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September 12, 2008

Chairman Kevin Martin
Commissioner Michael Copps
Commissioner Jonathan Adelstein
Commissioner Deborah Tate
Commissioner Robert McDowell
Federal Communications Commission
445 Twelfth Street S.W.
Washington, D.C. 20554

Re: ***Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45.**

Dear Chairman Martin and Commissioners:

There is widespread agreement throughout the industry that the time for comprehensive intercarrier compensation and universal service reform has come. Yesterday, Verizon and AT&T filed a proposal to reform the universal service contribution mechanism. Verizon and AT&T propose a telephone number based system, which will stabilize the universal service fund and make the collection process simpler and easier for consumers to understand. The Commission should adopt this joint proposal without delay.

The Commission should also act quickly to reform today's outdated intercarrier compensation regime. The communications landscape has changed dramatically in the past decade and now bears little resemblance to the world Congress faced in 1996. Today, new, next-generation platforms based on Internet protocol ("IP") are offering incredible new opportunities for consumers and businesses. These revolutionary new services challenge the traditional concepts of geography and location that were the cornerstones of the existing intercarrier compensation regime.

Today, Verizon offers a straightforward and workable intercarrier compensation proposal. Verizon's plan builds upon the "dial" framework introduced by AT&T in July as well as intercarrier compensation plans already filed with the Commission. It includes a uniform default terminating rate for all carriers, provides opportunities for companies to recover a portion of lost revenues from their own end users, and ensures that other lost revenues may be recovered through a new recovery mechanism that would be part of the universal service fund. This Plan will help to sustain rural network infrastructure and other communications networks that consumers depend on today, while encouraging investment in new, innovative services (including broadband) nationwide. The plan will also eliminate the confusion and arbitrage opportunities created by the current regime, while creating additional incentives for carriers to develop and deploy IP and other next-generation services throughout all areas of the country. Finally, the Plan, which is competitively and technologically neutral, will remove current obstacles to further investments in innovative, cost-efficient products and services and will assure consumers the benefits of a robustly competitive market.

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The Commission and virtually every section of the industry have documented the flaws and inefficiencies inherent in the current intercarrier compensation system; there can be no question that comprehensive reform is sorely needed. Under the current regime, for example, a provider that originates a call may pay compensation – or may receive it. Terminating providers (and, in some cases, originating providers) impose a wide range of charges to exchange traffic, depending on factors such as which provider terminates the traffic and whether a call crosses state, MTA, or local calling area boundaries before reaching the terminating provider. Thus, many terminating providers charge as little as $0.0007 per minute for a "local" call rated under the "mirroring rule" – while rural carriers' rates can be as much as *175 times more* to terminate an intra-state long distance call.[1] As the Commission has aptly noted, this patchwork regime "require[s] carriers to treat identical uses of the network differently, even though such disparate treatment usually has no economic or technical basis."[2]

The system of widely varying rates based on arbitrary jurisdictional and technological distinctions is fundamentally unworkable in the new world of communications. Providers devote substantial resources to the often impossible task of trying to accurately measure and categorize the traffic they exchange in order to apply different rates to different types of traffic – a task that has become increasingly difficult in the age of wireless and IP services. Because these new technologies do not adhere to old assumptions about location-based and device-based phone numbers, carriers can no longer reliably determine whether a call is local or long distance,

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1 South Dakota Local Exchange Carrier Association, Inc. S.D. P.U.C. Tariff No. 1 at 17-1.

2 *Developing a Unified Intercarrier Compensation Regime*, Further Notice of Proposed Rulemaking, 20 FCC Rcd 4685, ¶ 3 (2005).

intrastate or interstate. Nor can providers determine whether incoming calls were IP-originated – or whether outgoing calls are IP-bound. At the same time, providers continue to dispute which (if any) of these myriad rates even apply to the growing – but often unidentifiable – category of IP traffic. Ongoing uncertainty regarding the compensation due to – and from – providers for IP traffic serves as a disincentive to further investment in the very next-generation services that consumers seek most.

The myriad rates under the current system and the growing difficulty of properly categorizing traffic also serve as an invitation to fraud and arbitrage, as providers attempt to manipulate and disguise traffic in order to gain illegal profits for themselves or deprive other providers of lawful revenues. The traffic pumping arbitrage schemes that have proliferated in recent years are just the latest examples of such uneconomic behavior. Although such gaming is immensely profitable to the gamers, these schemes undermine competition and harm consumers by diverting resources away from serving consumers and investing in new technologies and into fraud detection efforts and litigation.

