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

In the Matter of	)	
	)	
Developing a Unified Intercarrier	)	CC Docket No. 01-92
Compensation Regime	)	

REPLY COMMENTS OF NETWORK SERVICES, LLC ("NETWORK SERVICES") IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING ("INTERCONNECT NPRM")

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Network Services is a privately owned paging carrier, which has provided paging and enhanced services in California for many years. Network Services is also a member of the Allied Personal Communications Industry Association of California ("Allied") and generally endorses the Comments filed by Allied in this proceeding. However, Network Services wishes to file additional comments in order to show the specific impact on one carrier of the rule changes being proposed in this NPRM.

1. Prior to August, 2001, Network Services Interconnection Arrangements Were Based on Negotiated Agreements With Verizon, Qwest, and Pacific Bell.

S In, 1997, Network Services negotiated an interconnection agreement with GTE (now Verizon) in California. This Agreement included provisions for a single point of interconnection at a GTE tandem in each LATA. It also provided for termination compensation and for a sharing between GTE and Network Services of the costs of entrance facilities. The

Network Services/GTE Agreement in California became the model for numerous GTE agreements with paging carriers in other states.

S In 1998, Network Services negotiated an interconnection agreement with Qwest in Arizona. The agreement provided for termination compensation, but was extremely onerous in requiring Network Services – largely at its own expense – to create multiple points of interconnection at both end offices and tandem offices on the Qwest network. It was not until April 2, 2001 that Qwest agreed to a classic Type-2A arrangement with Network Services being required to establish POIs at each Qwest tandem, and with facilities costs being shared.

S Network Services has also opted into the arbitrated agreement between Cook Telecom, Inc. and Pacific Bell pursuant to the provisions of Section 252(i) of the Telecommunications Act. This agreement provides for termination compensation, facilities cost sharing, and a single point of presence in each LATA.

2. By Its Acquisition of TSR Wireless Networks, Network Services Has Become A National Carrier: On August 31, 2001, Network Services acquired the assets of TSR Wireless LLC ("TSR") which had filed a petition under Chapter 7 of the Bankruptcy Act.[1] By this transaction, Network Services has taken over TSR's networks in some 28 different states and the District of Columbia, and has adopted a variety of additional interconnection agreements, again under the provisions of Section 252(i) of the Act. To varying degrees, these agreements provide for termination compensation and facilities cost sharing. In reliance on these agreements and current regulations, Network Services is in the process of significantly restructuring and integrating the TSR system into its own. The goal is to reduce or eliminate Type-1 connections,

[1] Case No. 00-41857 RG in the United States Bankruptcy Court for the District of New Jersey.

reduce the number of dedicated Type-2 interconnect links, and to reduce the number of switches required by the former regime.

3. In Network Services' Judgment, Its Integrated Network Cannot Be Technically Efficient And Economically Sound Under Certain NPRM Proposals.

S The NPRM proposes a number of dramatic changes in the rules that have applied since 1996. These include the adoption of mandatory "bill and keep" even where there are significant imbalances between the costs incurred by interconnecting carriers in handling each other's traffic. Another proposal is to require non-ILECs to establish (at their own expense) dedicated transport links to every ILEC rate center where they maintain telephone numbers.

S Without any obligation to pay termination compensation, the ILECs will almost certainly seek to shift their transport obligations to paging carriers. We have already seen one example of this. In early August, 2001, Verizon sent the first of many notices terminating existing interconnection agreements with paging carriers. The "model" agreement proposed to replace the existing ones would have required Network Services – again at its own cost because there would no longer be a rule requiring originating ILECs to pay for transporting and terminating their own calls – to add hundreds, if not thousands, of new points of presence in Verizon territory. While carrier protests (and possibly the ongoing nature of this proceeding) caused Verizon on October 28, 2001 to withdraw its termination notices, Network Services notes that Verizon's comments regarding "virtual" NXXs" are entirely consistent with the demands of the "model" agreement.

4. TELRIC Pricing Issues. Network Services has direct experience with current ILEC pricing of interconnect facilities. Despite the First Report and Order[2], which clearly requires interconnection facilities to be priced on the basis of TELRIC principles, none of the major ILECs (except for one) does so. Instead, all (but one) of Network Services current agreements require paging carriers to provision interconnect facilities at access tariff rates. The single exception is Qwest, which allows for TELRIC pricing of at least some interconnect facilities. The difference between TELRIC and access tariff pricing for DS-1 and DS-3 facilities is truly dramatic. For example, a comparison of Qwest's access tariffs in the State of Washington with the TELRIC-based recurring charges provided in our interconnect agreements shows:

Rate Element	Access Tariff	TELRIC Rates
Channel Facilities Charge	\$108-\$132/month	\$99.78/month
Distance Charge	\$89/month plus \$13.70/mile (first mileage band)	\$41.72/month Plus \$.67/mile (first mileage band)

In California, the gap between TELRIC and access tariff facilities charges is even greater. In fact, Pacific Bell increased the tariff charge for DS-1 facilities as recently as November, 2000.

5. The Proposal To Transfer Termination Costs To End Users Is Not Feasible In A Paging Context. The NPRM states that legal problems with mandatory bill and keep may be avoided by allowing terminating carriers to recover their added costs from end users. In a paging context, this is impossible. For one thing, paging and other "short messaging" services are probably more competitive than any other telecommunications category. End-user rates are

[2] CC Dkts. 96-98 and 95-185 (released August 8, 1996). Or the requirement of TELRIC pricing for

interconnect facilities, see Sections 618 et seq.

nearly always flat, with little opportunity to introduce the usage-sensitive charges that would be necessary to recover lost termination compensation and added facilities costs. Even more significant is that while "bill and keep" for Network Services' two-way competitors would have a positive bottom line impact, it would result in net losses for one-way service providers. This is because cellular and other wireless carriers deliver at least as many calls to the ILECs as the ILECs deliver to them. For them, lost termination compensation revenues would be balanced by corresponding savings in the form of diminished payments to the carriers. With no negative bottom-line impact from the rule change, cellular and similar carriers will feel no need to increase end-user charges. Paging carriers, with no savings to offset their increased costs, would suffer a significant adverse impact. In other words, while the NPRM assumes that a move to mandatory "bill and keep" would be economically neutral, the exact oppositewould be the case in the short messaging industry.

For the above reasons, Network Services urges the Commission to:

i) Exclude from "bill and keep" situations where there is neither a voluntary agreement between the parties nor a reasonable balance in the costs incurred by each in terminating the calls of the other;

ii) Reject attempts by the ILECs to require dedicated facilities to all rate centers, at least where (as in the paging context) there has been no showing of abuse of current rating and routing practices; and

iii) Explicitly require (yet again) that interconnection facilities be priced on a forward-looking basis, with access tariffs being specifically disallowed as a measure for such charges.

Respectfully Submitted,

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