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

In the Matter of PAGING COALITION Request for a Declaratory Ruling	CC Docket No. 01-346

OPPOSITION OF VERIZON

Petitioners have asked the Commission to require Verizon[1] to continue to offer arrangements that it has announced plans to discontinue. Petitioners would have the Commission believe that Verizon is terminating a type of interconnection arrangement and that they will have to interconnect with Verizon in the future differently than they do today. This is not the case. The only thing that Verizon will no longer offer is a reverse billing arrangement. All the physical arrangements and points of interconnection will remain unchanged, and Petitioners will not be required to rearrange their networks in any way.

The Commission has already considered whether incumbent LECs are required to offer this reverse billing arrangement, and it concluded that they are not. Thus, in *TSR Wireless v. U S WEST*, the Commission held that "LECs are not obligated under our rules to provide such services at all."[2] Petitioners do not even refer to this decision, let alone attempt to explain why the Commission was wrong then or should change its mind now.

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1 The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc., listed in Attachment A.

2 *TSR Wireless v. U S WEST*, 15 FCC Rcd 11,166 ¶ 30 (2000). While certain aspects of the Commission's order were challenged on appeal, the paging carriers did not seek review of this holding. See *Qwest Corp. v. FCC*, 252 F.3d 462 (D.C. Cir. 2001).

Verizon and other LECs developed reverse billing arrangements years ago to meet special requirements of cellular and paging carriers at that time. Until recently, these arrangements met those requirements well. However, changes in the industry have substantially undermined the utility of these arrangements. First, these arrangements were designed to make sure that landline callers would not have to pay toll charges to call CMRS users. Instead, the CMRS carrier elected to pay those charges on calls from Verizon landline customers to the CMRS provider's customers. However, as more and more landline callers are served by local carriers other than Verizon, more and more calls fail to receive this special treatment. Second, these billing arrangements are based on the telephone number assigned to the CMRS customer — blocks of telephone numbers are set aside for this purpose, and calls to them are billed to the CMRS provider. Number portability — which allows CMRS customers to keep their numbers when they change carriers — undermines the viability of this approach.

Despite these facts, Verizon is currently exploring whether there are ways in which it might be able to continue these billing arrangements for paging carriers. At a minimum, paging carriers using these arrangements would have to agree not to offer number portability to their customers and not to port these numbers from Verizon to another LEC.

The Service Involved

Paging carriers, like other CMRS providers, interconnect with Verizon's local network either at the end office or at the tandem. Verizon is not proposing to change this in any way.

In some geographic areas, Verizon calls its end office interconnection "Type 3 interconnection." With Type 3 interconnection, the CMRS provider has a digital trunk connection to the Verizon end office. This arrangement resembles ordinary business basic exchange access service, similar to that used to serve customers with PBXs. If a Verizon subscriber outside the local calling area of the end office dials the CMRS provider's numbers, the caller incurs applicable charges under Verizon's intrastate tariff, just as he would if he dialed a PBX customer in a different local calling area. Thus, in many cases, landline callers would have to pay toll charges to reach CMRS customers.

Some CMRS providers did not want callers to have to pay these charges to reach their customers, however. Therefore, Verizon developed a "reverse billing" option, referred to as Option 3A, under which Verizon bills these charges to the CMRS provider. Under this reverse billing arrangement, Verizon bills an intraLATA land-to-mobile call (*i.e.,* a call originating on the landline network and terminating on the CMRS provider's network) to the caller as a "local" call and assesses a charge on the CMRS provider. As the Commission has explained, these are "reverse billing arrangements whereby [a CMRS provider] can 'buy down' the cost of such toll calls to make it appear to end users that they have made a local call rather than a toll call."[3]

The actual, physical interconnection between the Verizon and the CMRS network is the same no matter who pays for the toll call — the CMRS provider under Option 3A or the caller under Option 3B. This is the "interconnection" that is the subject of sections 251 and 332 of the Act. The same interconnection arrangements will continue to be available to Petitioners after the reverse billing option is withdrawn.

Verizon offered CMRS providers reverse billing options under different names in different areas. For example, in Virginia, reverse billing is called "LATA-wide paging" and in Texas, "wide area calling." For convenience, we will refer to these arrangements generically as "reverse billing." While reverse billing is used today by paging carriers like Petitioners, it is

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[3] 15 FCC Rcd 11,166 ¶ 31.

mostly used by cellular and PCS providers. Verizon estimates that paging carriers account for less than five percent of its CMRS reverse billing usage.

