INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

September 29, 2008

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20054

Re: ***Developing a Unified Intercarrier Compensation Regime***
Proper Routing and Compensation for Termination of Telecommunications Traffic
CC Docket 01-92

IP-Enabled Services
WC Docket 04-36

Federal-State Joint Board for Universal Service
CC Docket No. 96-45
WC Docket No. 05-337

NOTICE OF EX PARTE

Dear Ms. Dortch:

On September 26, 2008, Jeffrey Lanning of Embarq, Ken Mason of Frontier Communications, David Porter of Iowa Telecom, and Joshua Seidemann and the undersigned of ITTA met with, separately, Amy Bender of Chairman Martin's office, Nicholas Alexander of Commissioner McDowell's office, Greg Orlando of Commissioner Tate's office, and Scott Deutchman of Commissioner Copps's office. Robert Binder of Frontier Communications and John Jones and Jeff Glover of CenturyTel, Inc., joined the meetings by telephone (with the exception that Mr. Jones did not participate in the meeting with Mr. Deutchman). The parties relied upon the attached presentations in their discussion of the ITTA proposal for intercarrier compensation reform.

Consistent with prior filings, ITTA urged the Commission to reject "one size fits all" proposals for intercarrier compensation (ICC) reform. A terminating rate of $0.0007 as proposed by some parties would not only fail to cover costs for mid-sized and smaller carriers but would also place a large burden on consumer rates as well as strain the Universal Service Fund (USF) or any other device through which the Alternative Recovery Mechanism (ARM) would operate. ITTA members serve rural areas and have higher marginal costs than those entities that have declared $0.0007 to be sufficient (at least for themselves). Generally, $0.0007 is less than ITTA members' respective reciprocal compensation rates, often by an order of magnitude. Implementation of that rate for all of the Nation's carriers, therefore, would further the disconnect between rates and

975 F Street NW, Suite 550 • Washington, DC 20004 • tel 202.552.5846 • fax 202.552.5831 • www.itta.us

costs and engender new and innovative opportunities for arbitrage; it would be, effectively, a self-defeating measure.

Section 252(d)(2) requires that rates be cost-based. As described by ITTA, $0.0007 is not cost-based for its members; at best, therefore, the rate may be applicable only to carriers that *choose* to accept it. Presumably, those carriers that have proposed $0.0007 have done so with the understanding that rate is appropriate for integrated carriers with large urban service areas. By contrast, ITTA members are mid-size carriers that primarily serve rural areas of the Nation where low population density and natural terrain converge to create costly network deployment and maintenance requirements.

Not only must ICC reform ensure that carriers serving high cost rural areas recover revenues lost due to rate reductions, it must also recognize the unique need of these carriers to recover costs associated with service in rural areas. Section 252(d)(2) of the Communications Act of 1934, as amended, requires cost-based compensation for the transport and termination of local telecommunications. Moreover, COLR obligations require ITTA members to "stand ready" to serve all customers in their service areas, an obligation that requires substantial investment and maintenance of network infrastructure. For example, an ITTA member explained that it maintains several remote local switching offices that are located one hundred miles or more away from the relevant host office, which themselves may serve only several hundred to several thousand lines. Those facilities are necessary to comply with that carrier's COLR obligations. ITTA members incur demonstrably higher costs as a result of fulfilling COLR mandates in largely rural areas.

Accordingly, ITTA proposes the Commission implement rate unification that is calibrated to the size and type of carrier, and a corresponding ARM. Rate unification on that basis would not only resolve a great degree of arbitrage incentives, but would also bestow reduced transaction costs on both originating and terminating carriers. ITTA's three-track proposal meets the specific needs of distinguishable carriers; the rate proposed for Track 2 carriers, which would include ITTA price cap members, is a blended reciprocal compensation rate that reflects TELRIC-derived costs.

ITTA's proposal distributes responsibility equitably: it incorporates a benchmark that relies upon the Commission's already-determined National average urban rate ($20.76, excluding taxes and fees); provides for modest SLC increases; and imposes only minor pressure on the USF by reducing the size of the ARM that would be required with other proposals. In addition to its equitable features, the ITTA proposal avoids unintended adverse impacts and recognizes, particularly in its Track 2 element, the distinct needs of its members and the 30 million customers they collectively serve. For example, the benchmark enables fulfillment of the "comparability" standard. At the same time, modest SLC increases that bring a carrier's rates closer to the benchmark are set to avoid skewing competitive markets where a sudden spike in local wireline telephone rates would propel users off the network toward and competitors. If that were to occur, those carriers' ability to fulfill COLR obligations would be exacerbated by having fewer subscribers from which costs could be recovered. The ITTA proposal avoids rate increases that would compel users away from the network, and its tracked approach to unified rates avoids undue burdens imposed by an unduly large ARM.

Adjunctively, ITTA maintains that phantom traffic must be addressed specifically through call identification rules in order to address as fully as possible the problem of unidentified traffic. Notwithstanding the jurisdictional-based billing questions that would be preempted by unified rates, carriers would still be faced with circumstances in which the identity of the originating carrier is obscured. Moreover, calls must be measured from their physical end-points, rather than dialed numbers: VNXX traffic must not be treated as local even when it is used for information

access rather than voice traffic. If a provider wants to offer customers the benefit of a local presence, it should bear the added transport costs itself rather than impose them on another carrier. Similarly, VNXX traffic should bear an equal share of the implicit subsidies in access charges, which contribute to the cost of the carrier of last resort obligation that provides affordable phone service in high-cost areas.

Finally, ITTA reiterated that intercarrier compensation should not apply to out-of-balance ISP-bound traffic. To the extent such traffic is found to be subject to intercarrier compensation, that maximum rate for such traffic should be limited to $0.0007.

Respectfully submitted,

s/*Curt Stamp*
Curt Stamp
President

cc: Nicholas Alexander
Amy Bender
Scott Deutchman
Greg Orlando