



August 1, 2006

BY ELECTRONIC FILING

Marlene M. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of Ex Parte Meeting; WC Docket Nos. 06-100 and 01-92

Dear Ms. Dortch:

Pursuant to section 1.1206 of the Commission's rules, I hereby submit in the above-captioned proceedings this notice of an *ex parte* meeting held on July 31, 2006 between Core Communications, Inc. ("Core") and Commissioner Robert M. McDowell, Cristina Chou Pauzé, and Leslie Bowling. Attendees for Core included Bret Mingo, Chris Van de Verg, Pat Williams of the Cormac Group, and the undersigned.

During the presentation, Core distributed the attached handout. Core also discussed its forbearance petition, which is pending in WC Docket No. 06-100, and the need for the Commission to unify intercarrier compensation rates through grant of Core's petition on a standalone basis or in conjunction with the Commission's effort in WC Docket No. 01-92. The discussion was consistent with Core's advocacy in WC Docket Nos. 06-100 and 01-92.

If you have any questions, please contact me.

Sincerely yours,

Michael B. Hazzard
Counsel to Core Communications, Inc.

Attachment

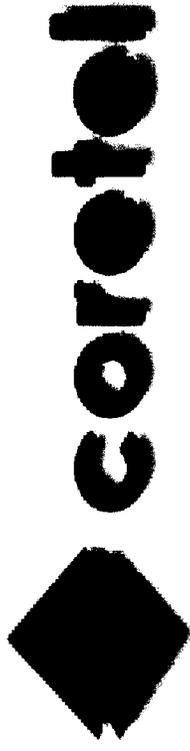
cc: Commissioner Robert M. McDowell (electronic mail)
Cristina Chou Pauzé (electronic mail)
Leslie Bowling (electronic mail)

Core Communications, Inc.