Verizon's Decision To Withdraw the Billing Option

As the petition correctly notes,[4] the way Verizon provides this billing option — the way it distinguishes between calls that are billed to the caller and those that are billed to the CMRS provider — is based on the telephone number being called. Thus, Verizon sets aside blocks of telephone numbers, typically full NXX codes, for the reverse billing arrangement. This permits Verizon to readily identify the calls that are to be reverse billed.

Number portability makes this unworkable. With number portability, a CMRS customer will be able to port her telephone number to another carrier, either to another CMRS provider or to a local exchange carrier. That other carrier might or might not use reverse billing — in fact, in the case of a LEC, it is almost certain that it would not. Verizon's network, however, would have no choice other than to handle calls to that number as toll free to the caller and reverse-billed to the other carrier. For that reason, Verizon decided that it had to withdraw this option and gave the carriers more than a year's notice of that decision.[5]

Wireless number portability was really the death blow for reverse billing arrangements, although local competition itself would eventually have killed them off, even without the special

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[4] Petition at 2.

[5] Number portability affects this arrangement in another way as well. This is because the numbers that Verizon uses to provide service to CMRS carriers might be portable. If a CMRS provider can decide to get its local service from another LEC and to take its numbers with it when it does, Verizon's network might still have to treat calls to these ported-out numbers as reversed billed, and Verizon would not charge the caller for them, even though the CMRS provider no longer agrees to pay.

problems caused by number portability. This is because reverse billing arrangements provide toll-free calling only for Verizon landline customers, and in some areas customers of some other incumbents. They do not cause calls from customers of CLECs and other independent LECs to be reverse billed. As local competition grows, the volume of these calls increases, and reverse billing arrangements become less and less useful. In fact, reverse billing has already reached the point of diminished utility in much of the New England area in which Petitioners operate, as, for example, CLECs now provide more than 20 percent of the access lines in Verizon territory in Massachusetts.

Finally, it is important to remember that the Petitioners will still have reverse-billed services available to them if they want to ensure that callers do not have to pay toll charges to reach their customers — the same 800 services that everybody else uses. These services are actually better than Verizon's reverse billing arrangements because they will ensure that all calls to the CMRS provider's customers are toll free, not just those calls that originate on Verizon's network. Petitioners' claim that they will be left with "a degraded service offering to the public"[6] is just not true.

Verizon's Conduct Is Perfectly Legal.

Petitioners attempt to characterize the elimination of this reverse billing option as a denial of interconnection. It is, of course, no such thing.

The Commission defines "interconnection" under section 251 as "the linking of two networks for the mutual exchange of traffic." The definition goes on to explicitly state that "[t]his term does not include the transport and termination of traffic."[7] As to CMRS providers,

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6 Petition at 6.

7 47 C.F.R. § 51.5.

"interconnection" is defined (in section 20.3 of the rules) as "[d]irect or indirect connection through automatic or manual means . . . to permit the transmission or reception of messages or signals to or from points in the public switched network." Whether callers or Petitioners pay for calls to paging customers is, therefore, not an "interconnection" matter. After the elimination of the reverse billing option, Verizon's network will be linked to Petitioners' networks "for the mutual exchange of traffic" and for "the transmission or reception of messages or signals" exactly as it is today — nothing will change, and no "interconnection" arrangement is being taken away from Petitioners. Because this is not an "interconnection" matter, Petitioners' repeated references to the interconnection provisions of the Act are beside the point.

The Commission has had the opportunity to consider the nature of these reverse billing arrangements before. *TSR Wireless v. U S WEST* involved formal complaints by several paging carriers against incumbent LECs concerning a variety of issues. One of their complaints was that the Commission's rules prohibited the LECs "from charging for 'wide area calling' service."[8] The Commission used the term "wide area calling service" to mean a service "where a terminating carrier agrees to compensate the LEC for toll charges that would otherwise have been paid by the originating carrier's customer"[9] — that is, Verizon's reverse billing arrangements like Option 3A. The Commission denied the paging carriers' complaint against the LECs' charging practices. More important for this proceeding is that the Commission recognized that wide area paging/reverse billing was not an interconnection arrangement that ILECs are required to provide. The Commission first found that "'wide area calling' services are not necessary for

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8 15 FCC Rcd 11,166 ¶ 30.

