

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

In the Matter of

Developing a Unified Inter-carrier
Compensation Regime

Sprint Petition for Declaratory Ruling
Regarding Obligation of Incumbent LECs to
Load Numbering Resources Lawfully Acquired
and to Honor Routing and Rating Points
Designated by Interconnecting Carriers

CC Docket No. 01-92

REPLY COMMENTS OF VERIZON¹

AT&T uses this dispute between Sprint and BellSouth to press an argument that it has made and lost before. AT&T claims that “incumbent LECs are required by the Act to provide tandem transit at TELRIC-based rates.”² Tandem transit service is a service provided by one carrier to facilitate the interconnection of other carriers’ networks where those carriers do not interconnect directly with each other, allowing the other carriers to terminate traffic on each others’ networks. Transit service does not involve the origination or termination of traffic to customers of the transiting carrier. Last month, the Commission stated:

“We reject AT&T’s proposal because it would require Verizon to provide transit service at TELRIC rates without limitation. While Verizon as an incumbent LEC is required to provide interconnection at forward-looking cost under the Commission’s rules implementing section 251(c)(2), the Commission has not had occasion to determine whether incumbent LECs have a duty to

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

² AT&T at 3.

provide transit service under this provision of the statute, nor do we find clear Commission precedent or rules declaring such a duty.”³

Nothing has changed since then to alter this result.

The Commission should not adopt a new rule imposing such a requirement. As Verizon explained earlier in this proceeding,⁴ there is no reason that these two carriers cannot interconnect directly and negotiate interconnection arrangements between themselves. Section 251(a)(1) of the Act imposes on all carriers an obligation to interconnect. Therefore, if AT&T wants to deliver traffic to customers of another LEC, AT&T can simply interconnect directly with that other LEC, and the other LEC is required to do so.

While Verizon is required to interconnect with AT&T to accept AT&T-originated local traffic that is to be delivered to Verizon’s end-user customers, nothing in the Act requires Verizon to accept AT&T traffic that is destined for another carrier. Section 251 requires carriers to “interconnect” with each other. The Commission has interpreted this term to mean “the linking of two networks for the mutual exchange of traffic.”⁵ In a transit situation, Verizon as the transiting carrier is not exchanging traffic with either of the two other carriers — it is simply facilitating the exchange of traffic, or the interconnection, of those carriers.

There is no need for new regulations here. Carriers will offer transit services where it is economical for them to do so, even where a regulator does not require it. This is proven by the

³ *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, Memorandum Opinion and Order, CC Docket No. 00-218, DA 02-1731, ¶ 117 (rel. July 17, 2002)(“Virginia Arbitration Opinion”).

⁴ Verizon Reply at 25 (filed Nov. 5, 2001).

⁵ 47 C.F.R. § 51.5.

fact that Verizon voluntarily provides these services today in many areas. Verizon offers transit services and tandem switching of transit traffic up to DS-1 capacity at rates equivalent to those in the interconnection agreements. The DS-1 limitation is reasonable in order to limit traffic congestion and tandem exhaust.⁶ Limiting congestion at the ILEC's tandems benefits all users of the public switched telephone network.

If there is no limitation on the level of transit traffic, then the two carriers would have no incentive to interconnect directly with each other. The ILEC would be obligated to provide this service in perpetuity because the two carriers would never have to negotiate with each other, provision their own facilities to collect and receive traffic from carriers other than the ILEC or directly bill one another. Once the traffic volumes reach a DS-1 level, however, there is no reason for the ILEC to continue to provide transit services. At this level, the traffic between the two carriers is sufficient to justify a direct interconnection trunk for their traffic.⁷ For traffic levels above DS-1, CLECs may self-supply or purchase transit services as special access offerings from ILECs or other network providers.

⁶ This is not just a speculative concern. The record created in the Commission's Virginia arbitration establishes that (i) between December 1999 and August 2001, CLEC trunks at the tandem increased from 9.1% to 16.6% (Cox. Ex. 12), (ii) in 2000, CLEC trunks at the tandem in Virginia grew at a rate of 100% (Tr. 1277; Verizon Ex. 4 at 38-39), (iii) as a result, multiple Verizon tandems have been exhausted or face exhaustion in the near future (Tr. 1101-02 (four have already exhausted in Virginia, and three more face exhaustion in the next three to five years)) and (iv) without these dedicated trunks, the likelihood of call blocking increases and Verizon may be subject to performance standards and penalty payments (Tr. 1099-1100 (Verizon cannot "deload" traffic off the final dedicated trunk group between the CLEC switch and Verizon tandem to assist Verizon in preventing call blocking; Verizon's performance standards and performance penalty payments are based on this final trunk group)).

⁷ The Commission recognized this in the Virginia arbitration decision. *Virginia Arbitration Opinion*, ¶ 115.

Transit services should be subject to minimal or no regulation, given that the ILEC is offering the service as a third-party supplier. Further, the services would be available in the market at market-based prices. Should the Commission decide that a level of regulation is necessary, transit services should be regulated like any other state or interstate service. The pricing standards, rules and regulations in place for the jurisdiction in which the service is offered would be applicable for the transit offering.⁸

If the Commission does impose a new “interconnection” obligation under sections 201 or 251(a), it surely should not require it at the price sought by AT&T. As the Commission recently noted, “any duty Verizon may have under section 251(a)(1) of the Act to provide transit service would not require that service to be priced at TELRIC.”⁹ The same, of course, would be true under section 201.

Finally, the Commission should confirm that a carrier providing transit service would not be required to pay reciprocal compensation on the transit traffic. Section 252(d)(2)(A)(i) states that reciprocal compensation shall provide for the recovery by each carrier “of costs associated with the transport and termination on each carrier’s network facilities of calls that originate on the network facilities of the other carrier . . .” A call from a customer of LEC A to a customer of LEC B originates on LEC A’s network and terminates on LEC B’s network. If these carriers use Verizon to facilitate their interconnection, that does not mean that this call “originates” on Verizon’s network facilities. Because this traffic does not originate on Verizon’s network, there can be no reciprocal compensation obligation. This is the conclusion the Commission reached in

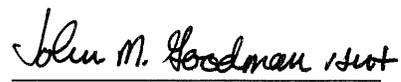
⁸ As it did in the Virginia arbitration, the Commission should reject CLEC demands that ILECs “to serve as a billing intermediary between [the CLEC] and third-party carriers with which it exchanges traffic transiting [the ILEC’s] network.” *Virginia Arbitration Opinion*, ¶ 119.

⁹ *Virginia Arbitration Opinion*, ¶ 117.

an analogous situation in *TSR Wireless LLC v. US West Communications, Inc.*, where the Commission held that ILEC providing transit service was not required to pay compensation to the wireless carrier to which it delivered traffic.¹⁰

The Commission should, once again, reject AT&T's request for mandatory transit service at TELRIC rates.

Respectfully submitted,



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¹⁰ 15 FCC Rcd 11166 n.70 (2000) (“Complainants are required to pay for ‘transiting traffic,’ that is, traffic that originates from a carrier other than the interconnecting LEC but nonetheless is carried over the LEC network to the paging carrier’s network”).

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.