

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	

REPLY COMMENTS OF USTELECOM

USTelecom respectfully submits these reply comments in the above-referenced rulemaking proceeding, which seeks to refresh the record in light of developments in the intercarrier compensation proceeding, in particular issues related to “(1) the network edge for traffic that interconnects with the Public Switched Telephone Network, (2) tandem switching and transport, and (3) transit (the non-access traffic functional equivalent of tandem switching and transport.”¹ We join other commenters in supporting the Federal Communications Commission (Commission) in moving forward with its efforts to modernize the compensation regime to better meet the needs of today’s providers and networks.

Recognizing that the pre-reform intercarrier compensation regime was “based on decades-old assumptions that fail to reflect today's broadband-dominant, mobile, IP-centric networks, the evolving nature of communications services, or the current competitive

¹ *Parties Asked to Refresh the Record on Intercarrier Compensation Reform Related to the Network Edge, Tandem Switching and Transport, and Transit*, WC Docket No. 10-90, CC Docket No. 01-92, Public Notice, DA 17-864 (WCB Sep. 8, 2017) (*Refresh PN*). See *Connect America Fund, et al.*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109; GN Docket No. 09-51; CC Docket Nos. 01-92, 96-45; WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*2011 ICC Transformation FNPRM*).

landscape,”² the Commission in this proceeding is rightly focused on modernization. Not only are these issues complex, they also affect a large number of carriers and have a great financial impact that in many cases may determine whether some providers stay in business after the transition is complete. These challenges may be greatest for companies delivering service in rural parts of the country. For that reason, we favor a thoughtful approach that prioritizes getting the transition right and that accounts for the vital importance of maintaining and expanding network infrastructure.

At the same time, the move toward full bill-and-keep has been underway for some time. It appears from the recent record that many comments favor a speedy transition to bill-and-keep for those remaining elements that have not yet transitioned.³ Among the benefits to be gained by moving apace to complete this proceeding are reduced regulatory costs, minimizing arbitrage opportunities, and acceleration of the transition to all-Internet Protocol (IP) technologies. To be clear, USTelecom continues to discuss across our broad membership the best path forward, and we have not yet settled on one consensus position or resolution for bringing this proceeding to a close. We do agree, however, that this proceeding should be resolved in a timely manner, and in a way that reflects the vital importance of network infrastructure in rural and urban parts of the country and treats like competitors equally.

Addressing Arbitrage Should Be One of the Commission’s Top Priorities.

² 2011 ICC Transformation FNPRM, 26 FCC Rcd at 17664, ¶ 6.

³ See Comments of AT&T Services Inc. to Refresh the Record, WC Docket No. 10-90, CC Docket No. 01-92 (Oct. 26, 2017) (AT&T Comments); Comments of Verizon, WC Docket No. 10-90, CC Docket No. 01-92 (Oct. 26, 2017) (Verizon Comments); Comments of Sprint Corporation, WC Docket No. 10-90, CC Docket No. 01-92, at 1 (Oct. 26, 2017) (Sprint Comments).

Many commenters believe a full transition to bill-and-keep would be instrumental in addressing arbitrage opportunities that facilitate schemes like traffic pumping and dumping. The lack of reciprocal rules for originating traffic, for example, and questions regarding whether providers are entitled to direct interconnection create an uneven playing field and financial incentives for some providers to route traffic in ways that allow them to impose charges on their competitors that bill-and-keep would eliminate. It may be that interim steps can be taken immediately,⁴ or that some rules will have to be left in place⁵ to stem the tide of arbitrage. In any event, we agree with commenters asserting that as the Commission moves to complete intercarrier compensation reform, it must take measures to fix the conditions within and outside this regime to make arbitrage a relic of the past.

The Network Edge Must be Defined to Support the Efficient Exchange of Traffic.

Defining the network edge is complicated, and the lack of consensus on that definition is a barrier to fully implementing bill-and-keep.⁶ Comments are significantly divergent on this issue, with some parties advocating in favor of defining the edge as the end office,⁷ or not at all.⁸ USTelecom believes that edge rules must be fair and treat all providers, and eventually all traffic,

⁴ See Verizon Comments at 5-6 (describing measures the Commission could take to immediately address the most prevalent forms of transport arbitrage).

⁵ See AT&T Comments at 22-24 (explaining that complete reform will not eliminate arbitrage completely, so some residual measures may be needed).

⁶ See *Refresh PN* at 1 (“a critical aspect to bill-and-keep is defining the ‘network edge’ for purposes of delivering traffic”).

⁷ Comments of ITTA-The Voice of America’s Broadband Providers, WC Docket No. 10-90, CC Docket No. 01-92, at 4 (Oct. 26, 2017); Comments of CenturyLink, WC Docket No. 10-90, CC Docket No. 01-92, at 3 (Oct. 26, 2017) (CenturyLink Comments).

⁸ Comments of NCTA-The Internet and Television Association, WC Docket No. 10-90, CC Docket No. 01-92, at 5 (Oct. 26, 2017) (“there is no need for the Commission to define the network edge when two providers are exchanging voice traffic in IP format”).

alike. That means, for example, that providers should have ability to determine how they will deliver traffic to the edge, rather than be compelled to use and pay for intermediaries selected by the traffic recipient.⁹ In the right regulatory environment that discourages arbitrage and encourages efficient traffic exchange, we believe that most providers would prefer to negotiate mutually beneficial exchange arrangements, and the Commission's rules should support such market-based solutions. It is not clear from the current record that there is sufficient data to determine how to define the edge to ensure such outcomes.

This Proceeding Would Benefit from More Data and Analysis.

Given the divergent reviews in the refresh record, we encourage the Commission to seek additional targeted input on how to define the network edge and the appropriate path and schedule for transitioning originating access and all transport to bill-and-keep. A call for white papers or workshops would facilitate open discussion and airing out of views in a way that could accelerate the Commission's decision-making process. USTelecom will continue to engage our members on these important issues, and we look forward to further supplementing the record as our discussions progress.

Respectfully submitted,



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⁹ See CenturyLink Comments at 4.