VNXX – Qs&As

Q. Aren't the CLEC VNXX and ILEC FX services for all practical purposes the same service?

A. No. From a service perspective:

* ILEC FX service is a two-way service that provides dial tone from a single foreign exchange. FX customers can place calls and receive calls that are first switched by a switch in that foreign exchange, not by the switch in their local exchange.

* CLEC VNXX service is typically used in connection with ISP-bound traffic that is overwhelmingly one-way (inbound) and the CLEC VNXX customer typically receives dial tone from a switch located in the same building as the customer — and, in all cases, from the same CLEC switch that would be used to provide regular, local service to that customer.

From an end-user customer cost perspective:

* ILEC FX customers must pay the ILEC a flat-rated toll charge for the private line that connects their premises to an ILEC switch located in a distant local calling area. If ILEC FX customers want service in multiple foreign exchanges, they must purchase multiple FX arrangements, each one connecting to a different ILEC switch.

* CLEC VNXX customers pay for their connection to the CLEC switch, but this is normally a very short connection to the same switch used to provide local service. If a VNXX customer wants to expand the scope of its VNXX arrangement, the CLEC simply assigns additional numbers to the single switch to which the customer is already connected. Even though such number assignment entails no additional cost for the CLEC, CLECs frequently charge customers for VNXX service anyway.

From an intercarrier cost perspective:

* Because an ILEC FX customer's number is resident in the switch located in the rate center associated with the number, there is no question of shifting costs of transport to the CLEC. The ILEC is responsible for the interexchange transport necessary to deliver the call from that switch to the customer in another local calling area and is paid for that transport by its customer.

* By contrast, the CLEC VNXX arrangement does not involve use of a private line for the interexchange transport, because the CLEC creates the VNXX arrangement simply by assigning the customer a telephone number associated with a distant rate center. Accordingly, when an ILEC customer makes a call to a CLEC VNXX customer with a number associated with the ILEC's customer's rate center, the ILEC is required to perform the interexchange transport necessary to deliver the call to the POI near the CLEC switch. The CLEC then transports that call an extremely short distance, most often to an ISP located in the same building as the CLEC switch. The ILEC is not compensated by the CLEC or its customer for that transport and the CLEC demands that the ILEC pay reciprocal compensation, on top of any additional revenue the CLEC receives from its VNXX customer.

Not surprisingly, while FX calls have always been de minimis — since few customers will purchase private line service — VNXX arrangements are typically used in connection with ISP-bound calls and have rapidly expanded to be as much as 100% of the traffic delivered to a CLEC

Q. Shouldn’t the CLEC be able to offer local calling in a foreign exchange the same way the ILEC can?

A. Yes. But neither VNXX nor FX calls are subject to reciprocal compensation or to intercarrier compensation under the ISP Remand Order, because all such calls are interexchange calls.