Before the
Federal Communications Commission
Washington, D.C.

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates For Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

COMMENTS OF THE MISSISSIPPI PUBLIC SERVICE COMMISSION

The Mississippi Public Service Commission (MPSC) respectfully submits these comments to the Federal Communications Commission (FCC) in response to the Notice of Proposed Rulemaking (NOPR) released February 9, 2011, in the above-captioned proceedings.[1] These comments specifically address subject matter discussed in Section XV, REDUCING INEFFICIENCIES AND WASTE BY CURBING ARBITRAGE OPPORTUNITIES, of the NOPR and provide the MPSC's perspective regarding an appropriate intercarrier compensation framework for Voice over Internet protocol (VoIP)

[1] *See Connect America Fund,* WC Docket No. 10-90; *A National Broadband Plan for Our Future,* GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers,* WC Docket No. 07-135; *High-Cost Universal Service Support,* WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime,* CC Docket No. 01-92; *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45; *Lifeline and Link-Up,* WC Docket No. 03-109; Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011) (*USF/ICC Transformation NPRM)*

traffic, concerns associated with avoiding or reducing payments to other service providers, referred to as "phantom traffic" and, finally, efforts to amend FCC access charge rules to address access stimulation, known as "traffic pumping".

Intercarrier Compensation Attributed to VoIP Traffic

The MPSC is aware of the increasing migration level of telecommunications traffic from a legacy network, circuit-switched transmission to that of an Internet Platform, packet-switched transmission application. This is validated by data reflected in the NOPR which indicates a substantial 22% increase in interconnected VoIP subscriptions over the December 2008 – December 2009 time period. During the same time period, wire line retail local telephone service connections fell by 6%. Coincident with this traffic shift, the MPSC is cognizant of complaints lodged between VoIP providers and switched access carriers under which VoIP providers allege that regulators have established no obligation for such providers to pay intercarrier compensation to switched access carriers for traffic termination. By contrast, the reciprocal to this scenario is that switched access carriers are required to pay established terminating access charges to VoIP providers. Obviously, asymmetrical compensation treatment should be the focus of intercarrier compensation reform.

The MPSC believes that the Telecommunications Act of 1996 (TA96), Section 251 (b) (5), "the duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications" provides the FCC legal authority to establish appropriate charges for interconnected VoIP terminated traffic. The determination of these charges should be addressed in the framework of comprehensive intercarrier

compensation reform. The MPSC would recommend the FCC consider the following as part of this reform effort:

1) Reduce interstate access rates over a time frame no less than five years to allow the industry an opportunity for transition;
2) Consider establishment of an interstate rate level closely aligned with the $.0007 Internet Service Provider terminating rate;
3) Implement a methodology whereby interconnected VoIP traffic is subjected to the payment of terminating interstate access at the above glide path;
4) Utilize reciprocal compensation, as appropriate, to address other costs associated with the transport and termination of local traffic;
5) Transition terminating intrastate access rates over a time frame, no less than five years in duration, to a level in parity with the carrier's interstate access rate level.

Indeed, the MPSC believes that switched access carriers should be allowed to recover network infrastructure costs incurred in the delivery of VoIP traffic. The approach outlined above will ensure carriers the cost recovery required to support network maintenance and necessary upgrades throughout the transition period until an "all IP-Platform" telecommunications infrastructure is deployed. Further, the five-year transition may require additional review to expand it to a potential ten-year horizon. This may be necessary because the Dell'Oro Group consulting firm reported on March 17, 2011, that revenue from the sale of wireline core equipment stabilized during 2010 after experiencing double-digit losses it suffered in 2008 and 2009[2]. This market share information may signal a slowdown in dominance that Internet voice and wireless have exhibited in recent years. Furthermore, if wireline equipment investment has truly

[2] *See Core Wireline Sector Has Stabilized, Dell'Oro says,* March 17, 2011, USTelecom dailyLead.

stabilized in the telecommunications market place then it is incumbent on the FCC to provide cost recovery for such capital outlays.

Phantom Traffic Concerns

The MPSC would also like to offer comments associated with the phenomenon of "Phantom Traffic". Such traffic is defined as that which is terminated to a service provider without sufficient information to allow for proper billing of the traffic by the terminating service provider. The terminating service provider must be able to identify the appropriate upstream service provider, i.e. the originator of the call, as well as the geographic location of the caller which is necessary to determine the appropriate charge under existing intercarrier compensation rules. Accurate billing of the appropriate upstream provider of the call is, thus, dependent on this level of detail.

The MPSC supports the FCC's proposal to amend its rules to facilitate the transfer of necessary information to terminating service providers, particularly in cases where traffic is delivered through indirect interconnection arrangements. Specifically, this proposal would require the calling party's telephone number be provided by the originating service provider and to prohibit stripping or altering call signaling information. The MPSC believes that the FCC's proposals will facilitate improvements in billing standards necessary to eliminate this industry challenge.

Traffic Pumping

In conclusion, the MPSC will briefly address the matter of access stimulation, commonly referred to as "Traffic Pumping". The MPSC understands that access stimulation is an arbitrage scheme employed to take advantage of above-cost intercarrier compensation rates by generating elevated traffic volumes to maximize revenues.

While this means of arbitrage has not manifested itself in Mississippi to any discernable level, it has wrought problems in other jurisdictions when local exchange carriers enter into arrangements with providers of high call volume operations associated with chat lines, adult entertainment calls, and "free" conference calls. This operation has yielded greatly increased revenues for both the local exchange carriers and their associated partners when increased call volumes result in the stimulation of access minutes. The interexchange carriers have been the victims of such scams through their payment of terminating access.

The MPSC is supportive of FCC proposals to eliminate the basis for such arbitrage. Through the transition to lower terminating access rate levels, as addressed above in the establishment of intercarrier compensation reform, the false lure of above-cost intercarrier compensation rates can be put to bed. Further, the MPSC endorses each of the FCC's approaches to resolve this challenge.

Respectfully Submitted,

MISSISSIPPI PUBLIC SERVICE COMMISSION

Lynn Posey, Chairman

Leonard Bentz, Vice Chairman

Brandon Presley, Commissioner

March 23, 2011