

# McLean & Brown

## ISSUE UPDATE

August 27, 2001

### FCC Receives Comments in the Inter-Carrier Compensation Proceeding

On August 21, 2001 parties filed comments with the FCC in CC Docket 01-92, the Inter-carrier compensation proceeding. On April 27, 2001 the Commission issued an NPRM proposing to establish a unified approach to inter-carrier compensation, and seeking comment on two specific proposals for a Bill and Keep (B&K) methodology. Following are brief summaries of the comments filed by the parties.

#### ACS OF ANCHORAGE

- Substituting new complex regulations for old complex regulations is unlikely to advance market development and consumer welfare, and will more likely merely promote new forms of arbitrage and gamesmanship.
- ACS will be developing positions for the purpose of formulating specific Alaskan approaches and solutions to inter-carrier compensation issues.

#### AD HOC TELECOMMUNICATIONS USERS COMMITTEE

- The proposed B&K regime is not consistent with cost-based inter-carrier compensation, and is based on faulty assumptions.
- If B&K is in the public interest, interstate access charges, not just ILEC-CLEC payments, should be revised sooner rather than later, to reflect B&K.
- The economic signal that should be sent to the market for all categories of inter-carrier compensation should be based upon the economic cost of originating or terminating those calls.

#### ALASKA TELEPHONE ASSOCIATION

- The 1996 Act holds universal service in no less regard than it does a competitive telecommunications environment. If B&K is not in concert with the universal service goals of the Act, it can not lawfully be implemented as a new inter-carrier compensation regime.
- The impact of a full shift to B&K for inter-carrier compensation would cause many Alaska companies local rates to double, with some companies experiencing cost shifts of more than \$60 per month to the end user.
- As the Commission considers a unified B&K regime that might be satisfactory in high density, urban areas, they should give heed to NARUC's counsel for careful deliberation, and be reminded to staunchly uphold the tenets of universal service that are so important to Rural Americans.

#### REGULATORY COMMISSION OF ALASKA

- The FCC should not consider either B&K proposal without an understanding of the impacts both proposals will have on the universal service fund, jurisdictional separations, and intrastate consumers.
- If implemented, a B&K system would likely raise rates in rural Alaska to excessive and unreasonable levels. Alaska's state universal service fund would be unable to provide the funding necessary to ensure affordable rates.
- Changes to compensation mechanisms could also affect our past decisions lifting the rural exemption in areas of Alaska.
- Given the potential negative impact on state consumers, RCA cannot support the FCC's proposals and recommend that B&K mechanisms be referred to the Universal Service and Separations Joint Boards.

#### AT&T

- The "reverse triage" approach contemplated in the Notice would reduce reciprocal compensation to new entrants while leaving bloated access charges in place. It would indefinitely preserve the most objectionable aspects of the existing patchwork and, in the process, increase the incumbent's already formidable competitive advantages.
- The single approach that should be applied uniformly is the forward-looking cost-based inter-carrier compensation mandated by the Act and fundamental economic principles. Properly cost-based inter-carrier compensation for transport and termination would also fully address the regulatory arbitrage, monopoly abuse and other "pressing issues" identified in the *Notice*.

- A B&K rule would be neither efficient nor competitively neutral, and would open a Pandora's box of unintended and undesirable consequences.
- B&K would not promote more efficient network usage by consumers.
- Nor is B&K more "deregulatory" than cost-based inter-carrier compensation
- B&K would create new opportunities for both regulatory arbitrage and monopoly abuse.
- Regarding other issues in the *Notice*:
- The Commission should retain the existing rule that a competitive carrier may choose the technically feasible point or points at which its network will interconnect with the incumbent.
- Virtual NXX codes are efficient, and ILECs should not be allowed to impose access or other charges on this traffic.
- The Commission should also reaffirm the existing rule that a CLEC may charge higher "tandem" switching rates when it terminates calls from a switch in its efficient, single-layer architecture that serves a geographic area comparable to a tandem switch in the ILECs legacy two-layer architecture.

### **AT&T WIRELESS SERVICES**

- A unified B&K scheme for all types of traffic would not only be the most efficient and pro-competitive method of compensation, but also the most technically and competitively neutral.
- If the Commission declines to adopt B&K for all traffic, it should exercise authority under 332, 251 and 252 and adopt B&K at a minimum for CMRS local and long distance traffic. It should also clarify and reaffirm its pro-competitive rules concerning points of interconnection and delivery of traffic.
- If the Commission determines to retain CPNP it should:
- Require ILECs to establish points of interconnection as requested, to share the costs of interconnection and route traffic as designated by the terminating carrier.
- Reaffirm that the presence of transiting carriers does not alter the mandate that all intraMTA traffic is subject to reciprocal compensation.
- Reaffirm that forward-looking incremental costs should form the basis for interconnection charges and that to the extent that an individual competing carrier has costs that may be greater than those of the incumbent, such competing carrier may see recovery of such additional costs.
- Conclude that the use of virtual NXXs should not require additional compensation.
- Reaffirm that CMRS providers are entitled to equal and nondiscriminatory access to UNEs.

### **ALLEGIANCE TELECOM, Inc.**

- Because they demanded that reciprocal compensation rates be set above cost in the first round of the interconnection agreements, ILEC's reciprocal compensation issues are truly of their own making and motivated by revenue preservation and anti-competitive objectives.
- The Commission's proposal to eliminate the existing CPNP regime makes about as much sense as the U.S. Postal Service making consumers pay for the postage on the junk mail that they receive.
- The OPP papers reflect a substantial disconnect between theory and the enormous practical difficulties of implementing B&K:
- They contemplate substantial regulator involvement in network planning issues, and ignore the fact that state regulators regulate intrastate communications.
- Absent implementation of B&K at the state level, huge new opportunities for arbitrage would be created.
- B&K for interstate access traffic would require a major new program of federal end-user charges.
- The proposals in the NPRM, including B&K only for ISP-bound traffic will send bad signals to the investment community that the Commission will selectively change its rules to punish CLECs for successfully competing under the prior rules.
- Discarding CPNP would require a fundamental reexamination of retail rates, an issue the Commission has not adequately addressed.

