

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of

Developing a Unified Inter-carrier
Compensation Regime

CC Docket No. 01-92

**REPLY COMMENTS
of the
GENERAL SERVICES ADMINISTRATION**

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July 20, 2005

Table of Contents

	<u>Page No.</u>
Summary.....	i
I. INTRODUCTION.....	1
II. CONSUMERS WILL BENEFIT FROM A FRAMEWORK THAT ALLOWS VIGOROUS AND FAIR COMPETITION TO DEVELOP FOR ALL TELECOMMUNICATIONS SERVICES AND TECHNOLOGIES.	3
III. END USERS OBTAINING SERVICES THROUGH CONTRACTS HAVE SOME UNIQUE CONCERNS WITH INTERCARRIER COMPENSATION PLANS.....	5
IV. CONCLUSION.....	7

Summary

In these Reply Comments, GSA addresses a number of issues concerning the Commission's work to replace the complex networks of intercarrier compensation plans with a unified framework designed for markets with increasing competition and new technologies.

End users do not directly pay intercarrier charges, but GSA agrees with one commenting party that this proceeding is very much "about end users" because consumers will benefit from a framework that allows vigorous and fair competition to develop for all telecommunications services and technologies. Also, intercarrier charges are a significant part of total telecommunications costs, and ultimately are reflected in the charges for retail services paid directly by end users.

GSA urges the Commission to adopt an intercarrier compensation plan that is economically efficient, competitively neutral, technologically neutral, balanced to promote retail rate stability, administered efficiently without undue cost; and legally sustainable to prevent uncertainties attendant to reconsideration and court reviews. Each of these features will help more competition to develop.

Finally, GSA explains that end users obtaining telecommunications services through contracts have some unique concerns with intercarrier compensation plans.

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The General Services Administration (“GSA”) submits these Reply Comments on behalf of the consumer interests of all Federal Executive Agencies (“FEAs”) in response to the Further Notice of Proposed Rulemaking (“Further Notice”) in CC Docket No. 01-92 released on March 3, 2005. The Further Notice continues the process that the Commission started in April 2001 to replace the complex networks of intercarrier compensation plans with a unified framework designed for markets with increasing competition and new technologies.¹

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 501(c)(2), GSA is vested with the responsibility to represent the consumer interests of the FEAs before Federal and state regulatory agencies. From their perspective as end users, the FEAs have consistently

¹ Further Notice of Proposed Rulemaking, released March 3, 2005 (“Further Notice”), p. 2, citing Notice of Proposed Rulemaking, 16 FCC Rcd 9610 (2001).

supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services.

Carrier interconnection arrangements are governed by systems of intercarrier compensation mechanisms that distinguish among different types of carriers and various types of services based on regulatory classification.² For example, Federal and state access charge systems govern the payments by interexchange carriers ("IXCs") and commercial mobile radio service ("CMRS") providers to local exchange carriers ("LECs") that originate and terminate calls, while reciprocal compensation rules govern payments by carriers for transport and termination of calls not subject to access charges. The existing rules apply different cost methodologies to similar services, based on regulatory distinctions that have no relationship to the cost of providing the telecommunications services.

The Commission recognizes that this framework has become more inefficient in many respects, and is now seeking comments on the best steps for significant improvement.³ At the same time, industry groups have been negotiating proposals for comprehensive reform of intercarrier compensation mechanisms. These negotiations have led to proposals from a number of associations — the Intercarrier Compensation Forum ("ICF"), the Expanded Portland Group ("EPG"), the Alliance for Rational Intercarrier Compensation ("ARIC"), and the Cost-Based Intercarrier Compensation Coalition ("CBICC"). In addition, the Commission has received proposals for new compensation plans by three carriers — the Home Telephone Company, PBT Telecom, and Western Wireless.⁴ In the Further Notice, the Commission invites comments on the

² Further Notice, p. 3.

³ *Id.*, pp. 3–4.

⁴ *Id.*, p. 20.

specific compensation plans described by these associations and carriers, and also on various issues discussed in the Further Notice.⁵

In these Reply Comments, GSA will not address the specific proposals that have been advanced for a compensation regime. Instead, GSA will describe its views on several issues concerning the new regime from the perspective of federal agencies that are end users of a wide spectrum of telecommunications services.⁶

II. CONSUMERS WILL BENEFIT FROM A FRAMEWORK THAT ALLOWS VIGOROUS AND FAIR COMPETITION TO DEVELOP FOR ALL TELECOMMUNICATIONS SERVICES AND TECHNOLOGIES.

