



PRINCIPLES FOR INTERCARRIER COMPENSATION REFORM*

WC Docket Nos. 01-92, 05-337,
06-112, 99-68, 07-135

*** This presentation summarizes core principles agreed to by the substantial majority of COMPTEL members. The issues addressed by this presentation, however, are not the only issues of importance to COMPTEL members – additional concerns and recommendations will be expressed by individual members through other filings.**

The Commission should proceed by issuing a Further NPRM that sets forth proposed rules.

- Intercarrier compensation is critical to COMPTEL members, whose business plans are sensitive to costs and/or revenues associated with call termination.
- The issue is too important and complicated to proceed without the FCC fully vetting its proposed action.
- The Commission need only address the narrow issue presented by the Core Remand on November 4th – other issues should be addressed comprehensively through a Further NPRM.

The Commission cannot order bill and keep.

- Carriers are lawfully entitled to recover “a reasonable approximation of the additional costs of terminating” calls. §252(d)(2)(A)(ii).
 - The transport and termination of calls is not without costs and, therefore, the Commission cannot deny a carrier its right to recover these costs.
- Bill and Keep cannot be mandated and is only appropriate where carriers “waive” their rights to mutual cost recovery. §252(d)(2)(B)(i)

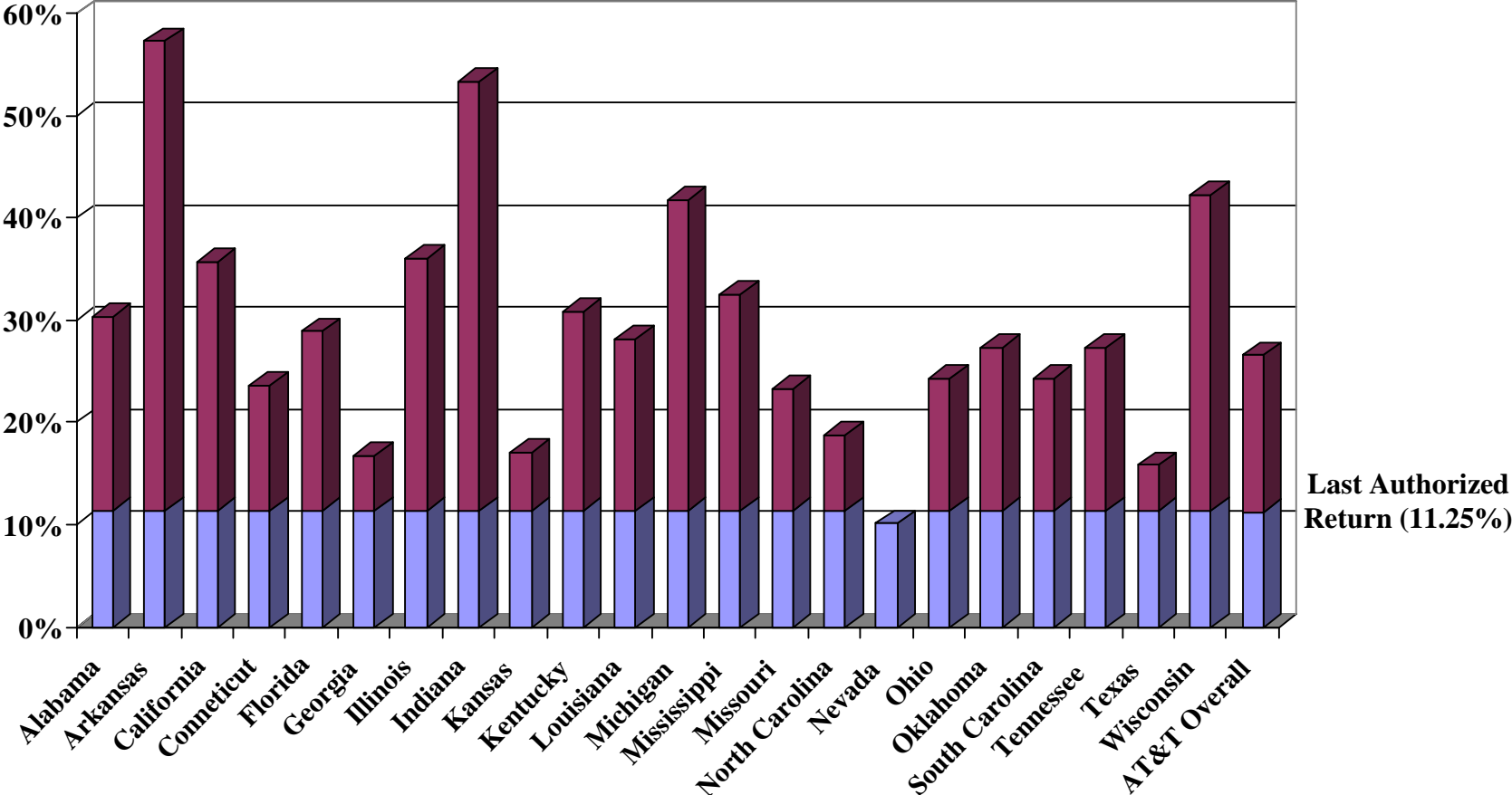
The FCC should adopt a transition plan that provides all market participants the opportunity to adjust their business plans to declining access revenues.

- If the FCC limits its decision to interstate access charges, the transition plan should be no shorter than three years.
- If the FCC extends its decision to cause reductions in intrastate access charges, the transition should be extended to five years.

The FCC should not create any USF-based revenue replacement mechanism for carriers subject to price-cap regulation.

- Price cap carriers enjoy significant retail and wholesale pricing flexibility and do not need the FCC to protect their revenues.
- There is no linkage between the access profits of these incumbents and universal service.
- The proposed “Replacement Mechanism” is anticompetitive, and forces competitors to fund the replacement for access profits of incumbents.
- AT&T and Verizon are the largest beneficiaries of access reductions, but do not reflect any savings in their proposals.

AT&T's Return on Investment - 2007



Any revenue-offset to access charge reductions should be limited to end-user prices.

- The FCC should provide price-cap ILECs a reasonable opportunity to recover lost revenues from their own end-users through increases in the residential and business SLC caps.
- The Commission should limit the residential SLC cap so that it does not recover more from residential customers than the price-cap carrier currently recovers from the residential customer segment through terminating access charges.

If the FCC adopts a “default regime,” it should only be implemented through tariff.

- It is important that interconnection and traffic exchange agreements continue to be publicly filed and nondiscriminatory.
- The simplest method to implement a default option without disrupting existing agreements is for the default option to be offered through tariff.
- As acknowledged by Verizon, any alternative to the default option would continue to be open to negotiation/arbitration under §251/252.

Implementation of any new regime should be open to review and challenge.

- The FCC should establish a process in which the data needed to implement intercarrier compensation reform is fully transparent to all industry participants.
- To the extent that state-specific revenue or demand information is needed to calculate any portion of the reform established in the FCC's decision, the FCC should require that data be available for public inspection and analysis.