

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
8YY Access Charge Reform	)	WC Docket No. 18-156
	)	

**REPLY COMMENTS OF GCI COMMUNICATION CORP.**

GCI Communication Corp. (“GCI”) submits this reply urging the Commission to move forward with its proposal to transition originating access charges for 8YY calls to bill-and-keep.<sup>1</sup> The record supports the reforms for access charges for 8YY traffic that were already adopted in the *USF/ICC Transformation Order*.<sup>2</sup> Transitioning 8YY traffic to bill-and-keep will address arbitrage concerns and move the industry substantially closer to a system that “provide[s] the right incentives for efficient use of the nation’s telephone system.”<sup>3</sup>

GCI reiterates the need for rules that accommodate the unique challenges of Alaska’s geography and its networks. In particular, at least for Alaska, the Commission should clearly define the network edge as the end office while allowing originating carriers to establish an alternative network edge, and require originating carriers to offer interconnection to interexchange carriers (“IXCs”) at the network edge.<sup>4</sup>

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<sup>1</sup> *8YY Access Charge Reform*, Further Notice of Proposed Rulemaking, FCC 18-76, WC Docket No. 18-156 (rel. June 8, 2018) (“*Further Notice*”).

<sup>2</sup> *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17,663 (2011) (“*USF/ICC Transformation Order*”), *pets. for review denied sub nom. in re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

<sup>3</sup> *Further Notice*, Statement of Commissioner Michael O’Rielly (quoting *Further Notice* ¶ 2).

<sup>4</sup> Comments of GCI Communication Corp. at 9-12, WC Docket No. 18-156 (Sept. 4, 2018) (“GCI FNPRM Comments”).

## **I. THE RECORD SUPPORTS TRANSITION TO BILL-AND-KEEP FOR 8YY TRAFFIC**

The record provides ample support for transitioning originating access charges for 8YY traffic to bill-and-keep.<sup>5</sup> The Commission has already adopted bill-and-keep as the ultimate end state for intercarrier compensation.<sup>6</sup> Transitioning to bill-and-keep for 8YY originating access charges is simply the implementation of a decision the Commission has already made to phase out the legacy compensation systems.<sup>7</sup>

Commenters demonstrate that a transition to bill-and-keep for 8YY originating access makes economic sense and supports the public interest. As AT&T notes, “[b]ill-and-keep would align pricing signals more appropriately,” allowing “artificially inflated costs” to be “competed away,” and making “the overall system more efficient.”<sup>8</sup> Accordingly, bill-and-keep will benefit end-users and 8YY customers.<sup>9</sup> Further, commenters confirm that bill-and-keep will accelerate the transition to all-IP services and reduce intercarrier disputes.<sup>10</sup>

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<sup>5</sup> See Comments of AT&T at 3-4, WC Docket No. 18-156 (filed Sept. 4, 2018) (“AT&T Comments”) (supporting transition to bill-and-keep on the originating end of 8YY calls); Comments of Comcast Corporation at 2, WC Docket No. 18-156 (filed Sept. 4, 2018) (“Comcast Comments”) (same); Comments of Verizon at 1-2, WC Docket No. 18-156 (Sept. 4, 2018) (“Verizon Comments”) (same); Comments of the Ad Hoc Telecommunications Users Committee at 1, WC Docket No. 18-156 (filed Sept. 4, 2018) (“Ad Hoc Comments”).

<sup>6</sup> See *USF/ICC Transformation Order* at 17,905 ¶ 741.

<sup>7</sup> See Comcast Comments at 2; GCI FNPRM Comments at 8; Ad Hoc Comments at 1.

<sup>8</sup> AT&T Comments at 10-11.

<sup>9</sup> *Id.*

<sup>10</sup> See *id.* at 11; Comcast Comments at 4.

Some challenge the Commission’s proposal by suggesting that bill-and-keep is not appropriate for originating access.<sup>11</sup> But as Ad Hoc notes, “[t]he legitimacy of the use of bill and keep as a mechanism for access traffic has not been the subject of serious debate for quite some time.”<sup>12</sup> As mentioned above, the Commission has already made the decision to transition to bill-and-keep for all intercarrier compensation.<sup>13</sup> The question the Commission raises here is how to implement that transition for 8YY originating access charges in the most efficient and effective way.