Comprehensive reform of this antiquated system – reform that applies to all traffic and all providers – is essential. Consumers will be the winners when the Commission removes these obstacles to further investment in broadband and other innovative, cost-effective technologies. It simply no longer makes sense to maintain a system that requires or permits terminating providers to apply different rates to different traffic based on arbitrary and anachronistic distinctions. Reform that removes these arbitrary distinctions will give providers the regulatory certainty needed to invest in new IP services and broadband networks, enabling providers to offer better products and lower prices. Although the Commission should ultimately reform both originating and terminating charges, to the extent that the Commission wishes to prioritize the issues, it should focus first on rationalizing and unifying the charges assessed by terminating carriers.

This reform should be guided by certain fundamental, and interrelated, principles. First, any new intercarrier compensation system should be a default regime only. Providers should be permitted – indeed, encouraged – to enter into alternative commercial arrangements. Second, the Commission should adopt a uniform federal termination rate that applies equally to all providers and all technologies. A system based on a uniform rate will be straightforward, easy to implement, and competitively and technologically neutral. At the same time, a uniform rate will eliminate the rate disparities and arbitrary distinctions that have created opportunities for arbitrage and fraud in the current system. Third, in setting the uniform federal termination rate, the Commission should provide carriers an opportunity to recover lost revenues from their own end users, and ensure that any remaining subsidies that may be necessary are provided through explicit mechanisms, such as universal service. Fourth, the Commission should create a stable, predictable access replacement mechanism to ensure that carriers (particularly rate of return carriers) have the opportunity to recover the revenues that have traditionally been collected through access charges. Today, for a number of reasons, carriers are unable to collect access charges because of fraud, arbitrage, and disputes over the proper rate for VoIP traffic. Carriers are also facing a shrinking access revenue base due to many factors, including competition from wireless and IP services. A new plan should provide carriers, particularly those in rural areas, with a predictable and reliable source of any necessary support, without the uncertainty involved in policing the collection of access charges. Finally, the new regime should not require changes in the existing public switched telephone network (PSTN) architecture, which would merely serve to divert providers' finite capital resources away from investment in broadband deployment and other new-world technologies.

Verizon's proposal for intercarrier compensation reform, based on the four "dials" identified by AT&T as well as other intercarrier compensation proposals in the record, would accomplish all of these objectives. *First*, under Verizon's proposal, the Commission would set the dial for terminating intercarrier charges by establishing a single federal default termination rate of $0.0007 per minute of use. This rate would apply equally to all traffic and to all providers, regardless of jurisdiction or technology, unless the parties reach a voluntary commercial agreement to the contrary.

Second, under Verizon's proposal, the Commission would require all providers to transition simultaneously to this uniform terminating rate over three years. During this transition, the Commission should consider stepping down rates by using rates in existence today, such as by reducing intrastate access to interstate levels. Relying on existing rates for a step-down, rather than by creating new, blended or hybrid rates, will eliminate disputes about whether a provider has appropriately calculated its transition rates. Most importantly, however, *such stepping down must be simultaneous for all providers*. It is only through simultaneous rate reductions that the Commission can eliminate – rather than exacerbate – the existing rate disparities that have led to arbitrage and fraud.

Third, Verizon's proposal would set the remaining three dials – the National Comparability Benchmark, Subscriber Line Charges, and a universal service "Replacement Mechanism" fund – to give providers the opportunity to recover revenues that they have previously collected through access charges. The Commission should establish a Replacement Mechanism and, at the same time, should bring equity to the retail rates that consumers pay for voice services throughout the nation. The Commission should set the Benchmark dial at a level that reflects what residential end users in today's communications environment can reasonably be expected to pay for monthly telecommunications service. The Commission would also set the SLC dial by establishing a new, flexible SLC cap that would allow (but not require) providers to raise their SLCs to meet the Benchmark. A provider who wishes to draw from the Replacement Mechanism would calculate the amount of its revenue reduction under the new regime. To determine the provider's draw from the fund, however, this reduction would be offset by the revenues that would be gained if the provider had in fact taken advantage of the opportunity to meet the Benchmark. By creating incentives for companies to rebalance retail rates, the

Commission would both limit the size of the universal service fund and ensure that any new funding does not result in disparate treatment of consumers.

