Intercarrier Compensation

- ***Intercarrier compensation should permit LECs to recover their costs of call termination.***
  - Section 254(k) prohibits use of call termination revenue to cross-subsidize broadband deployment.
  - A cost-based intercarrier compensation system should eliminate the cross-subsidy concern as carriers would be compensated only for the average costs they incur in terminating traffic.
  - Multiple rates for the same termination function that vary based on type of technology (CMRS, wireline, VoIP) or call type (local or long distance) are not cost-based and create billing, measurement, and tracking problems.

- ***A single rate for intercarrier compensation is only the "right" solution if the rate is cost-based and all providers interconnecting to the PSTN are obligated to pay it going forward.***
  - A necessary first step is to ensure that all carriers pay the state TELRIC rate for the termination of Section 251(b)(5) traffic.
  - Carriers need a transition period to incorporate the new rate in their business plans.
  - All carriers incur costs to terminate traffic. If the termination rate is set below cost and the remaining cost recovery is moved to universal service, CLECs will not be able to participate and the result will not be competitively neutral.

- ***Self-help and vague regulations result in significant under-payment of intercarrier compensation and costly disputes that undermine operations and business certainty.***
  - TelePacific has invested substantial amounts of time and money to ensure proper billing.
  - TelePacific collects approximately 76% of the intercarrier compensation it bills.
  - Non-payment falls into two general categories: self-help and vague regulations.
  - Examples: outright refusal to pay, customer arbitrarily reducing tariffed rate to pay what it believes is reasonable, providers refusing to pay access even when calls are delivered over Feature Group D trunks, CMRS carriers refusing to enter into traffic exchange agreements at the same time they claim interMTA calls are subject to Section 251(b)(5) compensation.
  - The FCC must take proactive measures to prevent under- and non-payment of intercarrier compensation.

Universal Service Contributions

- ***Contributions must be transparent, predictable, and competitively neutral.***

- ***Current regulations are vague and enforced on an ad hoc basis.***

- ***Any USF contributions on broadband Internet access must be competitively neutral.***
  - AT&T claims only facilities-based providers avoid USF; non-facilities based providers pay.
  - USAC claims that only shared infrastructure broadband (DSL and cable) avoids USF; dedicated wireline Internet access is subject to USF contribution.
  - Positions are inconsistent with years of FCC precedent that ESPs combining the facilities of another carrier with Internet access provide a "contaminated" information service.
  - AT&T's position, if true, puts CLECs that purchase loop facilities at a competitive disadvantage—customer buying broadband Internet access from TelePacific would have to pay 12.3% more because of USF charges, even where TelePacific uses only the last mile facility from the ILEC and provides its own switch and transport.