McLean & Brown

ISSUE UPDATE

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FCC Issues ISP Intercarrier Compensation Order, CLEC Access Charge Order and Intercarrier Compensation NPRM

On April 27, 2001 the FCC released the text of three documents that will have a profound impact on access charges and the methods by which carriers compensate each other for the interconnection of their networks. The first document is an Order stating that ISP-bound traffic is interstate and establishing transitional rate and volume caps for the reciprocal compensation for such traffic. The second is an Order on CLEC access charges that establishes a bright line test for rates that that will be considered just and reasonable, and can be offered under tariff. The third document is a Notice of Proposed Rulemaking (NPRM) which proposes to move from a disparate and system of access and interconnection arrangements to a unified system for intercarrier compensation based on the principles of bill and keep.

Following are summaries of these three documents.

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ISP Intercarrier Compensation Order

On April 18, 2001 the Commission adopted a 61 page *Order on Remand* in CC Dockets 96-98 and 99-68, adopting new rules to clarify the proper intercarrier compensation for traffic delivered to Internet Service Providers (ISPs). The Commission concludes that such traffic is interstate access traffic, specifically "information access", and thus not subject to reciprocal compensation. The Commission established a transitional mechanism, consisting of caps on the per-minute price and minute volumes of such traffic, to phase down reciprocal compensation payments to CLECs serving ISPs pending adoption of the new intercarrier compensation regime outlined in the *Unified Intercarrier Compensation NPRM* (summary follows).

The Commission had issued a *Declaratory Ruling in 1999* finding that ISP-bound traffic was not local because it does not "originate and terminate within the local area". They found that such traffic is jurisdictionally mixed and largely interstate, and for that reason the reciprocal compensation obligations of Section 251(b)(5) do not apply to this traffic. The Commission did find that, while not required, nothing in its rules prohibited state commissions from determining that reciprocal compensation for ISP traffic is appropriate in their arbitration of interconnection agreements.

In March of 2000 the DC Court of Appeals issued an Order vacating certain provisions of the *Declaratory Ruling* and remanded the matter back to the Commission for further explanation of why ISP-bound traffic was interstate, and why their jurisdictional conclusion was relevant to reciprocal compensation.
In its *Order on Remand,* the Commission explains how existing intercarrier compensation mechanisms create distorted economic incentives and opportunities for regulatory arbitrage. They also develop a new explanation for why ISP-bound traffic should not be subject to reciprocal compensation. Their rationale is based upon an interpretation of Section 251(g) of the Act which states that carriers:

> "…shall provide exchange access, information access, and exchange services for such access to interexchange carriers and information service providers in accordance with the same equal access and non-discriminatory interconnection restrictions and obligations (including receipt of compensation) that apply to such carrier [prior to the enactment of the 1996 Act]."

The Commission views 251(g) as "carving out" these access services from the reciprocal compensation provisions of 251(b)(5). They find that ISP-bound traffic is "information access" and should be subject to Section 201 of the Act which allows the Commission to set rates that are "just and reasonable".

While observing that bill and keep is the ultimate solution, the Commission imposes an interim compensation scheme for ISP-bound traffic "that serves to limit, if not end, the opportunity for regulatory arbitrage, while avoiding a market-disruptive 'flash cut' to a pure bill and keep regime". Key elements of the interim plan include:

- Rate Caps for ISP-bound Traffic

Month	Maximum Rate per Minute of Use
1 – 6	$0.0015
7 – 24	$0.0010
24 – 36	$0.0007

- Volume Caps on Minutes of Use

Year	Maximum Minutes for Compensation
2001	1Q2001 MOU annualized + 10%
2002	2001 Cap +10%
2003	2002 Cap

- In order to limit disputes and avoid costly efforts to identify this traffic the Commission adopts a rebuttable presumption that traffic that exceeds a 3:1 ratio of terminating to originating traffic is ISP-bound traffic subject to this compensation mechanism.
- The rate caps for ISP-bound traffic apply only if an incumbent LEC offers to exchange all local traffic at the same rate.
- The interim compensation mechanism only applies where carriers are exchanging traffic pursuant to interconnection agreements in force prior to the adoption to this Order. In new cases, or where an existing carrier expands into a market it previously had not served, traffic will be exchanged on a bill and keep basis.
- State commissions will no longer have authority to address reciprocal compensation for ISP-bound traffic, and carriers may no longer exercise the "pick and choose" rules with respect to such traffic.