Many carriers, particularly those in rural areas, depend on access charges to maintain their infrastructure. Yet, today these carriers' access revenues face very real threats on several fronts. First, access revenues are shrinking as carriers continue to lose access lines year over year as consumers continue to flock to wireless and IP services. Second, carriers are unable to realize the full access revenues on their remaining lines due to various arbitrage schemes. In the face of these pressures on access revenues, the Replacement Mechanism is designed to provide carriers with a more predictable and reliable source of support. Under the Plan, federal rate of return and price cap carriers would recover the full amount of their access reduction, after imputing the additional benchmark revenues. In five years, the Commission would open a rulemaking to determine whether and how to transition this replacement support to a new model, such as a fund to support broadband capital or facilities.

Verizon's comprehensive reform proposal will provide a swift, but rational, transition to a simple default intercarrier compensation regime. A new federal termination rate of $0.0007 per minute will provide just and reasonable compensation for the use of providers' networks, while removing hidden subsidies from intercarrier compensation payments and instead making those subsidies available in a more explicit and dependable form. Applying this rate equally to all providers and all traffic – and transitioning all providers to that rate simultaneously – will ensure that the new regime will be competitively and technologically neutral. The new uniform federal rate will also eliminate the financial incentives for fraud and arbitrage, of which consumers are the ultimate victims. The Commission should remove the obstacles to progress and innovation that are created by the current intercarrier compensation regime by adopting Verizon's intercarrier compensation proposal, along with the joint USF contribution proposal submitted with AT&T, without delay.

We welcome the opportunity to discuss both of these proposals with the Commission and with others in the industry.

Sincerely,

Susanne A. Guyer

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Attachments

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Verizon Proposal For Intercarrier Compensation Reform

Verizon proposes the following comprehensive plan for simple, rational intercarrier compensation reform. The Commission should adopt Verizon's plan as outlined below in its entirety. Verizon's plan is a single, integrated proposal, and adoption of some individual portions of Verizon's proposal, without other portions, would not achieve the benefits of comprehensive reform. Verizon's plan is based on the proposals submitted in the intercarrier compensation rulemaking proceeding, as well as the filed comments on and criticisms of those proposals.

1. **Rate Dial**

   a. *Default Rules*

      i. The plan establishes default rules for network interconnection and intercarrier compensation. Carriers may agree to alternative arrangements.

   b. *Definitions*

      i. *Transport* refers to the transmission facilities used to reach the terminating carrier's Point of Interconnection (POI).

      ii. *Termination* refers to the acceptance of traffic routed according to NPA-NXX or LRN by the terminating carrier at its POI and any network functions the terminating carrier may use to deliver traffic from the POI to the called party, including dedicated transport, common transport, tandem switching, end office switching, and SS7 messaging.

      iii. The *terminating carrier* is the carrier that is responsible for the NPA-NXX or LRN at the designated POI for delivery to the called party.

      iv. The *termination charge* covers the network functions used for termination as defined herein, including dedicated transport, common transport, tandem switching, end office switching, and SS7 messaging. The termination charge does not cover any multiplexing or other conversions necessary to make traffic compatible with the terminating carrier's switch.

   c. *POIs*

      i. Each terminating carrier must establish at least one POI per LATA.

         1. The POI must be a building location on the terminating carrier's network with a carrier tandem, end office, MSC, point of presence, or trunking media gateway.

2. Direct and indirect interconnection are available to any carrier at the POI.

3. The POI must be identified in the LERG with its associated call routing information, such as NPA-NXX codes and LRN.

ii. No carrier may establish an unreasonable number of POIs per LATA. It is unreasonable to establish more POIs in a LATA than the number of incumbent LEC tandem switches in that LATA. In addition, there may be circumstances in which the maximum reasonable number of POIs is less than the number of incumbent LEC tandem switches in that LATA.

iii. A carrier's tandem location must be designated as the POI for traffic terminating to its customers within the tandem serving area.

1. To avoid tandem exhaust, the terminating carrier may require, upon reasonable request consistent with standard industry network management principles, that the interconnecting carrier segregate traffic between its switch and particular terminating carrier end offices onto dedicated trunk groups. When traffic is segregated onto dedicated trunk groups, the POI remains at the terminating carrier's tandem location, i.e., "termination" includes the dedicated transport from the tandem location to the end office.

iv. A carrier may designate an end office location as a POI when the end office subtends another carrier's tandem.

