CC/CPD 97-30

Reciprocal Compensation for Calls Placed to ISPs

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The FCC Consistently has Categorized Calls to ISP POPs as "Local Calls"

ISP Traffic consists of two distinct, severable components: (1) the local telephone connection to the ISP; and (2) the information service subsequently provided by the ISP.

In The Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-95, ¶ 789 (rel. May 8, 1997) ("Universal Service Decision"); *Implementation of Non-Accounting Safeguards of Sections 271 and 282 of the Communications Act of 1934 as amended,* First report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-149, ¶ 120 (rel. Dec. 24, 1996).

The FCC Consistently has Categorized Calls to ISP POPs as "Local Calls" *(Cont'd)*

"To maximize the number of subscribers that can reach them *through a local call*, most ISPs have deployed points of presence."

Universal Service Decision at n. 502 (emphasis added).

"ISPs may purchase services from incumbent LECs under the same intrastate tariffs available to end users. ISPs may pay business line rates and the appropriate subscription line carharges, rather than interstate access rates, even for calls that appear to traverse state boundaries."

Universal Service Decision at ¶ 342.

The FCC Consistently has Categorized Calls to ISP POPs as "Local Calls" (*Cont'd*)

Although the FCC is considering the issue of ISPs' use of the public switched network, the status of the existing FCC rules and policies has not changed.

State Commissions have Ruled Consistently That Calls Placed to ISP POPs are "Local Calls"

Arizona Corporation Commission

Colorado Public Utilities Commission

Connecticut Department of Public Utility Control

Illinois Commerce Commission

Maryland Public Service Commission

Michigan Public Service Commission

Minnesota Department of Public Service

Missouri Public Service Commission

New York Public Service Commission

North Carolina Utilities Commission

Oklahoma Corporation Commission

Oregon Public Utility Commission

Pennsylvania Public Utility Commission

Tennessee Regulatory Authority

Texas Public Utility Commission

Virginia State Corporation Commission

Washington Utilities and Transportation Commission

West Virginia Public Service Commission

Wisconsin Public Service Commission

ILECs Themselves Classify Calls to ISP POPs as "Local Calls"

ILECs charge their own Customers Local Rates for Calls Placed to ISPs

ISPs Subscribe to ILEC Local Exchange Services to Obtain Access to the Local Exchange

ILECs Classify Calls Placed to ISPs as Local Traffic for Purposes of Interstate Separations

Some ILECs Pay and Receive Payment of Reciprocal Compensation for Calls Placed to ISPs

BOCs, which are Not Permitted to Provide InterLATA Services, Routinely Complete ISP Traffic

FCC Rules Classify ISPs as End Users

ISPs are Classified as "End Users" under Part 69 Access Charge Rules

ISPs are Specifically Exempted from the Requirement to Purchase Interexchange Access

Calls to ISPs Often Are Not Bridged to Locations in a Distant Exchange

A Large Portion of ISP Calls are Bridged, if at all, to Local Web Sites

Which Calls Are or Are not Bridged to Distant Locations Cannot be Measured

Numerous Other End Users Operating as Call Centers Receive Local Calls Which Maybe Bridged to Distant

Ticket Agents
Airline Reservations
Credit Card Validation
Etc.

A Reversal of FCC Policy on Calls to ISPs Would Harm CLECs

Increase CLEC Costs

Render CLEC Services Less Economically Attractive

Compel CLECs to Provide Free Service

Necessitate Reversal of CLEC Revenue Accruals

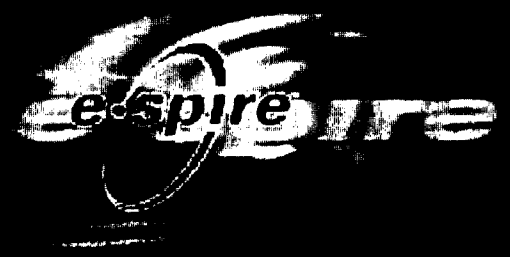
Materially Reduce CLEC Revenue Streams

A Reversal of FCC Policy on Calls to ISPs Would Harm ISPs

Deny ISPs a Competitive Alternative to ILEC Services

Require Reconsideration of the ISP Exemption from Access Charges

Require Reconsideration of the ISP Exemption from Universal Service Funding Obligations



A Reversal of FCC Policy on Calls to ISPs Would Harm IXCs

Necessitate Separations Reform

Force IXCs to Subsidize ISP Access

Reciprocal Compensation for ISP Traffic Is Not Unfair to ILECs

ILECs Are Compensated By Their End Users for Originating Dial-Up Internet Traffic

Many Business Services have Usage-Based Charges

ILECs Receive Reciprocal Compensation for Calls Placed to Their Own ISP End Users

Relative Loss to CLECs Far Exceeds the Relative Cost to ILECs

Reciprocal Compensation for ISP Traffic Does Not Deter CLEC Service to Other End Users

CLECs Are Aggressively Marketing Services to Other End Users

CLECs Prefer to Serve End Users Directly to Receive the Mix of Revenue from Local Services, Features and Access Charges

ILECs Can Propose Local Exchange Rate Changes or Restructuring if Appropriate

Interest in Asserting Federal Jurisdiction Over DSL is Not Relevant

Virtually No Accrued Liability for Reciprocal Compensation is Attributable to Traffic Over DSL Facilities

Most Reciprocal Compensation for ISP Calls is Likely to Stem From non-DSL Dial-Up Services

DSL Subscription by the Originating ILEC End User is Irrelevant when the ISP Subscribers to CLEC local Exchange Services