduced, practice will only grow.

What does the Problem Look Like

No caller ID:

Substandard equipment, lack of interoperability throughout network, digit manipulation.

No Ringback:

VoIP equipment in which ringing is being supplied by intermediate equipment. Hand off between networks is undermined.

Poor Voice Quality/Dead Air:

Introduction of VoIP and substandard routing often married to bypass techniques.

Calls Failing to Be Delivered: Explicit bypass or non-managed ASR.

What are We Doing About It

- **Regulatory Participation:** Support of regulatory investigation at both state and federal levels. This effort must be accelerated – we're losing the battle/war.
- **Self Help:**

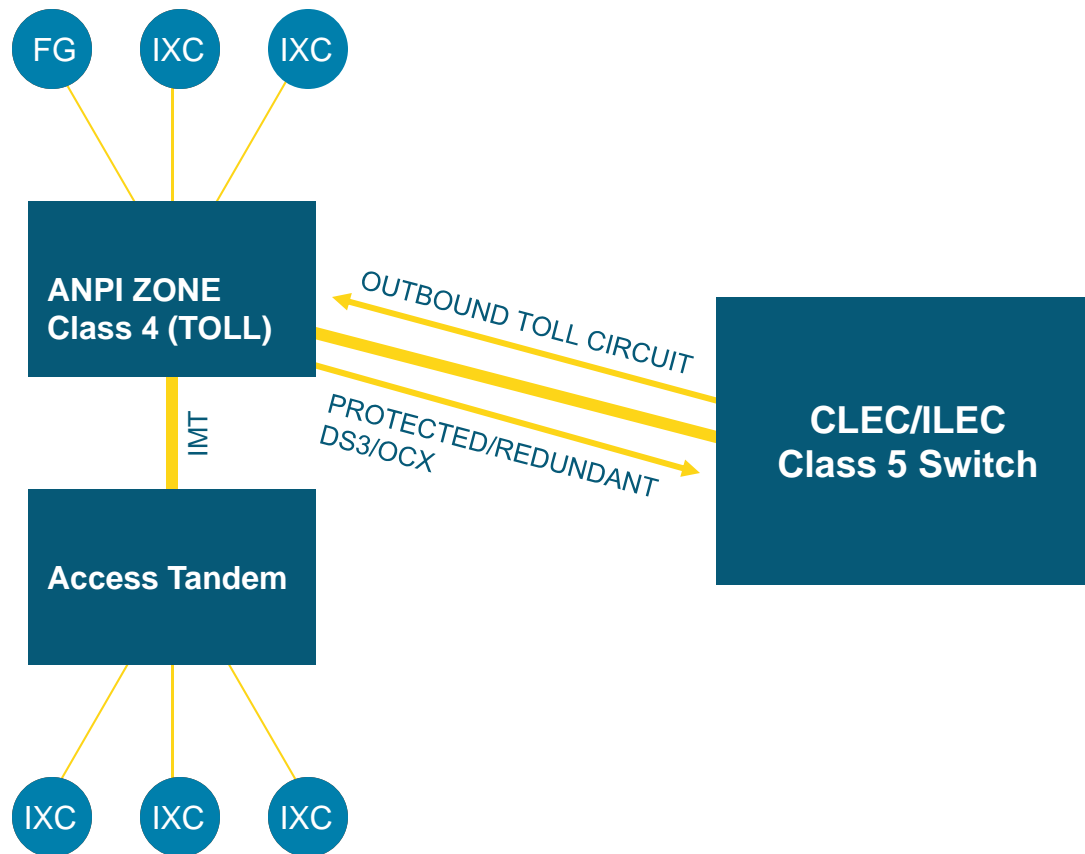
This month we will be creating a ***solution that employs only FGD trunking*** – with guaranteed results.

Tier 1 blends have become ineffective.

Introduction of our own next generation feature groups. Many companies secure IP from statewide networks. We will be looking to peer with such networks, and directly terminate traffic to Independent exchanges.

Broadening of our tandem application. Bringing all traffic through a non-RBOC tandem married to SS7 monitoring to manage quality and minimize bypass.

Illustrations of Self Help Solutions



Conclusion

- This is a beach head issue. We are communications providers, and our role is to enable an effective value rich experience.
- The factors previously cited are driven by economics, and there is big money in play.
- The issue will broaden and become more pronounced unless we make resolution of this issue a priority:
 - Significantly increasing the regulatory attention on this issue
 - Aggressively pursuing the self-help strategies identified.
- This issue will not only pose a serious challenge to our role as communications providers, but will also increasingly see the glide path of ICC shortened by carriers who are themselves engaged in their own brand of self help.
- This is a call to arms issue, and we should invest the time and energy to answer that call.