INDEPENDENT TELEPHONE &
TELECOMMUNICATIONS ALLIANCE

Intercarrier Compensation

The overarching principles of the ITTA proposal are simplification of the current Intercarrier Compensation (ICC) system by unifying terminating rates in a way that recognizes the needs of carriers and balances fairly the burdens created by access rate reductions.

ITTA proposes the following guidelines:

1. Carrier Based Terminating Access Rates

A carrier's local switched interstate and intrastate terminating access and reciprocal compensation rates shall be combined into one single "terminating rate."

A carrier's terminating rate shall be determined by that carrier's classification and terminating traffic shall be compensated at that rate.

The rates described below for Class 1 and Class 2 carriers are default rates, and may be exchanged for rates derived from a carrier's cost study; current relevant cost studies may be "grandfathered."

State-approved bill and keep arrangements shall be maintained; individual contracts shall be maintained; state-approved reciprocal compensation rates may be "grandfathered."

IP-enabled voice, or VoIP, originated traffic terminating to the public switched telecommunications network (PSTN) shall be subject to the terminating rate. Cable operators providing competitive voice services are subject to the terminating rate, regardless of the technology.

Out-of-balance dial-up ISP traffic should not be subject to intercarrier compensation. At a minimum, the terminating rate for ISP-bound traffic shall be $0.0007, shall not include transport, and shall not revert to reciprocal compensation, recognizing that out-of-balance dial-up ISP traffic is overwhelmingly one-way traffic.

Track 1 carriers:
Track 1 carriers shall include (a) AT&T and Verizon, (large Bell Operating Companies with extensive integrated wireless and long-distance operations); (b) competitive local exchange carriers; (c) VoIP providers; and, (d) wireless carriers.

The Track 1 terminating rate shall be $0.0007, plus the carrier's transport (exclusive of ISP-bound traffic, as noted above).

Any changes implicated by network architecture changes shall be borne by the restructuring mechanism.

Track 2 carriers:

Track 2 carriers shall be all other ILEC Federal price cap carriers.

The terminating rate for Track 2 carriers shall be $0.0095, which shall include transport.

Any changes implicated by network architecture changes shall be borne by the restructuring mechanism.

Track 3 carriers:

Track 3 carriers shall include all carriers operating at the Federal level under rate-of-return regulation.

The terminating rate for Track 3 carriers shall be their current study area specific interstate terminating access rate. This maintains the current interstate rate of return structure.

Any changes implicated by network architecture changes shall be borne by the restructuring mechanism.

2. Subscriber Line Charge

Increases in the subscriber line charge shall be no greater than $2.25 (two dollars and twenty-five cents), and may be implemented by a carrier either entirely upon the effective date of new rules, or during a two-year, three-stage transition.

The two-year, three-stage transition shall consist of a $0.75 increase upon the effective date of new rules, an additional $0.75 increase on the day after the first anniversary of the effective date, and a final $0.75 increase at the second anniversary of the effective date.

Carriers can elect to refrain from implementing SLC increases, but any distribution of Alternative Recovery Mechanism to a carrier shall be made only after imputing the then-current maximum allowable SLC to that carrier's end-user rate.

3. Benchmarks

Benchmarks are for residential rates; benchmarks are not applied to business rates.

The National benchmark rate shall be $20.76, *i.e.*, the National average urban rate exclusive of taxes and fees.

The benchmark shall include flat-rate basic service; the SLC; mandatory EAS/ELC; and, other mandatory local charges. The benchmark shall not include Federal, state, or local taxes or fees, but shall include state USF if explicit on the end-user bill.

A carrier shall not be required to implement a SLC increase (or have such SLC increase imputed) if the effect of such increase would create a rate higher than the benchmark.

A carrier that has fully implemented all available Federal SLC increases pursuant to the transition described below, and whose monthly residential rate is beneath the benchmark, shall be eligible for recovery from the Alternative Recovery Mechanism described below.

4. Operation of the Alternative Recovery Mechanism

The Alternative Recovery Mechanism (ARM) is calculated for Classes 2 and 3 on a study area basis and frozen at initiation of the instant ICC reform until addressed in a future proceeding.

5. Implementation

Implementation of rate unification and ARM shall be completed no later than two years after the effective date of new rules.

Carriers may elect either to implement all changes upon the effective date of new rules or implement changes in a three-stage schedule.

The three-stage schedule shall consist of phased-in implementation of proportionally equivalent access rate (which shall include reciprocal compensation) and ARM modifications. The first change shall be implemented upon the effective date of new rules; the second change shall be implemented on the day after the first anniversary of the effective date; and, the third change shall be implemented on the second anniversary of the effective date.

6. Originating Access

Originating access shall be addressed by the Commission after implementation of terminating reform is complete.