### **ALLTEL**

- Several operational safeguards must be in place for B&K to succeed:
- Carriers must have ample opportunity to offset potential harms.
- Adoption of the MAG Plan would assist in the transition.
- Universal service support mechanisms must be guaranteed.
- Carriers must have flexibility to offer varied pricing options to their customers.
- It must be applied to all networks and technologies and be implemented simultaneously interstate and intrastate.
- For most carriers the shift of cost recovery from inter-carrier settlements to the carrier's customers will be disruptive given the scale and scope of revenue streams. Far less dramatic measures will have equally beneficial results.
- Alltel respectfully suggests the Commission convene a Rural Task Force-like entity to further examine the potential impact of a new inter-carrier mechanism based on B&K.
- There must be assurances that regulatory change will provide flexibility for entities to adapt to the new rules, and safeguards to shield customers and their carriers-of-last-resort providers (if only temporarily).

### **AMERICA ONLINE Inc.**

- Government action regarding carrier compensation mechanisms should not run counter to or undermine market-driven incentives for technological innovation and network efficiency. The FCC should continue to be guided by principles of competition and economic efficiency.
- Economic efficiency dictates that all carrier compensation and charges should be traffic-neutral, since carrier costs do not vary depending upon whether traffic is bound for ISPs or any other recipient.
- The FCC should reaffirm the importance of its local competition policies that allow competitive carriers to maximize interconnections opportunities so as to encourage ubiquitous, affordable and efficient Internet access.
- Needlessly requiring CLEC interconnection at multiple points of interconnection or imposing unwarranted restrictions on the use of NXXs could raise consumers' costs, impede the ability of rural consumers to gain access to the Internet and frustrate local competition.
- The FCC should be careful to ensure that its pricing rules regarding carrier compensation mechanisms do not interfere with market-based signals driving carriers to upgrade their network infrastructure.

### **BELLSOUTH**

- The Commission should move toward a unified approach to inter-carrier compensation that is carefully crafted and can realize the deregulatory promise of the 1996 Act. It should favor competition, reward innovation and avoid gaming.
- B&K can further the goals of the corrective steps of the ISP-bound and CLEC access Orders, as well as fulfill the objective of a unified inter-carrier compensation mechanism.
- Properly crafted, B&K should lead to more stable interconnection arrangements and minimize disputes.
- At the outset, the Commission must recognize that there are legacy issues surrounding exchange access that will require attention and resolution.
- In order for B&K to operate as intended, it must be implemented uniformly across state and interstate jurisdictions.

### **CABLE & WIRELESS USA**

- The current hodgepodge of inter-carrier compensation regimes in the U.S. is flawed, and a B&K approach would reduce these problems. Of the current B&K proposals under consideration, COBAK is the most desirable.
- Detailed interconnection regulation —be it current practice, B&K or other —does not need to be imposed on networks other than the local PSTN. C&W rejects the idea that any regulation be extended to Internet backbones or other interconnection arrangements that are not currently subject to rate regulation and that do not exhibit symptoms of market failure.

### **CABLEVISION LIGHTPATH, Inc.**

- It would be inefficient and anticompetitive to require CLECs to establish POPs that have no functional purpose in every local calling area or to pay for the transport of ILEC-generated traffic over ILEC networks, as the GRIPs plan would do.
- CLECs should have the same right to set rates for traffic flowing over their systems that ILECs enjoy.
- The tandem rate rule fosters competition and should not be modified in any way that would reduce LEC incentives for efficient innovation.

### **CALIFORNIA PUC**

- The NPRM elevates the theoretical goal of economic efficiency over more important rate design principles expressly reflected in the 1996 Act, most notably fairness, minimization of rate shock, and reasonable allocation of joint and common costs.
- A modified B&K mechanism may be reasonable for local/ISP traffic.
- B&K compensation for interstate access charges would be wholly inappropriate:
- It could result in unreasonable end user rate increases.
- It would allow IXCs uncompensated use of LEC networks.
- It would be counter to 254(k) of the Act.
- It is not necessary to resolve arbitrage concerns, and is not likely to reduce the need for regulatory intervention and oversight of termination rates.
- In light of recent FCC actions regarding ILEC and CLEC access charges and compensation for ISP-bound traffic, there is no clear need for any further access charge modifications at this time, including adoption of a forward-looking cost methodology.

### **CBEYOND COMMUNICATIONS, Lic.**

- Only when all carriers and all different types of telecommunications services are governed by the same inter-carrier compensation rules will competition ever truly take hold on the stable foundation of the 1996 Act.
- The NPRM, while purporting to take a universal view of inefficiencies in inter-carrier compensation generally, limits its examination to those rules governing traditional, measured use, circuit switched networks.
- The Commission should expand this rulemaking to examine inter-carrier compensation regimes that govern *all* forms of interconnection, including reciprocal compensation and access charges, and must ultimately address these issues in a technology neutral manner.
- The only mechanism to accommodate the convergence occurring in the network is through the adoption of a competitively and technologically neutral B&K regime carefully crafted to provide the correct market incentives.

## **CENTURYTEL**

- In reforming inter-carrier compensation, the Commission should commit to "do no harm" to rural America's telecommunications services.
- Unless the Commission first modernizes its regulation of rural non-price-cap carriers, B&K could have disastrous consequences.
- Any fundamental reform of interstate access charges should take into account the unique circumstances of rural and independent LECs.
- The Commission must reform interstate access and universal service mechanisms for rural carriers before it can make informed decisions about B&K for RoR carriers.
- B&K can only work in limited circumstances
- Balanced Traffic is an essential prerequisite to B&K.
- Networks must exchange traffic at the point of interconnection.
- Carriers must share the costs of interconnection
- CenturyTel specifically urges the Commission to:
- Reaffirm its commitment to ensuring rural incumbent LECs a reasonable opportunity to recover all of their interstate costs, including a reasonable return on capital.
- Implement appropriate changes in its access charge rate structure, pricing regulations, and universal service mechanisms to enable non-price cap carriers to respond to changing market conditions.
- Establish appropriate transition mechanisms, particularly for non-price cap carriers, if the Commission adopts inter-carrier compensation reforms of any kind.
- Adopt appropriate limitations on B&K compensation rules, to the extent that it finds such reforms beneficial at all.

