

# Intercarrier Compensation and IP Interconnection

- ❖ Cannot be considered consensus
- ❖ Do not include CLEC input despite significant impact on competitive providers
- ❖ Do not address CLEC concerns about IP interconnection
- ❖ Improperly apply higher access rates on VoIP services

- ❖ VoIP and other IP-PSTN services are jurisdictionally mixed and should be regulated at interstate level
- ❖ Classification of VoIP services is not necessary at this time
- ❖ FCC determination of proper intercarrier compensation scheme for IP-PSTN services should apply prospectively:
  - IP-PSTN traffic should not be subject to access charges under 251(g)
  - Termination rates for IP-PSTN traffic should be regulated under sections 251(b)(5) and 201 and immediately set at reciprocal compensation levels
  - IP-PSTN traffic must be designated upfront as IP-enabled to avoid future billing disputes
- ❖ Subjecting VoIP to access rates and also requiring TDM conversion subjects VoIP services to higher costs, whereas immediately applying lower rates would encourage IP deployment

- ❖ Focus of intercarrier compensation policies must shift from circuit-switched (TDM) to IP networks to reflect market developments (regardless of technology used to serve end users)
  - Eliminate LATA and other jurisdictional traffic boundaries
- ❖ Current intercarrier compensation and TDM network interconnection arrangements are inefficient
  - Carriers are rapidly deploying innovative IP-enabled services to end users, thus TDM interconnection arrangements are quickly becoming outdated
  - Even where end users are served via TDM technology, IP interconnection and transport provides lower cost and more efficient exchange of traffic
- ❖ Adoption of strong IP interconnection policies within intercarrier compensation regime will create proper incentives to spur additional broadband deployment

- ❖ Commission should adopt specific rules to create proper financial incentives to invest in IP-based networks
- ❖ Section 251(a) requires all telecommunications carriers to interconnect with other carriers
  - ❖ The Act is technology neutral so this includes interconnection with IP-based networks
- ❖ Section 251(c)(2) requires ILECs to provide interconnection, “at any technically feasible point within the carrier’s network”
  - Includes interconnection to ILEC’s IP network for exchange of traffic in IP format regardless of technology used to serve end users
  - Format of carrier-to-end user exchange determined by serving carrier

- ❖ All intercarrier compensation rates should be regulated within a federal framework under section 251(b)(5)
- ❖ Need swift transition to lower intercarrier compensation rates uniformly applicable to all carriers
  - Disparate rates lead to arbitrage opportunities
  - Additional subsidies should be explicitly addressed by universal service

- ❖ Focus CAF on support for broadband services
- ❖ Cap high cost fund at current level
- ❖ Ensure competitively and technologically neutral distributions and recovery mechanisms
- ❖ Quickly address USF contribution issues