From GSA's perspective, consumers will benefit from an intercarrier compensation regime that is:

- economically efficient;
- competitively neutral;
- technologically neutral;
- balanced to promote retail rate stability;
- administered efficiently without undue cost; and
- legally sustainable.

If these objectives are met, the framework should promote more competition for all telecommunications services. GSA concurs with the statement in one carrier's comments that, "Competition is far more effective than regulation in matching rates to underlying costs — and, more generally, in promoting economic efficiency and consumer welfare."⁷

⁵ *Id.*

⁶ The views expressed in these Reply Comments are solely those of the GSA in accordance with its statutory responsibilities, and do not necessarily reflect the policy views of any agency or a coordinated policy position among agencies in the Executive Branch.

⁷ Comments of SBC Communications, Inc., citing Further Notice, Appendix C, pp. 107–108.

As end users, GSA urges the Commission to adopt an *economically efficient* plan. With an efficient plan, intercarrier charges are set to reflect the structure of costs as nearly as possible. Rates that reflect the level and structure of costs foster competition and reduce the opportunities for arbitrage that can give unfair advantage to one competitor over another.

Also, GSA believes that the intercarrier compensation framework must be *competitively neutral* to give as many firms as possible an opportunity to participate in all markets. The plan should not favor “incumbents” over “competitors” or *visa versa*. The plan should also ensure that carriers without existing interconnection agreements can participate on equal terms with established carriers.

In addition, GSA is convinced that the framework should be *technologically neutral* and not favor any available medium that end users may choose for “last mile” access to the network or any technology that carriers may wish to employ for transmission among their own nodes or interconnection with each other. Indeed, with the recent trend in some markets, competition in any given local market may devolve to only a limited number of carriers with significant market power — one “wireline” provider, one or two “wireless” providers, a “cable” provider, and perhaps a firm seeking to introduce Broadband over Power Lines (“BPL”) as an additional consumer option. If this handful of firms cannot compete with each other on reasonably equal footing, there will be no competition for end users at all.

Although end users do not directly pay charges as carriers, GSA is concerned that an inefficient intercarrier compensation plan will adversely impact *retail rate stability*. Carriers ultimately attempt to recover all of their costs, including payments to other carriers, through charges to consumers. For some types of messages, payments to other carriers represent one-third to one-half of the total costs that the carrier originating the message incurs. If intercarrier compensation mechanisms are

unbalanced or unstable, end users will receive incorrect economic signals in the prices they pay for telecommunications services, and are likely to experience “rate shock.”

Furthermore, a plan that can be *administered efficiently* without undue cost is also important from varied perspectives. In its comments, the Office of Advocacy of the U.S. Small Business Administration (“Advocacy”) observes, correctly in GSA’s view, that regulatory complexity is detrimental to small business and that an elaborate intercarrier compensation plan can burden carriers that have access to limited resources.⁸ Similarly, undue complexity will harm end users such as FEAs because the costs for administering intercarrier compensation will be passed on to end users in the retail charges for telecommunication services.

Finally, GSA emphasizes that a plan that is *legally sustainable* provides significant advantages to consumers as well as regulators. Recent experience has shown that end users seldom benefit during periods of prolonged uncertainty pending reconsideration and court reviews.

III. END USERS OBTAINING SERVICES THROUGH CONTRACTS HAVE SOME UNIQUE CONCERNS WITH INTERCARRIER COMPENSATION PLANS.

Whenever possible, the FEAs procure telecommunications services through contracts obtained from competitive bidding procedures that result in greater rate stability and lower prices ultimately paid by Federal taxpayers. End users obtaining telecommunications services through contracts have unique concerns with intercarrier compensation arrangements.

It is important to recognize that intercarrier compensation plans which foster competition are especially important to contract users. Contracts are usually obtained

⁸ Comments of Advocacy, May 23, 2005, pp. 4–7.

through competitive bidding procedures. Competitive bidding is only effective if there are multiple potential suppliers, and more qualified bidders potentially result in lower costs and better service conditions. Unfortunately, while many believe that large users have ample choices among potential suppliers because many carriers are vying for their business, in point of fact there are sometimes few responses to requests for competitive bids.

IV. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Reply Comments.

Respectfully submitted,

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Certificate of Service

I, Harry Gildea, hereby certify that true and correct copies of the preceding Reply Comments of the General Services Administration were served this 19th day of July 2005 via the FCC ECFS system.

/s/ Harry Gildea

HARRY GILDEA