CTIA
The Wireless Association™

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Expanding the Wireless Frontier

November 29, 2004

Via Electronic Filing

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92
Ex Parte Communication

Dear Ms. Dortch:

CTIA - The Wireless Association™ ("CTIA") believes that fundamental reform of the intercarrier compensation system is essential if consumers are to enjoy the benefits of an economically efficient telecommunications regime. To further that goal, CTIA submits the following principles that the Commission should consider as part of any proposals to reform the intercarrier compensation system. CTIA has developed these principles in consultation with its member companies, which include nationwide, regional and rural wireless carriers, equipment manufacturers, and providers of applications over mobile wireless devices.

CTIA and its member companies are concerned that proposals for intercarrier compensation reform that have been filed with the Commission to date do not reflect an appropriate balancing of consumer and carrier interests. Rather, many of these proposals appear simply designed to benefit certain carriers and industry segments without regard to the long-term impact of those proposals on consumers' interests in intermodal competition and the deployment of new and innovative products and services. CTIA is particularly concerned that these proposals do not adequately reflect the views and concerns of wireless carriers and their customers.

CTIA, therefore, requests that the Commission focus on the following principles when formulating its goals and specific proposals for intercarrier compensation reform:

- Rules should focus on benefits to consumers, and should *not* guarantee that reforms would be revenue neutral for any class of incumbent carrier – Many of the intercarrier compensation proposals submitted to date seek to guarantee that any proposed reforms ensure revenue neutrality for incumbent local exchange carriers ("LECs"). Revenue neutrality would be accomplished in large measure by reflecting decreases

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in incumbent LEC access revenues as increased recovery from universal service support mechanisms. Some of these proposals would make some or all of increased universal service funding unavailable to competitors, thereby introducing distortions in the competitive market that would deny consumers in areas served by rural incumbent LECs the full benefits of competitive choice. These proposals completely disregard that the intended beneficiaries of the Commission's universal service and competition policies are *consumers*, not a select group of incumbent LECs.

- Rules should encourage economic efficiency and promote competition – Consumers will benefit most from intercarrier compensation and universal service systems that encourage economic efficiency and promote competition. This can be best achieved by creating a deregulated environment in which wireline and wireless carriers can compete on an even playing field. The current intercarrier compensation and universal service systems, however, encourage incumbent LECs – especially those subject to rate-of-return regulation – to increase their costs to receive higher intercarrier compensation and universal service support. These systems require wide-ranging reform that creates incentives to enhance economic efficiency, rather than to maximize subsidies. Reforms that eliminate artificial distinctions between local and toll traffic, intrastate and interstate traffic, and different technology platforms would help further this goal.

- Rules should be technology neutral, and should not confer a competitive advantage on one category of carrier or service provider over another – The current intercarrier compensation system provides incumbent LECs revenue sources that are unavailable to their wireless competitors. Today's regime discriminates against wireless carriers by denying them compensation for terminating interexchange, inter-MTA calls, while compensating LECs when performing the same function. Local exchange carriers also employ numerous other means, such as wireless termination tariffs, to impose excessive intercarrier compensation charges on wireless carriers. To the extent that the costs of interconnection are disproportionately placed on the wireless industry, intercarrier compensation significantly and adversely affects the ability of wireless carriers to compete on an even footing with wireline carriers – hindering the Commission's goals for intermodal competition and impairing wireless carriers' ability to deliver services to consumers.

- Each carrier should be responsible for recovering its network costs from its own end-user customers, and in a competitive market should have flexibility in how those costs are recovered – CTIA and its member companies have long been advocates of a bill-and-keep system under which carriers recover the costs of originating and terminating calls on their networks from their own end-user customers. This approach will facilitate inter-modal competition by sending the appropriate signals for consumption, investment, and market entry. Both wireline and wireless carriers should have the flexibility to design their rate structures to recover a larger portion of costs from end-user customers – while ensuring that end-user rates remain affordable.

- Universal service support should be targeted, and no higher than necessary to ensure affordable end-user rates – CTIA supports the creation of a single, unified high-cost universal service support mechanism that calculates support based on the forward-looking economic costs of serving customers in a particular geographic area. Calculating support based on forward-looking economic costs will ensure that support is no more than necessary to ensure affordable end-user rates. To the extent that a carrier's rates are less than an "affordable" rate for service, there is no justification for requiring other carriers and customers to subsidize that service.

- Rules should be as simple as possible to administer – Many of the intercarrier compensation proposals submitted to date increase, rather than decrease, the administrative complexity of the intercarrier compensation and universal service systems. Excessive administrative complexity makes it difficult, if not impossible, for carriers and regulators to monitor and enforce compliance with the intercarrier compensation and universal service systems. Most importantly, excessive administrative complexity increases costs for carriers, which ultimately are reflected as increased charges for consumers. These increased costs result in reduced demand for telecommunications and information services – especially the types of new and innovative services that the Commission's competition policies are intended to facilitate.

In short, the overarching goals of intercarrier compensation reform should be to maximize benefits for consumers by fostering a competitive environment that provides incentives for efficiency and innovation, and minimizes administrative complexity. To that end, CTIA believes that a bill-and-keep system is critical to achieving sustainable intercarrier compensation reform. In the related universal service context, CTIA has supported transitioning to high-cost support mechanisms that reward efficiency and thereby reduce the need for subsidies over time.

Pursuant to section 1.1206 of the Commission's rules, this letter is being filed electronically with your office for inclusion in the above-referenced docket.

Sincerely,

Steve Largent

Steve Largent

cc: Chairman Michael Powell
Commissioner Kathleen Abernathy
Commission Michael Copps
Commissioner Kevin Martin
Commissioner Jonathan Adelstein
Bryan Tramont
Christopher Libertelli
Sheryl Wilkerson

Matthew Brill
Jennifer Manner
Paul Margie
Jessica Rosenworcel
Daniel Gonzalez
Samuel Feder
Barry Ohlson
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