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

In the Matter of Missoula Intercarrier Compensation Reform Plan	))))))	CC Docket No. 01-92

COMMENTS OF T-MOBILE USA, INC.

T-Mobile USA, Inc. ("T-Mobile") commends the NARUC Task Force for Intercarrier Compensation ("Task Force") for attempting to address the daunting challenges related to intercarrier compensation reform. T-Mobile is grateful for the efforts of the state commissions and other parties that contributed resources to develop the Missoula Plan, on which the Federal Communications Commission ("FCC" or "Commission") has requested comment.[1]

As an independent, rapidly growing wireless carrier that significantly contributes to the intercarrier compensation and universal service programs, T-Mobile has a considerable interest in this proceeding. Because intercarrier compensation reform is long overdue and essential to consumer welfare and marketplace competition, T-Mobile has been involved for several years at the Commission with efforts to revise the existing

[1] *Missoula Intercarrier Compensation Reform Plan*, Public Notice, CC Docket No. 01-92 (rel. July 25, 2006) ("Missoula Plan").

regimes,[2] including participation in the Task Force's endeavors prior to the "group of eleven" effort that concluded the Missoula process. Also, T-Mobile continues to be actively engaged in intercarrier compensation matters with state utility commissions across the country, many of which have resolved some of these complicated issues by relying upon the competitive policy espoused in the 1996 Telecommunications Act ("Act") and with the goal of fostering further intermodal competition for the benefit of consumers.

As the telecommunications landscape has transformed into one in which wireless customers substantially outnumber the switched access lines, the intercarrier compensation and universal service programs have become more unsustainable and inefficient. Commission Chairman Kevin Martin has correctly recognized that technological advances are driving the need to move to some sort of unitary rate for the exchange of traffic, regardless of whether it is local, long distance, voice, or data.[3]

With the goals of the FCC and the interests of customers in mind, T-Mobile offers its Principles for Reform of the intercarrier compensation regime.

I. T-Mobile's Principles for Reform

T-Mobile has consistently advocated that intercarrier compensation and universal service reform be based on the following principles:

(1) To advance the goals of efficiency, equity and competition, intercarrier compensation reform should focus on *benefits to consumers*, not carriers.

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[2] *See Developing a Unified Intercarrier Compensation Regime*, Comments of T-Mobile USA, Inc., CC Docket No. 01-92 (May 23, 2005) ("T-Mobile Comments").

[3] Remarks of FCC Chairman Kevin Martin, UBS Investment Bank Frontline Update Conference Call, September 14, 2006.

(2) Intercarrier compensation reform should generate incentives for *all* carriers to become more efficient, cost effective, and competitive.

(3) A single, integrated intercarrier compensation scheme for all types of traffic and carriers, irrespective of technology, distance, and jurisdictional category, should be implemented over a reasonable transition period.

(4) The intercarrier compensation system should be non-discriminatory, technology-neutral, and administratively simple.

(5) The intercarrier compensation system should remove incentives to engage in arbitrage.

(6) Universal service reform should be based solely on universal service considerations.

Not only are these principles consistent with those advocated by CTIA,[4] but they are consistent with the FCC's directive that reform should: (a) promote economic efficiency; (b) encourage the efficient use of, and investment in, telecommunications networks and the development of efficient competition; (c) provide competitively and technologically neutral rules; (d) create regulatory certainty where possible; and, (e) limit arbitrage arising from regulatory distinctions unrelated to cost differences.[5]

II. Application of the T-Mobile Principles and the FCC's Goals Will Advance Customer Choice

The Missoula Plan as written fails to meet the important principles and FCC goals outlined above, and as a result, does not truly benefit consumers. In addition to not being technologically neutral, the Plan does not simplify intercarrier compensation rates, retains many of the arbitrary, inefficient distinctions of the past, and, therefore, fails to provide a reasonable transition to the unitary rate structure called for by Chairman Martin.

[4] *Developing a Unified Intercarrier Compensation Regime*, Comments CTIA-The Wireless Association, CC Docket No. 01-92 (May 23, 2005) ("CTIA Comments").

[5] *Developing a Unified Intercarrier Compensation Regime*, Further Notice of Proposed Rulemaking, CC Docket No. 01-92, FCC 03-55 (rel. March 3, 2005) ("FNPRM").

For customers to be the true beneficiaries of intercarrier compensation reform, arbitrary disparities underlying the structure of the compensation flowing between carriers must be eliminated—that is, each carrier must be treated, for compensation purposes, the same as all other carriers. Similarly, all traffic should be treated the same regardless of its regulatory classification. These objectives can be accomplished only by dispensing with outdated geographical and other distinctions that have little or no relevance to the way in which telecommunications services are provided to consumers in the 21st Century.

T-Mobile has supported a “bill and keep” compensation regime as the simplest, fairest, and most efficient means to implement these principles and effective reform. However, T-Mobile also recognizes that applying a unified system of charges based on the principles set forth above would substantially move in the right direction of improving the efficiency, fairness, and consumer-focus of the intercarrier compensation regime. As Chairman Martin has stated, “the Commission is going to have to find a way to transition and move to the unitary rate in a way that respects what’s going on for the … smaller rural carriers and allows them to get it gradually.”[6] T-Mobile stands ready to work on the development of such a system.

Effective customer choice enabled by a truly reformed intercarrier compensation system, however, cannot be achieved if the system, at its very core, continues to provide for different types of compensation and transport obligations depending on types of carriers, types of traffic, and irrelevant market boundaries. Such a system is guaranteed to fail as market forces drive both carriers and non-carriers to deploy technology and

[6] Remarks of FCC Chairman Kevin Martin, UBS Investment Conference, September 14, 2006.

services that fall into the “gray areas” outside legacy regulatory categories. Failure to act to achieve meaningful intercarrier compensation reform will simply result in the inadequacies of the current intercarrier compensation regime being replaced with a comparably inadequate regime.

As written, the Missoula Plan rests on an underlying assumption that existing revenues must necessarily be replaced in all instances by new sources of compensation. This revenue preservation guarantee is not a sound basis for designing a new system of intercarrier payments, and unfortunately, much of the otherwise solid work done in the Missoula process is lost by its mistaken adherence to this principle. Rather than use this “revenue neutrality” assumption as a starting point, the Commission should examine mechanisms that could serve to reduce overall charges to customers and shift the focus of reform to customer welfare in lieu of carrier self-interest. Such mechanisms might include "reverse auctions" to determine USF recipients, rate caps for certain elements or services, nationwide local service rate targets, and other processes to help drive inefficiencies out of the combined intercarrier compensation/USF system. The eventual goal should be to ensure that USF contributions by customers are used only in areas where support is required to meet universal service goals.

Conclusion

Both NARUC and the Commission have expended tremendous resources to address the issues surrounding intercarrier compensation. The result of this process should not be a system that recreates the problems of the existing compensation mechanisms in a revised framework. T-Mobile understands that meaningful reform is difficult, but the controversial issues arising from the process (such as the adequacy of universal service funding) should be addressed head-on and not hidden within a new intercarrier compensation mechanism. T-Mobile urges the Commission to push ahead with intercarrier compensation reform that reflects the principles stated in these comments. T-Mobile appreciates the opportunity to address these issues and looks forward to working with the Commission and the industry to achieve the real reforms that will make unfettered consumer choice a reality.

Respectfully submitted,

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