Commissioner Harold Furchgott-Roth dissented from the decision and issued an 8 page *Dissenting Statement.* In his statement he says:

- The Commission has dramatically diminished the States' role in telecommunications regulation, as packetized communications are fast becoming the dominant mode.
- The Commission does not address any of the questions raised by the Court in the *Remand Order.*
- This decision represents a complete reversal of the position the Commission took on the role of Section 251(g) in the *Advanced Services Remand Order* dealing with the requirement to offer unbundled network elements for xDSL service.

CLEC Access Charge Order

On April 26, 2001 the Commission adopted a 53 page *Seventh Report and Order and Further Notice of Proposed Rulemaking* in CC Docket No. 96-262. In this Order the Commission addresses a number of interrelated issues concerning CLEC charges for interstate switched access services, and the obligations of interexchange carriers (IXCs) to exchange access traffic with CLECs. In the Order, the Commission establishes a "bright line" rule where CLEC access rates at or below a benchmark level are deemed to be just and reasonable and may be offered under tariff. An IXC must provide service to customers of a CLEC whose access rates fall within this safe harbor range.

In reaching this decision, the Commission considered the complaints of IXCs that some CLECs were charging excessive access rates, and complaints from CLECs that IXCs were not paying their access bills and were threatening to not deliver traffic to their customers. In concluding that they should use their Section 201 authority to ensure that CLEC rates are just and reasonable, the Commission notes certain aspects of the market for terminating access that insulate it from competition. They also cite concerns over the ubiquity and seamlessness of nation's telephone network if IXCs refused to exchange traffic with some CLECs.

The Commission notes that the CLECs market power in providing access is attributable to two factors: First, although the end user chooses the access provider they do not pay that providers access charges. Second, the nationwide toll averaging obligations of IXCs under 254(g) of the Act spreads the cost of access over all end users.

To avoid too great a disruption to competitive carriers, the Commission establishes a three-year transition process to phase down the pricing benchmark until it reaches the rate charged by the ILEC:

Year	Benchmark
1	2.5 cents/min.
2	1.8 cents/min.
3	1.2 cents/min.
4+	ILEC Rate

The maximum rate that a CLEC could charge would be the benchmark rate or the ILEC rate, whichever is higher. To remove the possibility of carriers with lower rates raising their rates to the benchmark level, the Commission further restricts the maximum tariff rate to the lower of the benchmark rate or the lowest tariff rate the CLEC has offered in the six months prior to this Order. The Commission further restricts the application of the benchmark rate to MSAs where the CLEC was serving end user customers on the effective date of these rules. In MSAs where the CLEC begins serving end users after this date, the maximum tariff rate will be the ILEC rate.

CLECs can offer access service at rates above this maximum level, however these services will be mandatorily detariffed, so CLECs must negotiate higher rates with the IXCs. The Order deals only with charges that CLECs make to IXCs. The Commission abstains entirely from regulating the charges that CLECs make to their end user customers, and states that CLECs remain free to recover from their end users any greater costs that they incur in providing either originating or terminating access services.

The Commission provides a rural exemption for CLECs competing with a non-rural ILEC in cases where no portion of the CLECs service area falls within an incorporated place of 50,000 inhabitants or more, or an urbanized area as defined by the Census Bureau. In these rural areas the CLEC may tariff access rates equivalent to those of NECA carriers.

The Commission also issued a Further Notice of Proposed Rulemaking to address an additional issue raised by AT&T shortly before this Order was issued. The issue concerns the maximum tariff rate that a CLEC should be able to charge for toll-free 8YY services. AT&T claims that the benchmark for such traffic should be immediately set at the ILEC rate, since certain CLECs with high access charges attempt to obtain customers who generate high volumes of 8YY traffic. The Commission seeks comment on AT&T's proposal. Comments are due 30 days after publication of this Order in the Federal Register, with reply comments due 30 days later.

Unified Intercarrier Compensation NPRM

On April 19, 2001 the Commission adopted a 66 page NPRM which proposes a fundamental reexamination of all currently regulated forms of intercarrier compensation. The Commission intends to test the concept of a unified regime for the flows of payments among telecommunications networks under the current systems of regulation..

