

Intercarrier Compensation (ICC)



Reform is Critically Needed

The current patchwork of ICC rates based on irrelevant and obsolete distinctions among carriers, traffic, and technologies is inefficient, anticompetitive, discriminatory, and anti-consumer.

Reform would:

- Provide significant economic benefits.
- Benefit consumers through lower rates.
- Facilitate the widespread deployment and use of VoIP and other broadband and IP technologies.
- Eliminate the terminating access monopoly pricing problem causing traffic pumping and arbitrage and unfairly affecting carrier costs and customer charges.
- Remove implicit universal service subsidies, pursuant to Section 254(e)'s requirement that universal service support be "explicit."

Goals of Reform

- 1) Shorten the glide-path period to bill and keep for non-rural areas.

Whether implicit subsidies are needed in rural areas or not is debatable, but they are clearly not needed in non-rural areas.

- 2) Immediately implement rules to mitigate effects of traffic pumping.

Several proposals would help mitigate the effects, but traffic pumping will persist until implicit subsidies are ultimately removed through adoption of bill and keep.

- 3) Eliminate the monopolistic choke-points of a LEC-centric PSTN to foster the evolution toward IP-enabled broadband.

The modern PSTN was created by a court case 27 years ago. The Internet, which was created about the same time, chose a non-carrier specific model, which has resulted in significantly fewer issues and disputes.

Eliminating ICC Charges

The FCC should establish a framework to reduce per-minute access and reciprocal compensation charges over a short transition period.

- Because the termination of calls incurs no additional costs, ICC charges create an opportunity to impose uneconomic burdens on competitors. Reductions would eliminate carriers' ability to shift costs to their competitors and, ultimately, to their competitors' customers.
- ICC reduction also would eliminate implicit subsidies, which create arbitrage incentives for carriers to maximize traffic rates and volumes in order to collect subsidies.
- Reducing ICC charges to B&K would accurately reflect actual costs of termination, eliminate distorting effects of ICC, and force all carriers to charge all costs to their own customers.
- If a carrier cannot profitably serve certain areas (rural, insular and high-cost areas), an explicit subsidy may be warranted under 47 USC 254.

Interim Remedies

The FCC should immediately implement rules to mitigate the problem of traffic pumping.

- Several proposals on the record would help provide relief.
- Traffic pumping will persist until implicit subsidies are ultimately removed through adoption of B&K.

IP-Based Interconnection

- Some carriers are using the transition from TDM to IP voice technology as an opportunity to thwart interconnection obligations.
- The FCC should, therefore, encourage the transition to IP-enabled broadband by moving away from an interconnection regime based on the LEC-centric PSTN.