The record makes clear that the Commission can address local exchange carrier (“LEC”) concerns while still moving to a bill-and-keep regime for 8YY originating access charges that matches the terminating access charge regime. Originating carriers’ greatest concerns with a bill-and-keep regime for originating access appear to be the loss of revenues if they can no longer charge IXC’s for originating 8YY calls, and the supposed “windfall” they claim IXC’s will get under bill-and-keep.<sup>14</sup> Eliminating the implicit subsidies in the current system cannot fairly be described as a “windfall”; rather, it will incentivize efficient call routing and will benefit the public interest, as discussed above. As the Commission found in the *USF/ICC Transformation Order*, bill-and-keep fosters competition, is simple to establish and administer, and addresses

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<sup>11</sup> See Comments of ITTA at 7-8, WC Docket No. 18-156 (filed Sept. 4, 2018) (“ITTA Comments”); Comments of Charter Communications, Inc. at 1, WC docket No. 18-156 (filed Sept. 4, 2018).

<sup>12</sup> Ad Hoc Comments at 5.

<sup>13</sup> GCI FNPRM Comments at 8; Comments of NCTA – The Internet & Television Association at 3, WC Docket No. 18-156 (filed Sept. 4, 2018); see also *USF/ICC Transformation Order* at 17,671 ¶ 14; *id.* at 17,873 ¶¶ 648-53.

<sup>14</sup> See, e.g., Comments of Nebraska Rural Independent Companies at 13, WC Docket No. 18-156 (filed Sept. 4, 2018).

arbitrage.<sup>15</sup> Transitioning 8YY traffic to bill-and-keep would also address the “competitive distortions”<sup>16</sup> 8YY access charges create for voice services that tend to deter deployment of all-IP networks.<sup>17</sup> As GCI previously explained, transition to bill-and-keep also “addresses the lack of incentives that otherwise exist to pressure LECs to reduce their access charges.”<sup>18</sup>

Still, GCI and other commenters recognize that loss of revenues for incumbent LECs (“ILECs”) may cause hardship. Nothing about the transition to bill-and-keep, however, should prevent ILECs from recovering their appropriate costs. As AT&T notes, “the transition to bill-and-keep is merely a question of *how* to recover those costs, not *whether* the LEC can recover them.”<sup>19</sup> GCI and other commenters generally do not oppose providing ILECs with a means to recover their costs, either from end-users or through some other recovery mechanism.<sup>20</sup> GCI reiterates, however, that any recovery support should not come from an existing high-cost program with a fixed budget.<sup>21</sup> (Any replacement support for Alaska’s ILECs should come from a source other than the Alaska Plan, which provides fixed amounts of support to participating ILECs and CMRS providers complying with obligations to deploy broadband.<sup>22</sup>)

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<sup>15</sup> *USF/ICC Transformation Order* at 17,906 ¶¶ 742-43, 17,908 ¶ 745, 17,911 ¶ 752.

<sup>16</sup> *Id.* at 17,669 ¶ 9.

<sup>17</sup> *Id.* at 17,873 ¶ 648.

<sup>18</sup> GCI FNPRM Comments at 7; *see also* Ad Hoc Comments at 4 (“the party who *chooses* the product does not *pay* for it and thus creates no competitive market pressure on the provider.”) (emphasis in original).

<sup>19</sup> AT&T Comments at 17 (emphasis in original).

<sup>20</sup> GCI FNPRM Comments at 8; AT&T Comments at 14 (“AT&T does not oppose a recovery mechanism to the extent supported by the record.”); Comments of CenturyLink at 3, 16-20.

<sup>21</sup> GCI FNPRM Comments at 8.

<sup>22</sup> *Id.* at 10.