There are a number of different ways that carriers are currently compensated for interconnection based upon the type of carrier they are (ILEC, CLEC, IXC, ESP, ISP, CMRS, etc.) and the type of traffic they are exchanging (local, long distance, enhanced service, packetized data, wireless, paging, interstate, intrastate, etc.). These disparities have led to regulatory arbitrage and network inefficiencies. The Commission seeks comment on the feasibility of using a bill and keep approach to achieve a unified regime for intercarrier compensation. The Commission also seeks comment on modifications to the existing intercarrier compensation regimes that would help to solve some of the current problems.

The NPRM begins with an excellent summary of the history of intercarrier compensation and the issues raised by existing interconnection regulations. This discussion concludes with a description of two new proposals for intercarrier compensation based upon working papers developed by Commission staff members. While the two papers differ in their details, both offer justifications for a bill and keep approach to intercarrier compensation. Both papers also propose default interconnection rules that would apply when carriers cannot agree on the terms for interconnection. The two proposals, which are frequently referred to by their author's names, are:

Central Office Bill and Keep (COBAK)

- This plan was authored by Patrick DeGraba
- There are two basic rules:
  1. No carrier may recover any cost of its customers' local access facilities from an interconnecting carrier, and
  2. The calling party's network is responsible for the cost of transporting the call to the called party's central office

Bill Access to Subscribers Cost Split (BASICS)

- This plan was authored by Jay Atkinson and Christopher Barnekoff
- The two rules of this plan are:
  1. Networks should recover all intra-network costs from their end-user customers, and
  2. Networks should divide equally the costs that result purely from interconnection.

The Commission raises numerous issues on which it seeks comment from interested parties. Comments on the NPRM are due 90 days after publication in the Federal Register, with reply comments due 45 days later. Following is a summary of the comment items raised by the Commission. The Commission strongly urges that in their comments parties track the organization of the issues set forth in the NPRM to facilitate their internal review process. The following summary follows this organization structure.

A. Appropriate Goals for Intercarrier Compensation Rules

- Should economic efficiency be the sole or paramount goal in intercarrier compensation policy?
- How should the Commission evaluate whether a particular intercarrier compensation regime encourages efficiency?
  - _ Whether it encourages the efficient use of the network by end-user customers?
  - _ Whether it encourages the efficient investment in, and deployment of, network infrastructure, including investment in broadband infrastructure?
  - _ Whether it is technologically and competitively neutral?
- To what degree do various intercarrier compensation regimes require regulatory intervention vs. market oriented solutions?
  - _ Is market segmentation a viable tool to avoid the need for certain types of regulatory intervention such as cost allocations?
  - _ How much weight should he Commission give to the level of necessary regulatory intervention?
- To what degree do alternative compensation regimes resolve the difficult issues that characterize the current regime? Will a particular new regime create new problems?
- With the introduction of competition and new technologies (including packet-switched networks that are used for both voice and data) is it essential to adopt a single unified approach to intercarrier compensation? What are the advantages and disadvantages of a single, unified approach?
- What alternative goals should the Commission consider in evaluating alternative intercarrier compensation regimes?

B. BIl and Keep Arrangements

1. Policy Justifications for a Bill and Keep Regime

- Do both the calling and called party benefit from a call?
- What implications should cost causality have for the choice of an intercarrier compensation regime?
- An intercarrier compensation scheme that involves payment for termination charges creates certain problems. The Commission seeks comment on the impact of the following:
  - _ The terminating carrier monopoly.
  - _ The problems created when customers of a carrier with flat-rate charging do not see any pricing signals that give them an incentive to avoid high terminating charges?
  - _ The incentive for carriers to engage in regulatory arbitrage by seeking end users with disproportionately incoming traffic.
- To what degree will bill and keep avoid the problems of the allocation of common costs (particularly loop costs), and the sense that end users have no direct control over access arrangements under current regimes?
- To what extent is bill and keep similar to the Commission's 1980 Computer II decision that deregulated CPE?

2. Re-examining the Efficiencies of Bill and Keep Arrangements

- **Termination Costs**
  - _ Traditional economic analysis viewed bill and keep arrangements as inefficient because the caller

would be shielded from the cost of termination and would tend to over-use termination facilities. Is this concern still valid?
  - The Commission seeks comment on the rationales contained in the DeGraba and Atkinson-Barnekov working papers as to why bill and keep may be more efficient.
  - For any proposed justification, parties should state the conditions where bill and keep would be efficient and where it would not be efficient.
- **Transport Costs**
  - The DeGraba approach suggests that the calling party's network be responsible for transport to the central office, while Atkinson-Barnekov suggests that the incremental costs of interconnection should be split. Comment on these two approaches.
  - What alternative transport strategies should be considered?
  - To what extent will particular approaches impact economic efficiency?
- **Transactions Costs**
  - What are the transaction costs for the various alternatives?
  - How do these transaction costs compare with other efficiencies (or lack thereof) of the various alternatives?

