

**STATEMENT OF
CHAIRMAN AJIT PAI**

Re: *Updating the Intercarrier Compensation Regime to Eliminate Access Arbitrage*, WC Docket No. 18-155.

You've probably heard the expression "there's no such thing as a free lunch." As it turns out, there's also no such thing as a free conference call. Instead, we all end up footing the bill for these purportedly "free" calls.

A detailed explanation of how this works could serve as a substitute for Ambien so I'll just try to summarize the basics. Today, the intercarrier compensation system governs how phone companies pay each other for carrying and completing calls. High-volume calling services like "free" conference calling and chat lines take advantage of inefficiencies in this system. Specifically, local phone companies make arrangements with providers of high-volume calling services to inflate their incoming call traffic. This artificially increases their access charge revenues. This practice is called "access stimulation." And it's a profitable arbitrage that results in excessive access charges that long-distance companies are forced to pay—to the tune of \$60 to \$80 million a year. But of course, this lunch isn't free; long-distance carriers generally spread those costs across all of their customers, regardless of which ones actually made calls to high-volume calling services. So all of us American consumers ultimately pay for these "free" services.

To combat wasteful access stimulation schemes, the FCC made several reforms in 2011. But gaming of the system has persisted. So today, we take action to remove the financial incentives to engage in this arbitrage.

First, to eliminate the use of our intercarrier compensation system to subsidize "free" high-volume calling services, we shift the financial responsibility for paying certain access charges to the access-stimulating carriers that are responsible for generating them.

Second, recognizing the evolving nature of these schemes, we close a loophole that allowed access-stimulating carriers to profit from high-volume calling even without using a revenue sharing agreement. At the same time, we calibrate the traffic ratios in our new rules to avoid ensnaring rural carriers that have higher ratios of inbound to outbound calling traffic but are not engaged in access stimulation.

For their outstanding work, I'd like to thank Irina Asoskov, Allison Baker, Susan Bahr, Lynne Engledow, Amy Goodman, Lisa Hone, John Hunter, Albert Lewis, Jodie May, Kris Monteith, Erik Raven-Hansen, Marvin Sacks, Douglas Sloten, and Gil Strobel from the Wireline Competition Bureau; Anthony DeLaurentis, Lisa Griffin, and Rosemary McEnery from the Enforcement Bureau; Octavian Carare, Patrick DeGraba, Richard Kwiatkowski, Eric Ralph, Emily Talaga, and Shane Taylor from the Office of Economics and Analytics; Michael Carlson, Andrea Kearney, Elizabeth Lyle, Marcus Maher, Richard Mallen, Linda Oliver, William Richardson, and William Scher from the Office of General Counsel; and Maura McGowan and Chana Wilkerson from the Office of Communications Business Opportunities.