1. However, an end office location served by a remote switching system cannot serve as a POI. Instead, the host end office that serves the remote end office will serve as the POI for traffic terminating to the remote end office.

d. *Compensation Methodology*

i. General Financial Obligation: Each carrier is financially responsible for the *transport* to deliver its traffic to the terminating carrier's POI and for the *termination* functions performed by the terminating carrier.

1. For example, for interexchange traffic including intraMTA traffic carried by an IXC, the carrier providing the interexchange service, whether to its own retail customers or on a wholesale basis, is financially responsible for the transport to deliver its traffic to the terminating carrier's

POI and for the termination functions performed by the terminating carrier.

2. For example, for local and intraMTA traffic not carried by an IXC, the originating carrier is financially responsible for the transport to deliver its traffic to the terminating carrier's POI and for the termination functions performed by the terminating carrier.

   a. To the extent that the terminating carrier does not serve end users in an originating incumbent LEC's territory, the terminating carrier is financially responsible for transport from a meet point at the boundary of the incumbent LEC's territory to the terminating carrier's POI.

3. Terminating carriers may not seek to recover termination charges for transited traffic from tandem transit providers, but instead must seek payment directly from the financially responsible carrier.

ii. All terminating carriers, including CMRS providers, may assess a charge for termination.

iii. The termination charge is the same for all traffic, regardless of whether the traffic is local, long distance, wireless, VoIP, etc.

iv. Carriers may interconnect directly or indirectly, i.e., through a third party tandem transit provider. Carriers that elect to interconnect directly may self-provide transport, purchase transport from the terminating carrier, or purchase transport from a third party.

v. The carrier that bears the financial obligation to deliver its traffic to the terminating carrier's POI determines whether interconnection will be direct or indirect.

e. *Transit*

i. Tandem transit service includes both tandem switching and tandem switched transport between the transit tandem location and the meet point where the transit provider interconnects with the terminating carrier.

ii. Under the plan, tandem switching and tandem transport (from the tandem to the meet point with the terminating carrier) provided in conjunction with jointly-provided terminating access will be deemed transit service.

iii. At the outset of the plan, existing rates for tandem transit service subject to agreements or local interconnection tariffs will remain in effect. Rates for tandem transit service subject to access tariffs will be capped at today's interstate access rates.

iv. The Commission will issue a Further Notice of Proposed Rulemaking to consider, among other things, the competitive circumstances under which the cap on the tandem transit service rate may be modified or eliminated. The Commission should complete its rulemaking proceeding and adopt final transit rules by December 31, 2009.

f. *Termination Rate Level*

i. The default uniform termination charge for all carriers for all traffic is capped at $0.0007 per minute.

g. *ISP Bound Traffic*

i. A carrier that serves an ISP customer and that receives ISP-bound traffic for transmission to its ISP customer has the same obligations regarding establishing POIs and interconnecting with other carriers that terminating carriers have.

ii. A carrier that serves an ISP customer and receives traffic that is currently subject to the Commission's ISP-bound traffic order may continue to assess a charge for that traffic that is equal to the termination charge ($0.0007 per minute of use).

iii. The Commission's Order should address the assignment of financial responsibility for originating transport costs for ISP-bound traffic and other convergent traffic.

h. *Transport Rate Levels*

i. Dedicated transport charges apply when a carrier obtains dedicated transport to a terminating carrier's POI from the terminating carrier.

ii. Common transport charges apply only in the case of indirect interconnection, when a terminating carrier is providing transport between the terminating carrier's meet point with the tandem transit provider and the terminating carrier's POI.

iii. Incumbent LEC dedicated transport rates:

1. *Rate of return LECs*: capped at the LEC's current interstate dedicated transport rates.

2. *Price cap LECs*: capped at the LEC's interstate dedicated transport rates. Interstate rates for price cap LEC dedicated transport services remain subject to the Commission's pricing flexibility rules, 47 C.F.R. 69.709.

iv. Incumbent LEC common transport rates:

1. *Rate of return* LECs: capped at the LEC's current interstate access rates.

2. *Price cap LECs*: capped at the LEC's interstate common transport rates.

v. Non-ILEC transport rates: capped at the rate level of the competing ILEC.

1. The *competing ILEC* is the incumbent local exchange carrier, as defined in 47 U.S.C. 251(h), that would provide transport service, in whole or in part, to the terminating carrier POI location if that service were not provided by the non-ILEC.

i. *Originating Access*

i. The Commission will issue a Further Notice of Proposed Rulemaking to address, among other things, reform of originating access charges.