3. Bill and Keep as a Solution to Existing Interconnection Issues

- Will bill and keep in general, or specific bill and keep proposals, resolve, in whole or in part, existing interconnection problems?
- Will COBAK or other forms of bill and keep reduce incentives, created by the existing system of interconnection regulation, for carriers to invest inefficiently?
- How will bill and keep address the issues raised by the terminating access monopoly?
- How would bill and keep affect an entity's decision whether to subscribe as an end-user customer, or to interconnect as a network?
- How will moving to a bill and keep environment impact end user rates?
  - Should the Commission regulate the rates that dominant carriers charge their end users for termination?
  - Should LECs recover termination costs through per-minute charges, or should the Commission require flat-rate charges?
  - What measures, if any, might the Commission adopt to protect called parties from charges caused by unwanted calls?

4. Weighing the Potential Disadvantages of Bill and Keep Arrangements

- The Commission seeks comment on the DeGraba and/or Atkinson-Barnekov proposals as they relate to the following concerns:
  - Issues relating to the central office including its definition, location and host/remote issues.
  - The issue of unwanted calls.
  - Regulation of transport rates charged by ILECs.
  - How would a regulator or arbitrator deal with the issues of incremental costs of interconnection?
  - How would calling-party-pays and 800 numbers be impacted and what other billing and collection problems might be created?
  - Would bill and keep arrangements increase charges to ISPs that would result in higher Internet access prices for consumers?
  - Should bill and keep be considered for LEC-CMRS interconnection which has not experienced the same types of problems as wireline interconection?

5. Bill and Keep for ISP-Bound Traffic

- Comment on the Commission's proposal in the *ISP Intercarrier Compensation* proceeding to adopt a bill-and-keep arrangement for all ISP-bound traffic.
- What are the implications of adopting bill and keep for ISP-bound traffic in the absence of a unified bill and keep regime for other, non-ISP-bound traffic?
- What effect, if any, will a bill and keep approach to ISP-bound traffic have on ILEC incentives to support lower UNE rates?

6. Bill and Keep for Traffic Subject to Section 251(b)(5)

- The Commission seeks comment on the relative benefits of bill and keep for all traffic subject to 251(b)(5) versus the current per-minute reciprocal compensation rates imposed by most states.
  - State Commissions are encouraged to comment.
  - What are the benefits of each approach in promoting competition and negating the effects of market power?
  - What are the relative benefits with respect to the pricing signals provided, and the relation between actual costs and prices determined under each approach?
  - What are the disadvantages of applying a bill and keep arrangement to any particular type of traffic currently exchanged among interconnected carriers?
- What are the best methods for allocating transport responsibilities and costs among interconnected carriers under a mandatory bill and keep regime?
- What issues or problems do the current intercarrier compensation rules present for three-carrier calls. How will bill and keep affect such calls?
- Should the Commission promulgate rules governing the technical requirements of interconnection, as it does for interconnection between CPE and the public switched telephone network?
- Is a bill and keep rate structure for traffic subject to 251(b)(5) consistent with the 1996 Act? Does bill and keep provide for the "mutual and reciprocal recovery" of costs?
- Would the imposition of a bill and keep regime require the Commission to forbear from 252(d)(2)'s "additional cost" pricing standard? Does the prohibition of forbearance from 271, a statutory section that references 252(d)(2), make imposition of bill and keep legally problematic?

7. Commission Authority Over LEC-CMRS Interconnection

- The Commission seeks comment on the question of whether they have authority under section 332 to replace the existing reciprocal compensation mechanisms for LEC-CMRS interconnection with a bill and keep regime as advocated by CTIA. In addition the Commission seeks comment on:
  - The relationship between the CMRS interconnection authority assigned to the

- Commission under sections 201 and 332, and that granted the states under sections 251 and 252.
- _ The extent to which section 332 preempts state regulation of intrastate LEC-CMRS interconnection and give such authority to the Commission.
- _ Whether forbearance is appropriate in the context of LEC-CMRS interconnection.

