T-Mobile USF/ICC Positions
November 8, 2010

Universal service:

The current high-cost USF regime bases support on outdated distinctions among separate uncoordinated funding mechanisms for different carrier types, unrelated to the goal of specific, predictable, and sufficient support for services to high-cost consumers. High-cost support should be based not on each carrier's revenue requirements, but on the forward-looking cost of serving consumers in high-cost areas, using the least-cost technology in each area.

CETCs are a critical link in the delivery of USF services to underserved customers. While reform on the current USF system, as contemplated in the National Broadband Plan (NBP) is necessary, the FCC should ensure that reform is competitively and technologically neutral.

- The FCC should not phase out support for CETCs alone, as contemplated in the NBP, because this would not be competitively neutral.

- The FCC should eliminate rate-of-return (ROR) regulation. Moving ROR carriers to price cap regulation will spur efficiency and innovation by forcing ROR carriers to reduce costs to retain higher earnings

- The FCC should cap legacy ILEC support mechanisms. ILECs are seeing declines in lines without any reductions in high-cost USF support. This is not competitively neutral.

    - CETC support has been capped since March 2008, and competitive neutrality requires that ILEC support be capped on a per-line basis in each study area, based on the 1st Q 2008 level of support.

- The FCC should use forward-looking economic cost models to drive support to efficient levels. Wireless and other competitive carriers endorse the use of forward-looking, incremental economic costs of the least-cost technology, as opposed to embedded wireline costs, in any cost mode, which RLECs prefer. Use of embedded costs leads to inefficient subsidization.

    - Any model should calculate fixed wireless and mobile wireless costs separately and recognize consumers' overwhelming demand for mobility. If the FCC ultimately decides to use reverse auctions to distribute support, it must consider the competitive impact of the auction structure, including existing spectrum holdings and access to backhaul.

Intercarrier Compensation:

The current patchwork of intercarrier compensation (ICC) rates based on arbitrary and obsolete distinctions among types of carriers, services and technologies is inefficient,

anticompetitive, discriminatory, and anti-consumer. Therefore, as recognized in the NBP, the Act requires the removal of implicit subsidies from ICC.

T-Mobile has long advocated competitively and technologically neutral ICC reforms that would generate incentives for all carriers to become more efficient and competitive by simplifying and reducing ICC rates.

Therefore, the FCC should:

- establish a framework to reduce per-minute access charges in order to reduce arbitrage incentives and spur efficiency

- ultimately eliminate per-minute rates for the origination and termination of traffic altogether

    - Such charges are bound to result in inefficiency and incentives for arbitrage.

    - A move to bill and keep would facilitate the deployment of IP technologies, eliminate the terminating monopoly problem, eliminate anticompetitive distortions, reduce consumer costs, and spur efficiency.

- ILEC "cost recovery" should not be an end in itself; universal service support should be provided only upon a firm and verified demonstration that such support is necessary to preserve and advance universal service.

    - Since there are many areas that don't need cost recovery (or could recoup it through increased SLCs or other means), the FCC should consider a faster glide-path in non-rural areas. One option would be to build on Verizon's three-year proposal to move to the ISP rate of .0007 by requiring a transition to bill and keep for non-rural areas in the fourth year.

    - Do not use reclaimed CETC support to fund ILEC cost recovery; CETC funds should be set aside to fund mobile broadband deployment. Eliminating CETC support in the name of efficiency only to then reassign the savings to the least efficient use of funding – the replacement of ILEC revenues "lost" to ICC reform – would be inefficient, bad policy, and anticompetitive.

Traffic Pumping:

Urgent reform is needed because wireless carriers are experiencing traffic pumping in increasing volumes, costing them hundreds of millions of dollars.

- Inflated charges from pumped traffic add to carriers' costs and thus raise consumers' rates.

- The record is ripe for action now, and the problem is getting worse.

- The issue can be addressed as an interim step before full ICC reform.

- One possible approach: development of a 3:1 ratio such that if any LEC's traffic (access and local) is in excess of a 3 to 1 ratio of terminating to originating, it should be subject to a default bill and keep regime or set to $.0007 until intercarrier compensation reform would reduce it to zero.

- In reforming ICC, the FCC should not focus on rates and traffic pumping alone. Although these are issues of utmost importance, the FCC should focus on the longer term health of the PSTN. As IP and broadband evolve, the rules and regulations should evolve to support an IP-type network that divorces itself from a LEC-centric model for efficiencies, national security and to facilitate other initiatives (*e.g.*, 911, number portability, etc.).