## **COMPTEL**

- The most effective way to encourage the "efficient use of, and investment in, telecommunications network" is to foster vigorous competition among all carriers.
- It is crucial to the development of competition that there be cost-based interconnection rates where one carrier (or class of carriers) has market power, and traffic balances between the carriers are not roughly equal.
- Where the traffic flow between competing carriers is not roughly equal, mandatory B&K effectively sets an inter-carrier compensation rate of zero for the surplus traffic. An inter-carrier compensation rate of zero is not cost-based, and thus it violates the 1996 Act, the U.S. Constitution and the WTO.
- The imposition of mandatory B&K where the traffic flow between competing carriers is not roughly equal would also create incentives for a carrier to reconfigure its network in order to maximize the costs that its competitors incur to terminate calls that its consumers originate, and minimize the costs that it incurs to terminate calls from the customers of its competitors. This would lead to inefficient networks and would spawn a new series of disputes over what costs respective carriers must bear, particularly as technologies evolve.
- Imposition of a mandatory B&K regime where traffic is not roughly balanced would be anti-consumer since they would no longer be able to reduce costs by choosing to place fewer calls.
- Banning virtual NXXs and FX-type services will harm competition without addressing transport issues.

## **CTIA**

- The Commission should exercise its 332 jurisdiction to order B&K for LEC-CMRS interconnection.
- The Commission should adopt specific interconnection rules to ensure that B&K is efficiently implemented:
- CMRS carriers should continue to have the right to interconnect at a single POI.
- CMRS carriers should continue to have the right to interconnect on a geographically equivalent basis.
- The Commission should limit an ILECs ability to order end office interconnection by CMRS providers.
- The Commission should take immediate action to clarify certain rules with respect to the existing interconnection compensation regime.
- LEC-CMRS calls within a single MTA are local calls.
- The Commission should reaffirm its rules in light of rural ILEC tactics impairing CMRS provider's right to interconnect.
- The Commission should reaffirm the rights of CMRS providers to collect access charges for toll calls.
- CMRS providers should continue to have the right to use virtual NXX codes.

## **FOCAL COMMUNICATIONS, et. al.**

- The proposals in the NPRM would not promote regulatory certainty or a stable regulatory environment that would encourage the investment necessary for further development of local competition.
- The NPRM proposes a compensation scheme that will favor carriers with balanced traffic —typically ILECs—and that will effectively cancel the possibility that CLECs may serve specialized markets. The unspoken policy assumption is that only carriers with traffic patterns and networks similar to ILECs should succeed.
- The NPRM is startling in that it contemplates fundamental changes on the basis of no more than two OPP papers that themselves are in conflict. Among the problems of B&K are:
- End user retail rates would be altered significantly, and would implicate federal-state jurisdictional concerns.

- The costs would outweigh the benefits, and the radical shifting of billions of dollars in cost-recovery from carriers to end users would be unprecedented.
- The Commission would need to implement major new federal programs establishing additional federal end user charges.
- While moving to a unified scheme of B&K for all traffic would be unwise, applying B&K only to a subset of traffic, such as ISPs, would be even worse policy.

## **GLOBAL CROSSING**

- The Commission should:
- Affirmatively declare carriers' rights to route packetized voice traffic through existing and future, private and public, peering and transit arrangements.
- Prohibit any carrier from refusing to accept packetized voice traffic through existing and future, private and public, peering and transit arrangements.
- Allow carriers to negotiate the termination of packetized voice traffic through peering and transit arrangements without regard to the traditional access charge and reciprocal compensation regimes.
- Prohibit carriers from imposing usage-sensitive charges unless mutually agreed to by the parties.

## **GLOBAL NAPS, Inc.**

- As a policy matter, and as far as economic theory is concerned, the Commission could require B&K for all traffic, or require CPNP for all traffic without concern that either choice would be wrong.
- There are two problems with the *Notice*:
  1. Access charges are not on the table, and
  2. The matters under discussion are limited to "local" interconnection and "local" traffic.
- If the Commission holds to these two aspects of the *Notice*, the overwhelmingly likely outcome is the substitution of one arbitrage-ridden, inefficient regime for another.
- If the Commission concludes that B&K is preferable, the only way to avoid enormous arbitrage would be to apply it to all traffic—"local", "toll", "interstate" and "intrastate". Going only part-way will simply result in another turn of the regulatory litigation wheel.
- For both legal and practical reasons, it is likely to be quite difficult to move to a B&K regime for all traffic. As a result, the Commission should instead institute a system under which all inter-carrier traffic is subject to the same CPNP regime, including all rates for traffic delivered to another carrier.

## **GSA**

- Existing inter-carrier compensation procedures are economically inefficient and harmful to competition.
- Bill and Keep is the best inter-carrier compensation method for traffic exchanged between Local Exchange Carriers.
- Consumers and carriers will receive numerous benefits from Bill and Keep.
- Bill and Keep is easier to implement and less costly to administer.
- Although Bill and Keep may not match revenues precisely with costs, it is usually more efficient than practical alternatives.
- B&K will help foster competition among carriers.
- B&K can provide a unified compensation framework for many interstate services.
- B&K is consistent with the Commission's recent prescriptions for Internet messages and interstate access charges by competitive LECs.
- B&K can provide a consistent compensation framework for additional types of interstate traffic.

## **GUYANA TELEPHONE & TELEGRAPH, Ltd.**

- The Commission should not adopt a B&K regime for U.S. carriers because it would be ineffective, contrary to U.S. international commitments and unlawful under the Communications Act.
- The Commission cannot implement a mandatory B&K regime unless it exercises direct authority over both interconnecting carriers. The Commission lacks authority over foreign carriers.
- Mandating B&K for international traffic would migrate large volumes of traffic from direct to third-country routing configurations.
- Mandatory B&K for international traffic would be contrary to two different sets of U.S. treaty commitments.
- It is no answer to suggest that a foreign carrier can recover its termination costs from its own subscribers, who in GT&T's case are largely poor.

## **GVNW CONSULTING Inc.**

- For any evaluation of the applicability of B&K to rural areas, the Commission should use criteria that include:
  - Does the proposal promote infrastructure investment?
  - Do the resulting rural customer charges meet the test of "comparable rates" when compared to urban areas?
  - B&K proposals as offered in the NPRM ignore the dynamic tension in TA 96 of section 251 and 252 competitive stimulation, while

maintaining universal service in rural America as codified in section 254.

- The Commission should continue, as it has with its RTF Order, to recognize rural differences.

#### **HOME TELEPHONE COMPANY, Inc.**

- It is essential that the Commission realize that B&K is a massive change, especially for high-cost rural ILECs due to the potential for major revenue dislocation.
- B&K would require a surcharge of \$27.50 to Home's customers.
- The concept of averaging has allowed universal service to flourish in this country, and should be a key consideration when evaluating any revision to the current inter-carrier compensation regime.