8. LEC-CMRS Intercarrier Compensation

- What rules should the Commission adopt to govern LEC interconnection arrangements with CMRS providers, whether pursuant to section 332 or other statutory authority?
- What are the potential effects of a unified bill and keep regime on local LEC-CMRS interconnection?
- Should (and if so, how) a bill and keep regime may apply to LEC-paging interconnection arrangements.
- The Commission seeks comment on whether access charges, when they apply to interexchange traffic under sections 201, 251(g) and 251(i), should also apply to CMRS carriers, and to what extent.
- How would the adoption of a unified bill and keep regime affect unregulated types of intra-MTA, CMRS-to-CMRS interconnection?

9. Bill and Keep for Interstate Access Charges

- The CALLS plan runs through July 1, 2005. The Commission is evaluating the MAG plan for rate of return carriers that would be in effect for 5 years. What comes after CALLS?
- If the Commission adopts a bill and keep rule for the intercarrier arrangements that currently fall under the access charge rules, should they attempt to apply it at the same time, and in the same manner, for all types of LECs?
- Will the possible benefits of bill and keep dissipate if it is phased in over a period of years?
- Will a staggered approach to reforming intercarrier compensation create certain opportunities for regulatory arbitrage?
- How can the Commission best proceed in a coordinated manner with this phase in the development of a pro-competitive intercarrier compensation regime?

C. Reforming the Existing Calling Party's Network Pays (CPNP) Regime

Given the strong support CPNP regimes have received from the economic literature and from Commission precedent, the Commission seeks comment generally on whether, and how, the existing CPNP interconnection regimes can be reformed in the event that the Commission decides not to adopt bill and keep.

1. Can CPNP Regimes be Efficient?

a. Rate Level Issues

- Should the Commission adopt a forward-looking cost standard for setting both access charges and reciprocal compensation rates?
- In order to achieve the benefits of a uniform intercarrier compensation regime, should state public utility commissions move intrastate access charges to forward-looking cost?
- If the Commission declines to adopt bill and keep, is the TELRIC cost standard the most appropriate methodology for establishing "additional costs" under section 252(d)(2)?
- Have advances in technology provided carriers with essentially inexhaustible capacity, meaning that the "additional costs" of delivering a call that originates on a competing carrier's network currently approach zero?
- Should the Commission eliminate the "symmetry presumption" in the determination of forward-looking transport and termination costs for CLECs? Is the adoption of asymmetrical transport and termination rates consistent with the efficient development of competition?
- Does the current tandem-rate rule create an opportunity for regulatory arbitrage?
- To the extent that access charges exceed economic cost, do ILECs have the incentive and ability to discriminate in favor of their long-distance affiliates by engaging in a predatory price squeeze on IXCs?

b. Rate Structure Issues

- The Commission seeks comment on whether an average per-minute rate structure (as opposed to peak/off-peak pricing) can efficiently recover the traffic sensitive costs for interconnection, whether for reciprocal compensation or access charges.
- Has the Commission in the past overestimated the practical difficulties associated with peak-load pricing arrangements?
- How should the Commission deal with practical implementation problems associated with peak-load pricing?
- Can a peak-load pricing structure eliminate the regulatory arbitrage opportunities of the existing interconnection pricing regimes?
- Parties should comment on the advantages and disadvantages of using a capacity-based rate structure, and a multi-part rate structure that includes both a call set-up charge and a per-minute charge.
- The Commission invites parties to propose alternative rate structures that they believe would be more efficient, and to explain the basis for their belief.

c. Single Point of Interconnection Issues

- If a carrier establishes a single POI in a LATA, should the ILEC be obligated to interconnect there and thus bear its own transport costs up to the single POI when the single POI is located outside of the local calling area?
- Alternatively, should a carrier be required either to interconnect in every local calling area, or to pay the ILEC transport and/or access charges if the location of the single POI requires the ILEC to transport a call outside the local calling area?
- By requiring an ILEC to interconnect with a requesting carrier at any technically feasible point in a LATA of that carrier's choosing, is the Commission compelling inefficient network design by forcing the LEC to provision extra transport?

d. Virtual Central Office Codes

- Under what circumstances should a LEC be entitled to use virtual NXX codes?
- If LECs are permitted to use virtual NXX codes, what is the transport obligation of the originating LEC?
- Should the LEC employing the virtual NXX code be required to provide transport from the central offices associated with those NXX codes?

