

The background features a light grey wireframe globe. A large, vibrant pink circle is superimposed over the globe, partially overlapping a black and white photograph of three smiling people. The photo shows a man with sunglasses in the foreground, a woman with sunglasses behind him, and another man with sunglasses in the background.

Reforming Inter-carrier Compensation: The Independent Wireless Perspective

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Why Intercarrier Compensation Matters to the Wireless Industry

- There are more wireless subscribers in the U.S. (approx. 219 million) than wireline access lines (approx. 197 million).
- 53.5 % of urban households, and 50.5% of rural households, have wireless services.
- 1.5 trillion wireless minutes of use in 2005
- Average wireless customer uses approximately 700 minutes per month.



T-Mobile's Guiding Principles for Reform (1)

- In order to advance the goals of efficiency, equity and competition, intercarrier compensation reform should focus on benefits to consumers, not carriers.
- Intercarrier compensation reform should generate incentives for all carriers to become more efficient, cost effective and competitive.
- A single, integrated intercarrier compensation scheme for all types of traffic and carriers, irrespective of technology, distance and jurisdictional category, should be implemented over a reasonable transition period.



T-Mobile's Guiding Principles for Reform (2)

- The intercarrier compensation system should be non-discriminatory, technology-neutral and administratively simple.
- The intercarrier compensation system should remove incentives to engage in arbitrage.
- Universal service reform should be based solely on universal service considerations.



NARUC's Guiding Principles for Reform (1)

- Broadly applicable: to all companies (ILECs, CLECs, IXC, ISPs, VoIP, wireless, others) that exchange traffic over the PSTN.
- Economically Sound: resistant to gaming; no differences based on classification of carriers or customers, location of customers, or location of end-users; technologically neutral; based on economic cost; simple and inexpensive to administer.
- Market-based pricing where intercarrier markets are competitive, with a “rigorous” definition of competitive markets to be applied.



NARUC's Guiding Principles for Reform (2)

- Price regulation for intercarrier markets where providers have market power.
- “Appropriate Federalism”
- Transition to new plan should prevent rate shock and not jeopardize penetration rates; should recognize that some rural carriers have high costs; impact on federal and state USF should be minimized
- Plan should anticipate changes and address them
- Prerequisites for plan implementation listed



The Missoula Plan: The Good, the Bad, and the Ugly



The Missoula Plan

The Good: What It Achieves

- Tremendous effort by NARUC IC Task Force to provide a forum for discussion of change;
- Recognizes that changes are necessary to rationalize the process
- Provides generally reciprocal transport obligations for Track 1 carriers
- Moves toward uniformity in termination rates by type of traffic;
- Reduces some termination rates to levels that are closer to cost, especially for Track 1 carriers



The Missoula Plan

The Bad: Where It Fails

- Does not focus on customers:
 - USF changes are based on revenue replacement
 - Wireline Carriers are given options to maximize their revenues based on market conditions, while wireless customers help make them whole
- Does not have an “end state” that unifies rates for all carriers and all types of traffic
- Does not contain a requirement that carriers provide wholesale transit services at cost-based rates, in the absence of competition in transit markets
- Does not impose equal transport obligations on all providers
- Is not administratively simple or competitively neutral



The Missoula Plan

The Ugly: Missed Opportunities

- Establishes new USF obligations and funds without any demonstration of need to meet universal service goals
- Perpetuates distinctions based on traffic types
- Perpetuates distinctions based on carrier types
- The plan's intercarrier compensation rates will drive traffic off the PSTN and to alternatives such as peer-to-peer VoIP, which is not addressed in the plan
- Will increase demand for numbering resources and accelerate area code exhaust



What We Need

- Now is the time to achieve real and sustainable intercarrier compensation reform.
- Once the FCC acts, regardless of what it does, the issues are not likely to be revisited for at least 10 years.
- We need a reformed system that is capable of carrying the industry and our customers into the future.



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