#### **ICORE**

- B&K, while administratively simple, fails completely to recognize valid differences in costs and traffic between interconnecting carriers. B&K should certainly be an option available to parties in their negotiation of interconnection agreements, but should never be the single, prescribed, exclusive basis of an entire regulatory regime.
- B&K as the prescribed methodology will inevitably lead to increases in ILEC local rates, threatening universal service in the process.
- As bad as B&K will be as the new regime for inter-carrier compensation, it will be far worse as a replacement for traditional access charge compensation. Small, rural ILECs currently receive as much as 75% of their total revenues from interstate and intrastate access charges.
- Since regulators and legislators have systematically eliminated historic industry "implicit subsidies" and "cross subsidies", they should not now create new ones. Specifically, ILEC end-users should not, under any inter-carrier compensation plan, subsidize IXCs, CLECs, ISPs, wireless carriers or other network providers.

#### **INFORMATION TECHNOLOGY ASSOCIATION of AMERICA**

- The Commission should make clear that it does not intend to re-visit the question of whether ESPs should continue to be allowed to obtain service from LECs on the same terms as other business users, rather than be subject to access charges.
- The Commission should not adopt any inter-carrier compensation regime that would treat ISP-bound traffic in a different manner than local voice traffic.

#### **IOWA UTILITIES BOARD**

- Based on its experience, Iowa would urge the FCC to adopt B&K as the standard for all wireline-to-wireline local interconnection agreements.
- As for other interconnection agreements, Iowa's experience indicates that the circumstances and relevant considerations may vary greatly from one transaction to another, such that a blanket rule in favor of B&K (or any other single mechanism) may not be appropriate.
- If the FCC adopts B&K for wireline-to-wireline local interconnection agreements, Iowa encourages the FCC to initiate a separate rulemaking to focus strictly on the question of applying the same requirement to other interconnection arrangements, especially access charges and wireline-to-wireless.

#### **ITCs**

- The Commission had a good form of inter-carrier compensation until they adopted the ESP exemption.
- The B&K compensation system appears to have the potential to work well in urban areas, but will work to the disadvantage of rural customers.
- B&K will jeopardize universal service to the telephone customers of rural America, it will jeopardize service providers, it will jeopardize the ubiquity of the network and it commits the wrong parties to pay for the network.

#### **ITTA**

- The key to fixing inter-carrier compensation problems is not to substitute a new set of complex regulations for an old set of complex regulations, but to focus on reducing the level of regulation.
- In addressing this issue, the Commission should again employ the standard that one size does not fit all. Proposed changes to regimes should be reviewed in the specific context of Midsize Company operations and markets.
- Possible areas for examination in this proceeding include an examination of cost definitions and methodologies; separations impacts; current implicit support in Midsize Company rates; alternative access charge structures; interim measures addressing transitional equities; the effects of Internet and IP telephony on inter-carrier compensation issues; and possible traffic stimulation consequences of reduced or eliminated inter-carrier compensation revenues under a B&K regime.

#### **KMC TELECOM, Inc.**

- Inter-carrier compensation regimes that allow carriers voluntarily to agree to B&K, or that require B&K where the traffic flow between competing carrier is roughly equal, will encourage network efficiency.
- The imposition of mandatory B&K when traffic flow is not roughly in balance sets the inter-carrier compensation rate at zero, which is not cost-based or consistent with the 1996 Act.
- The Commission should clarify that carriers are entitled to use virtual NXX codes to provide valuable telecommunications services to end users, including businesses that rely on the use of telephone numbers from virtual NXX codes to compete effectively.

### **LEVEL 3 COMMUNICATIONS, Lic.**

- The Commission should seriously examine a B&K scheme for both local exchange and interexchange interconnection, whether landline or CMRS.
- The Commission must reaffirm a single point of interconnection per appropriate geographic region.

### **MARYLAND OFFICE OF PEOPLE'S COUNSEL**

- Customers that are considered to be "carriers" would receive unlimited use of LEC facilities absolutely for free. However, customers that are considered to be "end users" have to pay for those same LEC facilities. This discrimination creates huge new incentives for arbitrage.
- The Staff proposals will fragment responsibility for calls among multiple carriers, resulting in inefficiency and concerns over responsibility for service quality.
- These proposals are clearly designed to destroy the Internet by charging ISPs for "receiving" traffic. They would subsidize telemarketers and stimulate telemarketing calling.
- The reason there are no cellular phone books is that these customers must pay to receive calls, and therefore do not want their number available. The same could happen to the wireline network under these proposals.
- While it is true that certain CLECs were charging excessive terminating rates, the correct solution is to replace these with reasonable rates.
- CLECs would probably not now exist if these proposals had been in effect in the past.

### **MICHIGAN EXCHANGE CARRIERS ASSOCIATION**

- While B&K may have some merit for use for local service competitors where service areas overlay each other, it has no merit for interexchange traffic such as toll access, where networks do not overlay.
- The true beneficiary of a call is the party that initiated the call. Thus, the underlying premise of the COBAK and BASICS proposals is largely incorrect.
- Numerous public policy goals should be considered, and given more weight than efficiency in evaluating the merits of an inter-carrier compensation regime. Promoting universal service, encouraging a healthy infrastructure, and moving toward complete deregulation are important goals that should be emphasized.
- B&K for toll access would be detrimental to customers in rural areas, would cause rate increases, and would drive customers off the network.

### **MID MISSOURI CELLULAR**

- The Commission should adopt a B&K regime as follows:
- For originating traffic, each carrier should recover the cost of its network from its own subscribers.
- The cost of interconnecting facilities would be split evenly.
- The networks should interconnect at the highest common point of interconnection.
- Traffic would only be routed to an IXC where the two carriers involved did not have direct connection to the same tandem.
- IXCs pay terminating access to whatever carrier it delivers traffic, whether it be ILEC, CLEC or CMRS.
- Even if it does not implement B&K, the Commission should implement the interconnection principles summarized above.

### **MINNESOTA INDEPENDENT COALITION**

- It is premature to begin a process aimed at a sweeping overhaul of inter-carrier compensation that would include small LECs. Instead, because of the very different characteristics of small LECs and price cap LECs, and the very different impacts of B&K on their respective local rates, the Commission should exclude small LECs from any current investigation of the feasibility of a unified bill-and-keep regime.
- The Commission has taken a similar two-part approach in considering both universal service and access charge reform, and the same approach would also be appropriate for inter-carrier compensation.