2. Can CPNP Regimes Resolve the Existing Interconnection Issues and Will They be Administratively Feasible?

- If the Commission declines to adopt bill and keep, how can the existing CPNP regimes be modified to deal with the issues presented by existing interconnection regimes? Can CPNP regimes be modified so that regulators can administer them easily?
- Does a CPNP regime increase the possibility of predatory price squeezes, particularly against long-distance carriers, and how could this problem be addressed?
- Should the Commission drop the presumption of symmetrical reciprocal compensation rates, and how can the administrative burden of setting multiple interconnection rates be addressed?
- How could the CPNP rules be modified to reduce the problem caused by inefficient end-user charges?
- What are the administrative costs or regulatory burdens associated with reforming the existing CPNP regimes and making them more uniform?
- Can rules be adopted that provide incentives for carriers to reveal their true costs of termination in a regulatory or arbitration proceeding?
- Can the regulatory process be simplified?

D.Other Issues

1. Legal Authority

- Does the Commission have legal authority to establish bill and keep arrangements for reciprocal compensation between telecommunications carriers?
- Does the Commission have legal authority to modify existing interstate access rules to move them into a bill and keep regime?
- The Commission seeks comment (particularly from state public utility commissions) on whether state commissions have authority to mandate bill and keep arrangements for intrastate access charges.
- To the extent that parties believe it is important for bill and keep arrangements to be administered uniformly, how can the Commission ensure that all states adopt a bill-and-keep approach to intrastate access charges?

2. Jurisdictional Responsibility

- How will the proposed intercarrier compensation reform affect the balance of responsibility between the Commission and the states, and how would it affect existing state policies?
- How would each proposed reform affect other existing Commission and state regulations?
- How would a bill and keep regime for carrier access charges affect existing separations rules?

3. Impact on End-User Prices and Universal Service

- How significant will the increases to flat-rated end-user charges be with the implementation of a bill and keep regime, and to what extent will increases in flat-rated charges affect telephone penetration?
- Parties are invited to comment on the elasticities of demand with respect to usage and subscription.
- What will be the aggregate costs and benefits of a bill and keep approach, including any distributional consequences to any particular subscriber group?
- Will a bill and keep approach affect the Commission's ability to preserve and advance universal service through specific and predictable support mechanisms as required by the Act?

4. Impact on Interconnection Agreements Between International Carriers

- Would the reforms proposed for domestic intercarrier compensation be a useful substitute for the traditional international settlements system for the exchange of international traffic between the U.S. international carriers and foreign carriers, were they adopted by other countries?
- What impact would the proposed reforms, if adopted solely for domestic intercarrier compensation, have on international settlement arrangements and on the prices that consumers pay for international services?
- Would the proposed reforms require revision of the Commission's international settlement rate benchmarks policy and/or the International Settlements Policy?

5. Impact on Interconnection Agreements Between Internet Backbones

- Will the proposals for reforming intercarrier compensation be consistent with existing interconnection arrangements among Internet backbones, and how, if at all, might they affect these privately negotiated arrangements?

6. Impact on Small Entities

- Would a different compliance timetable for small entities be appropriate for any of the reforms discussed in the NPRM?

7. Further Possible Approaches to Intercarrier Compensation

- Parties are asked to comment on whether there are other types of intercarrier compensation not addressed in the NPRM that can ameliorate the problems facing existing intercarrier compensation arrangements.
- Parties are also asked to comment on the use of a market-based approach to intercarrier compensation that would allow carriers to freely establish contracts for intercarrier compensation as a unified or partial approach to reforming intercarrier compensation. With regard to such a market-based approach:
  - In what circumstances would such an approach lead to more efficient results, or better resolve the current problems, than a regulatory approach?
  - Under a contract-based approach should carriers be allowed to refuse to carry traffic for each other? What are the legal and practical implications of allowing parties to refuse to carry traffic for each other? What are the potential impacts of this behavior on small entities?
  - Under what circumstances would the use of tariffs rather than contracts be more efficient or would better resolve the problems facing existing intercarrier compensation arrangements?

McLean & Brown is a telecommunications consulting company specializing in universal service and access reform issues. To learn more about us, or to obtain copies of prior publications, visit our web site at www.mcleanbrown.com.