Finally, some commenters suggest that the FCC’s proposal to adopt bill-and-keep to address arbitrage and traffic pumping schemes is over-broad, and that any rules should only address bad actors, rather than 8YY originating access across the board.<sup>23</sup> They suggest that bill-and-keep should not “punish” rural LECs,<sup>24</sup> and that any fraud should be narrowly addressed through an enforcement-based mechanism, rather than through bill-and-keep. Proposals to create narrow rules only to address fraudulent behavior, however, would not solve a key problem with the current originating access regime. Beyond the schemes that the Commission has identified, such as arbitrage, traffic pumping, and mileage pumping, there are simple basic economic justifications for moving to bill-and-keep for originating access charges for 8YY calls. IXC’s that carry an 8YY call have no control over the caller’s choice of originating carrier. IXC’s have no choice but to deliver the traffic for their 8YY customers.<sup>25</sup> As a result, originating carriers have no incentive to keep costs low.<sup>26</sup> Developing enforcement mechanisms instead of transitioning to bill-and-keep will only put a patch on a system that creates market distortions.<sup>27</sup> Accordingly, the Commission should address the problem as a whole by transitioning 8YY

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<sup>23</sup> See, e.g., Comments of Windstream Services, LLC, Frontier Communications Corporation, and NTCA-The Rural Broadband Association at 10, WC Docket No. 18-156 (filed Sept. 4, 2018); Comments of WTA – Advocates for Rural Broadband at 4-5, WC Docket No. 18-156 (filed Sept. 4, 2018) (“WTA Comments”).

<sup>24</sup> See WTA Comments at 7.

<sup>25</sup> See AT&T Comments at 4, citing *USF/ICC Transformation Order* at 18,111 ¶ 1303.

<sup>26</sup> *Id.*

<sup>27</sup> See Ad Hoc Comments at 3-4 (“the Commission recognized that treating 8YY originating access differently from terminating access would lead to market distortions. Seven years later, those distortions have resulted in the fraud and traffic pumping schemes that are rampant in this segment of the market today.”).

originating access charges to a bill-and-keep regime. Doing so will encourage efficient call routing and technology upgrades, and will benefit the public interest.

## **II. THE COMMISSION SHOULD ADOPT GCI'S PROPOSAL FOR DEFINING THE DEFAULT NETWORK EDGE IN ALASKA**

Commenters presented various proposals to address how the Commission should define the “network edge” for purposes of 8YY traffic, and, in particular, how tandem switching and other routing questions should be addressed for the bill-and-keep transition.<sup>28</sup> This wide range of proposals makes clear that the Commission will need to define the network edge, and in particular, that the Commission should ensure that the definition of the network edge for 8YY traffic in Alaska reflects its unique network architecture.<sup>29</sup>

As GCI has previously explained—and the Commission recognizes—networks in Alaska are different from those in the rest of the country.<sup>30</sup> GCI made a proposal in its comments that is similar to what AT&T proposes—in general terms, the IXC can interconnect at the originating carrier’s end office with provisions for situations in which the originating carrier refuses that direct interconnection.<sup>31</sup> In addition, the originating carrier is financially responsible for getting traffic to its end office or the alternative network edge at which it hands the traffic off to the

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<sup>28</sup> Compare Comments of CenturyLink at 8, WC Docket No. 18-156 (filed Sept. 4, 2018) (the Commission should take limited steps to address tandem charges); *and* ITTA Comments at 12 (same); *with* AT&T Comments at 4 (the Commission should apply bill-and-keep to third-party tandem providers in connection with AT&T’s interconnection proposal).

<sup>29</sup> See *Further Notice* ¶ 85; GCI FNPRM Comments at 9-13.

<sup>30</sup> GCI FNPRM Comments at 2-4, 12. For instance, Alaska networks do not have any tandem switches.

<sup>31</sup> See GCI FNPRM Comments at 10-11; AT&T Comments at 6. Note, however, that the tandem-specific portions of AT&T’s proposal are not appropriate for Alaska because there are no tandems.

IXC.<sup>32</sup> This understanding of the network edge makes clear each party's financial responsibility and creates incentives on both sides for efficient routing.

### III. CONCLUSION

The record supports the Commission's proposal to transition 8YY originating access charges to bill-and-keep, consistent with the *USF/ICC Transformation Order*. As part of this transition, the Commission should implement GCI's proposal to define the network edge for 8YY traffic in a way that will ensure efficient call routing, and that will accommodate Alaska's unique network architecture.

Respectfully submitted,



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October 1, 2018

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<sup>32</sup> GCI FNPRM Comments at 10-11; AT&T Comments at 6. Providers may establish by mutual agreement other points of interconnection and financial responsibility arrangements. GCI FNPRM Comments at 11.