### **MISSOURI PSC**

- Although the NPRM predominately addresses unified compensation at the interstate level, there are implications on intrastate rates and policies and jurisdictional separations.
- Because of the uncertainties surrounding a unified compensation regime, the MoPSC respectfully asks the Commission to request further input through a federal/state working group, and referral of appropriate issues to the Joint Boards on Separations and Universal Service.

### **MISSOURI SMALL TELEPHONE COMPANY GROUP**

- While a B&K arrangement may be appropriate in limited circumstances where the traffic is relatively balanced, and the costs of terminating are similar, it will simply not work in a situation where traffic is out of balance or costs are dissimilar, which is the vast majority of cases.
- The Commission's belief that B&K is economically efficient and administratively simple is based upon faulty assumptions and does not withstand scrutiny.
- The Commission appears to be overlooking the end-user impact and universal service concerns as references to those concepts are few and far between in the NPRM.
- Before the Commission embarks on any change in existing inter-carrier compensation regimes, it must, at the very least, determine the impact the proposal will have on end-user rates and/or universal service requirements.

### **MPOWER COMMUNICATIONS CORP.**

- Because of the amount of change and uncertainty resulting from the confluence of technologies, networks and technologies, the Commission should not drastically alter the current regulatory regime at this time.
- The Commission should designate B&K as the default mechanism only for local calls and EAS, absent individually negotiated voluntary contracts.
- As the Commission has only recently adopted changes to access charges, they should continue to be addressed in those established dockets.

### **NECA**

- Replacement of existing separations and access charge mechanisms with mandatory B&K systems, without sufficient universal service funding as required by the 1996 Act, would cause dramatic increases in end user rates and create enormous pressure on states to revise intrastate access charge mechanism. In the end, telephone service may well become unaffordable over large areas of the nation, thereby eradicating nearly a century's worth of progress in universal service.
- At this stage the NPRM provides no more than a basis for inquiry. If it is eventually shown that current inter-carrier compensation mechanisms should eventually migrate to B&K-type systems, such changes should occur only on the basis of specific, targeted rulemaking proposals.
- The Commission should not even begin to consider replacement of current access charge mechanisms for rural carriers until it fully resolves outstanding access reform and universal service implementation issues for these companies and until these mechanisms have time to "settle".
- The Commission should not attempt to reform existing CPNP mechanism by applying TELRIC pricing standards to access charges or by imposing new rate structures on carriers.

### **NEW YORK DPS**

- While there may be some merit to establishing a unified inter-carrier compensation scheme, NYDPS does not support mandating B&K as the default regulatory outcome when interconnecting parties do not agree on compensation terms.
- Several concerns prevent the support of mandatory B&K:
- Such a change in LECs wholesale price structures likely will produce undesirable effects on their retail rates.
- B&K will enhance CLEC's incentives to "cream skim" by serving few customers that originate large volumes of traffic, simply reversing the incentive produced by overly high terminating charges.

### **NEXTEL**

- The Commission should assert full jurisdiction over CMRS-ILEC interconnection.
- The Commission has full statutory authority over CMRS and CMRS-ILEC interconnection.
- Some ILECs abuse the 251/252 process by unilaterally filing state tariffs governing CMRS interconnection.
- The Commission cannot forbear from regulating CMRS-ILEC interconnection.
- B&K is an efficient form of interconnection compensation for ILEC-CMRS traffic.
- B&K should be the presumptively reasonable compensation rate for the exchange of CMRS-ILEC traffic.
- B&K for CMRS traffic will have no undesirable secondary effects on the Public Switched Network.
- The Commission must confirm and clarify its intra-MTA calling scope rule.
- B&K must not be the only available interconnection compensation option for CMRS carriers and ILECs.

### **NORTH COUNTY COMMUNICATIONS**

- Aside from statutory or constitutional restrictions on such actions, B&K deprives CLECs of necessary revenues during the early years of their existence, thwarts innovation, and is destined to increase the cost to consumers for the act of receiving phone calls, be they wanted or unwanted.
- By ignoring the obvious differences between large ILECs and small CLECs, the Commission's recent order on CLEC access charges deprives CLECs of a compensatory rate for their services.

### **NRTA and OPASTCO**

- Because RoR ILEC's existing access charge regime is in flux, it is too early for interested parties to evaluate, and the Commission to endorse or adopt, a long-term post-transition plan of any kind for these carriers.
- Proposing seismic changes in this proceeding, before the MAG proceeding has reached its conclusion, seriously undermines the regulatory stability RoR carriers seek, and compounds the disincentive such uncertainty has on investment in advanced services infrastructure.
- Given the significant jurisdictional cost allocation and intrastate rate ramifications of a B&K regime, NRTA and OPASTCO agree with NARUC that the separations and universal service issues must be referred to the respective Joint Boards.
- As the Commission moves forward with its reform proposals, it is obligated to ensure —prior to the adoption of any new regime—that the universal service principles mandated by 254(b) of the Act are met.
- The small and dispersed customer bases of rural ILECs are insufficient to allow these companies to recover their access and

interconnection costs entirely from their end users. Rural carriers' per-subscriber costs are significantly higher than for non-rural carriers and, a higher percentage of those costs are presently recovered through access charges.

- A B&K regime would certainly make it more difficult for the Commission to preserve and advance universal service—and impossible if the USF remains capped.

## **NTCA**

- The Commission should not proceed with its rulemaking on inter-carrier compensation. Changing the rules in the manner proposed will have a dramatic and perhaps devastating impact on consumers living in rural areas and the carriers that serve them. The proposals are incomplete and have not been thoroughly thought through..
- The Commission must resolve many related issues, and allow the new access regime for RoR carriers to work. Rural companies should have the same level of certainty and predictability concerning their access rates as the Commission afforded non-rural carriers before moving forward and creating more uncertainty.
- The average subscriber of a carrier participating in the NECA pools will see an increase of \$20 in her end user charges. The impact is more devastating as the carrier gets smaller. Subscribers in small study areas with less than 500 lines will see an average end user charge increase of \$69 per month.
- The Commission makes no attempt to tailor the NPRM to the unique circumstances of rural areas. It fails to analyze the effect of its "one size fits all" proposals.
- Rather than seeking new rules, the Commission should be gathering information. It should either postpone or convert this proceeding to an NOI. In any event, the Commission should not act without referral to the Joint Boards.