9 15 FCC Rcd 11,166 ¶ 1.

interconnection" and then squarely held, "Indeed, LECs are not obligated under our rules to provide such services at all."[10]

The Petitioners do not try to distinguish *TSR Wireless*. In fact, they do not even mention it in their Petition. This is surprising in light of the fact that one of these Petitioners is involved in a proceeding before the Maine commission concerning reverse billing. Verizon Maine relied on *TSR Wireless* in that case, and both the Maine Hearing Examiner[11] and the Maine commission[12] cite the Commission's decision in *TSR Wireless*. And both the Hearing Examiner and the commission concluded, "Verizon has correctly characterized the service subscribed to by NEP as a 'reverse billing arrangement' for intrastate local and interexchange calls, and that the service is not a form of 'interconnection' as defined by the TelAct."[13]

To the extent that this billing arrangement is regulated at all (and as a billing service, it is generally unregulated), it would be within the jurisdiction of the states. These arrangements have to do with the way Verizon bills intraLATA toll calls, calls that are overwhelmingly intrastate. Petitioners themselves recognize this fact, as they have complained to state commissions about

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[10] 15 FCC Rcd 11,166 ¶ 30.

[11] *NEP, LLC*, Presiding Officer's Recommendation, Docket No. 97-768 (ME PUC Nov. 21, 2001).

[12] *NEP, LLC*, Order Denying Request To Reopen Arbitration Proceeding, Docket No. 97-768 (ME PUC Dec. 13, 2001).

[13] *Id*. at 1. Other states have reached the same result. *E.g.*, *Complaint of United States Cellular Corporation, Century Tel Wireless Inc. and New-Cell Inc. Against Wisconsin Bell, Inc., Regarding Discontinuation of Reverse Billing Agreements*, Order Dismissing Complaint and Closing Investigations, 6720-TI-169 (WI PSC Sept. 20, 2001).

the rates Verizon charges.[14] And as the petition itself shows,[15] these arrangements are often provided pursuant to state tariffs.[16]

Petitioners' Parade of Horribles Is Fantasy.

In hopes of convincing the Commission to intervene, the Petitioners suggest that terrible things will happen if Verizon withdraws reverse billing. This is nonsense.

Petitioners claim that they will have to reconfigure their existing paging networks if calls are not reverse billed, causing "great disruption and financial harm" to themselves and their "thousands of existing customers."[17] No rearrangement is required, as the existing interconnection arrangements will not change.

In the same vein, the Petitioners claim that "police and fire departments" and "doctors, major hospitals and other critical medical services" will have their services disrupted, "substantially and adversely affect[ing] the public safety and welfare."[18] However, nothing Verizon is doing will disrupt the paging services provided to these customers (or to any other customers). Police, fire and medical personnel will continue to be able to be paged, without interruption, when the reverse billing option has been withdrawn.

Petitioners say that callers to their customers may incur toll charges even where the "customer is located in precisely the same neighborhood as the calling party."[19] This is true, but

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[14] See *NEP, LLC*, Order Denying Request To Reopen Arbitration Proceeding, Docket No. 97-768 (ME PUC Dec. 13, 2001).

[15] Petition Ex. 1.

[16] Option 3A is in state tariffs in Massachusetts and Vermont; other CMRS reverse billing options are tariffed in New York, New Hampshire, Florida, South Carolina and Michigan.

[17] Petition at 5.

[18] Petition at 6.

[19] Petition at 5.

this has always been a fact of life in the wireless industry because of the mobility of its customers. For example, a landline customer now has to pay a toll charge when calling a cellular customer with a number from a different local calling area, even when the cellular customer is sitting in her car in the landline customer's driveway.[20] Consumers — wireless customers and the people who call them — are accustomed to this phenomenon, and there has never been any suggestion that it has hurt or hampered the growth of the CMRS industry.

It is also true that Petitioners will have to educate their customers about the new billing arrangements[21] — just as they did without complaint several years ago when Verizon and other LECs introduced reverse billing options. And, yes, these customers will have to make decisions about their paging service, but in this era of competition, choice and change, consumers are accustomed to making decisions about their telecommunications services — in fact, giving them opportunities to choose from different options is what the Telecommunications Act was all about.[22]

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[20] The reverse, of course, is also the case — the landline customer does not pay toll to call a cellular customer with a local number even if the cellular customer is hundreds of miles away.

[21] Petition at 5-6.

[22] Petitioners complain that they will have to obtain "a decision from each customer as to which of the available wireline local calling areas they desired." Petition at 5. This, of course, is exactly what the rest of the wireless industry routinely does today.

Conclusion

The Commission should reject and deny the petition.

Respectfully submitted,

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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.