Ex Parte

WC 06-100 and 01-92

July 31, 2006



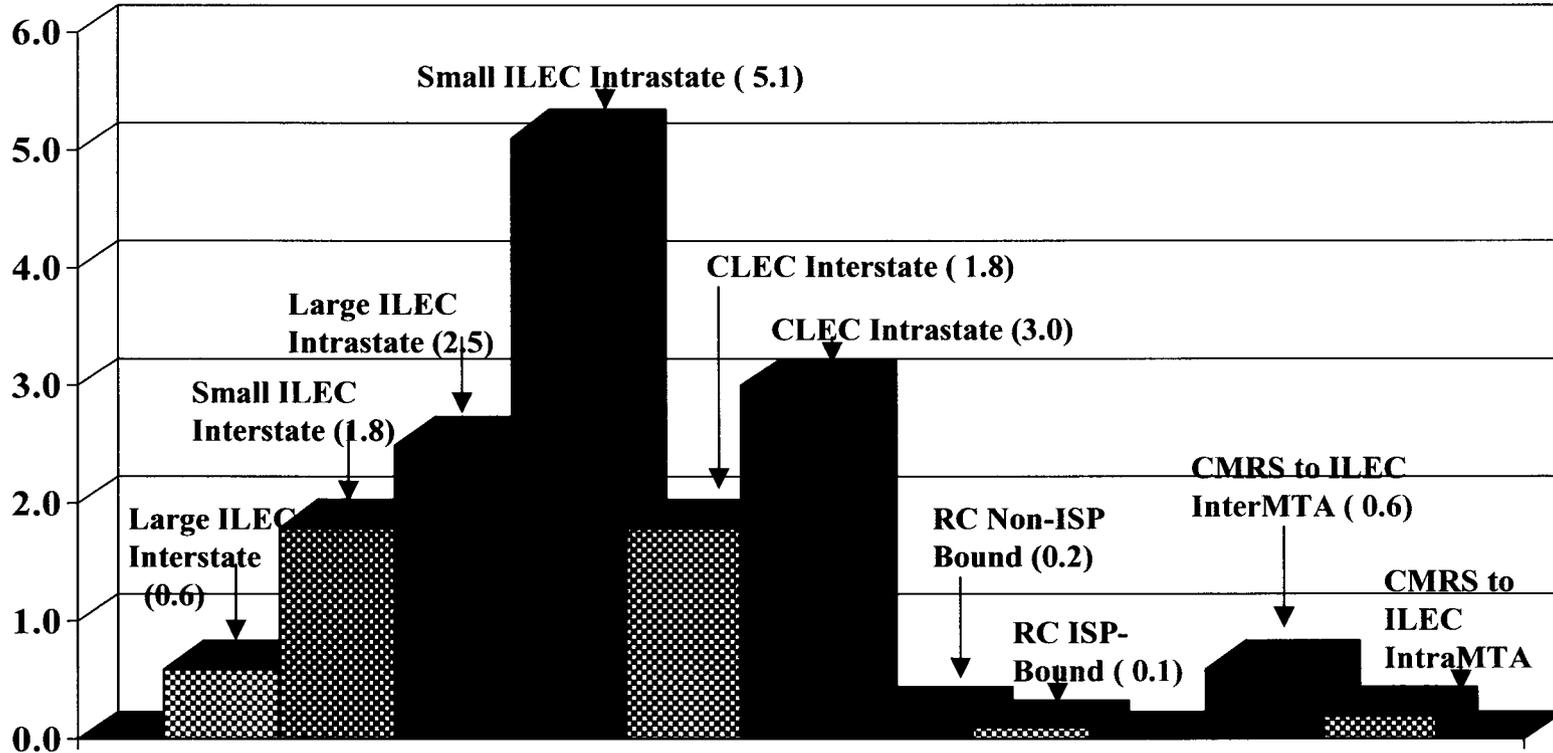
Intercarrier Compensation 101

- Intercarrier compensation refers to payments among carriers for traffic exchange
- FCC consistently has found that termination costs are same for all traffic
 - 1996 Local Competition Order
 - “[T]ransport and termination of traffic ... involves the same network functions [and] the rates ... for transport and termination of local traffic and ... long distance traffic should converge”)
 - 2001 ISP Remand Order
 - A “[local exchange carrier generally will incur the same costs when delivering a call to a local end user as it does delivering a call to an ISP”
 - The “record developed in response to the Intercarrier Compensation NPRM ... fail[ed] to establish any inherent differences between the costs on any one network of delivering a voice call to a local end-user and a data call to and ISP”



Intercarrier Compensation Rates

Average Rates in Cents per Minute



High (¢/min):	1.5	8.9	9.9	34.9	6.8	35.9	0.3	0.1	8.9	0.3
Low (¢/min):	0.5	0.3	0.4	0.7	0.2	0.4	0.0	0.0	0.2	0.0



Rate Disparities Create Regulatory Arbitrage

- No question that cost of termination does not vary by geography/jurisdiction
- Yet rates are materially different based on notions of geography/jurisdiction
- All carriers naturally want to “buy low” and “sell high”
- Existing regulatory categories make this possible for some
- Unification is the best remedy



The FCC's Stated Unification Principles

- In its original unification NPRM from April 2001, the FCC indicated it would unify rates using bill and keep
- In its February 2005 FNPRM, the FCC abandoned bill and keep, and announced the following unification principles:
 - Encourage efficient use of and investment in telecommunications networks
 - Preserve universal service support
 - Create a technologically and competitively neutral system
 - Require minimal regulatory intervention and enforcement
- Need for “comprehensive” rather than “piecemeal” reform emphasized



But Application Must Be Neutral Too

- Incremental FCC action since 1996 has greatly harmed CLEC cost recovery
- *CLEC Access Charge Order* (regulating and capping CLEC access charges)
- *ISP Remand Order* (radically reducing CLEC compensation for local traffic termination; *WorldCom* remand still pending)
- *T-Mobile Order* (limiting CLEC leverage to negotiate termination agreements; no 252 remedies; no leverage)



Outdated Statutory Provisions Encourage Regulatory Codify Regulatory Arbitrage

- 251(g)
 - preserves antiquated, non-cost based access charge system
 - a primary source of disparate rates for identical functionality
- 254(g)
 - precludes cost recovery (including access charge flow-through)
 - creates implicit subsidies
- Both provisions limit 251(b)(5), which by its terms applies to all telecommunications



Forbearance Is Appropriate To Limit Regulatory Arbitrage

- Commission forbearance from sections 251(g) and 254(g) would clear out the regulatory underbrush
- Section 251(b)(5) would apply to all telecommunications unencumbered
 - consistent with Commission's stated principles
 - eliminate the current kluge of rate categories
 - eliminate costs associated with maintaining the existing system (e.g., trunking, billing, call rating, and similar "phantom traffic" issues)
 - can take into account state and regional differences
 - simple to administer