## **OKLAHOMA RURAL TELEPHONE COALITION**

- The move away from the current inter-carrier compensation system to B&K for all interconnection traffic is theoretically and economically incorrect, at odds with the Act, harms consumers, and is impractical and costly to implement.
- The presumed problems with the current regime, discussed by the FCC in the NPRM, have either been resolved or the FCC is in the process of resolving them.
- The OPP proposals are at odds with the Act and ignore universal service concerns:
- The Act requires that only a reasonable share of local exchange costs be recovered from local exchange customers.
- Conspicuously missing from the FCC's goals in this proceeding is the goal of promoting and advancing universally available service.
- The carriers represented by ORTC estimate that local rates would have to increase on average by \$62 per loop per month (\$30 federal, \$32 state) to recover lost interconnection compensation.
- It is simply unreasonable to expect end user customers to pay these inordinate increases, simply to allow service providers the use of the network for free and to provide them with a financial windfall.

## **ONVOY, Inc.**

- There must, for the foreseeable future, be a different regulatory structure for ILECs than for CLECs, IXCs or CMRS (competitive carriers) and companies offering any combination of the latter.
- Interconnection between the ILEC and competitive providers must be administratively non-burdensome, free from arbitrage incentive, and enforceable by both the ILEC and the competitive provider.
- Where traffic exchange is roughly equal, B&K should be available to either party upon request; and, the state PUC should be available to mandate B&K if one party does not wish to enter into a B&K arrangement. Where B&K is not appropriate, a single per minute rate should apply to the transfer of traffic between carriers.
- SS7 arrangements are not associated with access charges and should not be billed on a usage basis.

## **PARRISH, BLESSING & ASSOCIATES**

- The recent CALLS plan for price cap LECs and the MAG plan under consideration for RoR LECs will help alleviate some of the pricing problems that now exist. The FCC should move quickly to adopt the MAG plan.
- If the Commission proceeds with adoption of a B&K plan, PBA contends that it will eliminate any remaining distinctions between local and long distance service. The customer should be able to specify one provider for all its telecommunications services, and should be given a chance to do so through a nationwide round of presubscription.
- Adoption of a B&K approach would also necessitate resolving remaining issues, including carrier of last resort status being made applicable to all providers as designated by state commissions, with the proviso that recovery of cost shortfalls would come from universal service type funding.

## **PCIA**

- B&K makes sense for two-way CMRS-ILEC interconnection because the obligations being offset in both directions are mutual and substantial.
- For one-way paging, however, a B&K standard would not meet the statutory requirement for mutual recovery of costs through the offsetting of reciprocal obligations. Consequently, in the case of paging, B&K should be permissive, not mandatory.
- Mandatory B&K would disrupt LEC-paging interconnection arrangements which have just recently become settled, reward LECs their intransigence, disrupt current network configurations, and leave paging carriers with no practical means of recouping costs.
- Instead of abandoning the current interconnection regime for paging carriers the Commission should:

- Reiterate the requirement that LECs must provide dedicated transport based on the LECs forward-looking economic costs,
- Transit carriers should be obligated to look to the originating carrier , not the terminating carrier for payment, and
- A default rate for paging carrier compensation should be established at the ILEC's termination rate based upon cost studies endorsed by State Commissions and voluntary agreements that establish symmetrical rates.
- The Commission should adopt uniform national CMRS-ILEC interconnection rules, and accord CMRS carriers the option of enforcing their interconnection rights at the federal level.

#### **QWEST**

- B&K offers substantial advantages over CPNP
- It solves the terminating monopoly problem.
- It will increase the role of market forces and decrease the role of regulation.
- It increases regulatory stability and reduces regulatory-driven arbitrage opportunities.
- It is at least as consistent as CPNP with principles of cost causation.
- The single most important variable in the establishment of and B&K regime is the problem of transport.
- The DeGraba proposal would require expensive, time-consuming negotiation.
- The Commission should focus on a default transport rule that reduces regulation and negotiation, and approximates the real world.
- The Commission should accompany B&K with increased flexibility in the regulation of end-user rates.
- Carriers serving high-cost areas should receive additional federal subsidies only to the extent that end user rates would otherwise exceed an appropriate benchmark.

#### **RONAN TELEPHONE CO. —HOT SPRINGS TELEPHONE CO.**

- Any business that is required by law to provide services to its competitors without compensation will be unwilling and, ultimately, unable to make investments to improve its services; in the long term, a business so burdened cannot survive.
- Independent wireline rural telephone companies usually derive 50% to 80% of their total revenue from carrier access charges and related universal service support programs.
- The Commission should abandon its B&K proposals in this proceeding.

#### **RONAN TELEPHONE COMPANY CONSUMER ADVISORY COMMITTEE**

- The consequences of B&K will be:
- Drive local rates above affordable and/or competitive levels;
- Preclude our telephone company from continuing to make needed investments to improve local telephone service, and provide advanced data services;
- Eliminate many local telephone jobs which would reduce convenient and timely services to our community; and
- Possibly force the sale or bankruptcy of our local telephone company.

#### **RURAL INDEPENDENT COMPETITIVE ALLIANCE**

- In the absence of a sufficient level of access revenues, rural CLECs cannot compete with large carriers which retain the ability to average their rates over high and low density areas.
- RICA is concerned that the Commission will adopt B&K in the context of urban non-access interconnection and apply the same mechanism to rural access without understanding the differences.
- Rather than adopt B&K the Commission should focus on eliminating the most serious arbitrage situation —the ESP exemption in a manner that reasonably protects consumers continued access to the Internet.
- If the Commission does proceed with B&K it must consider the impact on rural CLECs.
- If B&K is to be implemented, the Commission should develop a political consensus to implement simultaneously in the interstate and intrastate jurisdiction, probably including legislation.

#### **RURAL TELECOMMUNICATIONS GROUP**

- Supports the use of B&K in appropriate circumstances. For LEC-CMRS compensation this approach may often be a valid and economically justifiable approach, however the Commission should permit CMRS providers to continue to seek inter-carrier compensation using either reciprocal compensation or B&K.
- The Commission, not the various states, should maintain jurisdiction to establish standards and resolve controversies that may arise in any CMRS-related compensation/interconnection disputes.

#### **SBC**

- SBC has been a firm proponent of B&K for Internet traffic, and supports the Commission's proposal to extend B&K to all local, wireless and Internet traffic that currently is subject to the Commission's reciprocal compensation rules.
- Replacing interstate and intrastate access charges with B&K also has much to recommend it, but replacing access charges with B&K is a

much more difficult issue, and it is one that cannot be addressed solely as an inter-carrier compensation issue.

- The Commission cannot eliminate access charges without first ensuring that there are federal and state end user recovery mechanisms in place.
- Before implementing B&K the Commission finally must tackle the difficult issues of implicit subsidies and universal service reform.
- More than 5 years after the introduction of local competition, residential local service prices remain at levels that are not self-supporting, and regulators have failed to replace the vast majority of implicit subsidies with explicit recovery.
- The pricing structure for residential local service discourages competitive entry in residential markets and necessitates implicit subsidies that invite cream skimming and inefficient entry.
- Fixing the implicit subsidy problem should precede any implementation of a B&K structure that results in the elimination of access charges. SBC proposes a three component reform plan:
  1. Prior to implementing B&K, the Commission and states must ensure that implicit subsidies are eliminated and replaced with explicit recovery.
  2. The Commission should adopt B&K rules that apply consistently to the exchange of all traffic between a LEC network and another carrier's network.
  3. The Commission should give all carriers pricing flexibility for wholesale and retail services.

#### **SINGAPORE TELECOMMUNICATIONS Ltd.**

- Under ITR, the provisions and operations of international telecom services should be done by mutual agreement of the parties.
- ITU rules list various options for the exchange of international traffic, including B&K, subject to bilateral agreement.
- The FCC should not extend the proposed reforms to international settlement agreements.

#### **SPRINT**

- The Commission should implement B&K for local traffic (both CMRS and wireline) and interconnected local calls to ISPs
- It is premature to adopt B&K for long distance access traffic at this time
- Existing implicit subsidies must be removed from access rates, rate shock to end users must be considered, and jurisdictional issues remain to be addressed.
- The Commission should defer implementation of a new inter-carrier compensation regime for access traffic at least until the CALLS Order is fully implemented, and preferably after an access reform plan is implemented for RoR LECs.
- If a unified regime is adopted to replace access, it should be adopted for all LECs and all jurisdictions in a coordinated manner.
- Sprint proposes a plan for the allocation of transport costs for local interconnected traffic (including ISP calls):
  - At least one POI is established in each LATA.
  - The ILEC would be responsible for transport costs when the POI and the end office from which the traffic originated are in the same local calling area.
  - If the originating end office and POI are not within the same local calling area, the ILEC would be responsible for the cost of transporting to the CLEC up to a DS3 worth of traffic (8.9 million MOU per month) a distance of up to 20 miles.
  - The CLEC would be responsible for transport costs associated with traffic above 8.9 million MOU per month, and when the POI and the originating end office are more than 20 miles apart.
- The Commission should clarify that CLECs may establish virtual NXXs for dial-up ISP-bound traffic. Transport costs for this ISP-bound traffic would be allocated on the same basis as other transport traffic.
- CMRS carriers are entitled to compensation in the form of access charges when they provide access service to IXCs for the purpose of terminating interexchange traffic.

#### **TCA**

- The NPRM is premature —the FCC must first complete reform of the existing regime, including the implementation of the MAG plan for RoR LECs.
- While a B&K regime is appropriate for carriers in certain circumstances, mandatory imposition of this system could prove devastating for many rural LECs.
- Efficiency should not be the primary goal of an inter-carrier compensation system. If efficient deployment of network resources were the sole goal of telecommunications policymakers, customers in many high-cost rural areas would simply not be provided any service.
- Mandatory imposition of a B&K regime on rural LECs would prevent them from recovering their higher costs of providing service. The FCC must consider a different approach for rural LECs.

#### **TEXAS PUBLIC UTILITY COUNSEL**

- Mandatory B&K will hurt the preservation and advancement of universal service.
- Mandatory B&K in the presence of traffic sensitive costs is without regulatory precedent.
- A market-based approach to reduce ILEC payments for ISP-bound traffic would be far better than mandatory B&K.
- The proposals for mandatory B&K would create a host of arbitrage opportunities, while cost-based rates promote regulatory efficiency.

## McLean & Brown

- The CLEC industry is weak and requires regulatory stability.
- In the long run, society's interests are better served by a three-pronged approach:
- TELRIC-based rates for all inter-carrier wholesale transactions,
- Vigorous promotion of competition, and
- Efficient, adequate, and competitively neutral universal service policies.

## TIME WARNER TELECOM

- COBAK raises important theoretical and practical problems.
- Farrell and Hermlin paper points out unsound assumptions that caller and called parties share benefits equally and that carriers have equal termination costs.
- COBAK might create new inefficient arbitrage opportunities.
- It is not obvious that the COBAK default transport rule would be an improvement over current transport rules.
- The BASICS proposal presents seemingly insurmountable implementation problems.
- Adoption of any B&K regime would create numerous implementation problems.
- The Commission should only adopt changes to the CPNP system if the efficiencies outweigh the costs.
- The Commission should maintain the requirement for symmetrical transport and termination rates.
- The Commission should not change the tandem rate rule.
- Peak load pricing is not viable for inter-carrier compensation.

## TRITON PCS LICENSE COMPANY, Llc.

- While the Commission's initiative in performing a review of all forms of inter-carrier compensation is commendable, Triton urges the Commission to focus first on establishing B&K as the "default" compensation model for CMRS-ILEC interconnection.
- The Commission has unique jurisdiction over CMRS-ILEC interconnection and can immediately make them more administratively and economically efficient.
- B&K would address the continuing market power of ILECs in shaping the terms of interconnection with potential competitors and assist in equalizing LEC and CMRS bargaining positions.
- Even after adopting B&K for CMRS-LEC interconnection, the Commission cannot withdraw from regulation of CMRS-LEC interconnection relationships. The Commission will have to be vigilant to prevent LECs from discriminating against traffic that is interconnected.
- Another area of concern for CMRS carriers is the continuing availability of "transit" arrangements among large incumbent LECs, smaller, more rural incumbent LECs and CMRS carriers to ensure the exchange of CMRS traffic within MTAs.
- The costs some incumbent LECs impose for physical interconnection are at odds with the Commission precedent that carriers should share the costs of interconnection trunks in proportion to their relative use.

## UNITED UTILITIES, Inc.

- United serves 57 remote Alaskan communities that are inhabited largely by low-income individuals.
- Imposition of B&K for access traffic would increase the average consumer's bill by \$42.55.
- United is opposed to access reform measures, including B&K that impair its ability to offer comparable and affordable services.

## USTA

- The FCC should create policies for the future that will provide positive incentives for investment in network infrastructures, diminish outmoded regulatory structures and accommodate technological and market forces.
- Appropriate recovery of costs is critical for carriers to maintain and increase infrastructure investment. Carriers that rely on revenues received from current compensation arrangements that could be displaced must have an equal opportunity to recover costs from alternate sources.
- In areas where end user recovery could result in prices that are not affordable and reasonably comparable, universal service support will be required. The current universal service mechanisms are not designed to accommodate these impacts.
- B&K provides greater opportunities to achieve economic efficiency than CPNP and will encourage reliance on market-oriented solutions rather than regulation. There also may be harms associated with B&K, particularly if current access revenue streams are displaced and end user recovery is required.
- The B&K framework must include: transitional equity, universal service, pricing flexibility, application to all carriers, networks and technologies, interstate and intrastate, rebalancing of current price structures and a preference for negotiation over regulation.
- Network access providers should not be required to provide transiting services or otherwise act as a wholesale provider without reasonable compensation.
- The proposals to change CPNP should be rejected. TELRIC is not appropriate for access or reciprocal compensation rates.
- The current use of virtual NXX codes should not be permitted because it creates a cost recovery anomaly.

## VERIZON

- The Commission should not jump into a major shift in inter-carrier compensation mechanisms without carefully analyzing the results and carefully thinking through all the possible ramifications.
- There are several issues that the Commission has recognized it can and should deal with now:
- It should finish the job it started in the ISP interconnection order and move all Internet-bound traffic to B&K.
- It should put an end to LECs fraudulent use of telephone numbers to game the existing system and effectively steal free service by disguising toll calls as local calls.
- It should address the problems that are being caused today when one carrier attempts to make another carrier unfairly bear the cost of its network architecture design.
- After dealing with these near-term issues the Commission should turn its attention to the bigger question of a single inter-carrier compensation regime. It should be guided by these principles:
- It should allow market-based arrangements, negotiated by the participants.
- Inter-carrier compensation should not be blindly based on technologies, the transport medium, or what category the provider falls under.
- Any new mechanism should encourage facilities-based market entry and expand the options available to consumers.

#### **VERIZON WIRELESS**

- The Commission should adopt an appropriate form of B&K for LEC-CMRS interconnection. Section 332 provides ample authority to do so.
- B&K serves the public interest since it removes the need for costly and time consuming negotiations, and eliminates the need to measure and bill traffic.
- It will promote competition, and allow competition rather than regulatory policies to decide winners and losers in the marketplace.
- If the Commission retains CPNP it should:
- Adopt a rebuttable presumption that the wireless MSC serves comparable geography as a tandem and qualifies for tandem interconnection rates.
- Require LECs to offer transiting service.
- Confirm that the MTA continues to define the local calling scope for LEC-CMRS interconnection.
- Deal with issues related to interconnection with rural telephone companies.

#### **VOICE STREAM WIRELESS**

- The Commission should establish a Federal regulatory framework for LEC-CMRS interconnection by requiring that all LEC-CMRS interconnection contracts be filed promptly with it.
- B&K should be an efficient compensation mechanism for LEC-CMRS interconnection, and the Commission has the authority to adopt it.
- The Commission should adopt for CMRS a permissive access charge tariffing scheme similar to what it has adopted for other CLECs.
- The Commission should act one step at a time rather than defer any meaningful reform pending development of the elusive perfect solution.

#### **WISCONSIN PSC**

- Supports the NARUC resolution that the FCC investigate the market effects of B&K, and that appropriate issues be referred to the Separations and Universal Service Joint Boards.
- Issues to be considered include, will B&K...
- Provide fair compensation even where there are traffic imbalances;
- Maintain a reasonable link between "cost-causer" and "cost-payer";
- Provide proper signals to carriers in the market and their customers;
- Create undesirable incentives regarding infrastructure development, network configuration, or points of interconnection?

#### **WESTERN ALLIANCE**

- B&K is not an appropriate substitute for access charges in high-cost rural areas. Whereas the current access charge system allows the substantial cost of local exchange networks in rural areas to be shared by most of the carriers and end-users that benefit from them, B&K would force rural end-users to bear virtually all of these costs.
- Rural customers in many small study areas and in many portions of the 24 Western states will be forced to bear local service rate increases of \$50 to \$100 or more per month if access charges are replaced by B&K.
- Even the possibility of an "eventual" B&K regime will deter many rural telephone companies from making further investments to expand or upgrade their local exchange infrastructure.
- Before creating uncertainty regarding future rural local service rates and infrastructure investment, the Commission should allow the CALLS plan to proceed, and act on the proposals in the pending MAG proceeding.
- There has yet to be enunciated a good reason to replace access charges with a B&K regime. The "regulatory arbitrage" and "terminating monopoly" concerns advanced by some can be resolved much more efficiently and effectively by eliminating the ESP exemption, and by regulating any terminating access rates found to be unreasonably high.
- If the Commission does prescribe a mandatory B&K regime to replace access charges, it should exempt rural LECs in order to prevent the

imposition of unaffordable local service rate increases on rural customers.

#### **WORLDCOM**

- The Commission's initial objective in this proceeding should be the adoption of clear criteria for evaluating alternative approaches to a uniform system of inter-carrier compensation.
- Such arrangements should promote the development of competition in local telecommunications markets.
- Rules should be designed to curb the exercise of market power by incumbent LECs.
- The benefits must clearly outweigh the costs, including disruptions to existing arrangements and networks.
- The Commission should avoid a piece-meal approach to reforming inter-carrier compensation arrangements.
- Rules the Commission may adopt to govern inter-carrier compensation should apply only as a default in the event that carriers are unable to reach agreement through negotiation.
- A fundamental obstacle to the Commission's ability to achieve its goal of a unified, integrated regime for inter-carrier compensation is that it lacks authority of key components of the existing set of rules —intrastate access rates.
- As a practical matter, COBAK at this time appears to be a more fully developed, easily implemented proposal.
- The Commission should adopt a uniform rate for call termination based on the pricing principles set forth in Section 251 and the FCC's implementing rules.

#### **Z-TEL COMMUNICATIONS, Inc.**

- The proposals in the NPRM are incomplete. It fails to analyze the most significant and fastest-growing area of inter-carrier payments —the unbundled local switching rate structure in 51.509(b).
- The Commission should modify this rule to prohibit ILECs from imposing usage-based, per-minute charges on unbundled local switching.

# McLean & Brown

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