1. The Commission should complete its rulemaking proceeding to address reform of originating access charges by December 31, 2009. Until that proceeding is complete, incumbent LEC interstate and intrastate originating access rates will be capped at current rates (in the case of rate of return carriers) or remain subject to existing price caps (in the case of price cap carriers.)

j. *Dialing Parity:* Regardless of whether interconnection is direct or indirect or where the call is routed, carriers may not require 1+ dialing when the called number is associated with rate centers that are local to the calling party, including rate centers covered by EAS arrangements.

k. *Effect on Existing Interconnection Agreements And Other Contracts*

i. Interconnection agreements and other contracts regarding the exchange of traffic between carriers that are still within the initial term of the contract are subject to the provisions of those contracts. However, for contracts that have reached the end of their terms but remain in effect pending entry into new contracts (for example, contracts with "evergreen" clauses), the parties have until the initial implementation date of the plan to negotiate rates or terms that are different from those in the Commission's Order. If the parties cannot reach agreement, the rates, terms, and transition steps in the Commission's Order will control and apply beginning on the implementation date for the plan as identified in the Order. No amendments to interconnection agreements or other documentation will be required to give effect to the Commission's Order.

2. **Subscriber Line Charge Dial**

   a. *Federal Subscriber Line Charge Caps*

      i. Incumbent LECs are given the opportunity to recover their *access shift* from their subscribers by increasing their Federal Subscriber Line Charge (SLC).

         1. For price cap incumbent LECs, the access shift is the interstate and intrastate access revenue that the carrier loses under the plan

         2. For rate of return incumbent LECs, the access shift is the sum of (1) the interstate and intrastate access revenue that the carrier loses under the plan; and (2) the net change in reciprocal compensation that the LEC experiences under the plan.

      ii. To facilitate recovery of the access shift, the cap on the primary residential Federal Subscriber Line Charge transitions from $6.50 to $10.50. A LEC whose Rate Composite is still below the Benchmark after the SLC cap has transitioned to $10.50 will be permitted an additional increase in its SLC cap, to the level that would increase the LEC's Rate Composite to the Benchmark. *See* section 3.b.i-ii. For price cap LECs, the nonprimary SLC cap transitions to the same level as the primary SLC cap. The multiline business SLC cap transitions from $9.20 to $10.50.

      iii. Carriers are permitted, but not required, to increase their SLC rates to the lesser of (i) the caps set forth in section 2.a.ii and (ii) the SLC rates that fully recover the access shift.

      iv. An incumbent LEC's support from the Replacement Mechanism will be calculated as though the carrier has raised its SLC rates to the highest levels permitted by section 2.a.ii.

3. **Benchmark Dial**

   a. *Key Principles*

i. The plan establishes a National Comparability Benchmark ("Benchmark").

ii. The Benchmark is set at a level that i) facilitates comparability of retail rates across states; and ii) ensures the equitable balance between end-user recovery and targeted explicit support for high cost areas.

iii. The level of the Benchmark represents an amount that residential end users in today's communications environment can reasonably be expected to pay for service on a monthly basis.

b. *Operation of the Benchmark*

i. One option for the Benchmark is a single Benchmark that approximates the average urban rate for flat-rate residential local telephone service, which is in the range of $22 to $26 (including federal and state SLCs). Under this option, the incumbent LEC would compare the Benchmark to its own "Rate Composite," i.e., the sum of that carrier's rate for basic flat-rate residential local telephone service, its federal SLC, any state SLC, and any mandated EAS charges.

ii. Alternatively, the Commission could consider a Benchmark that takes into account the LEC's average revenue per local exchange line from all sources, including, but not limited to, vertical features and broadband services, not just local exchange rates and SLCs. The level of the Benchmark and the Rate Composite definition would reflect those additional revenue sources.

iii. LECs whose Rate Composite is below the Benchmark must make or impute an additional SLC increase, to bring their Rate Composite up to the Benchmark, before becoming eligible for support from the Replacement Mechanism.

4. **USF Dial**

a. *Key Principles*

i. The plan creates a new USF support mechanism (the "Replacement Mechanism"), separate from the existing universal service support mechanisms previously established by the Commission.

ii. Support from the Replacement Mechanism is available to LECs that lose access revenues as a result of the plan.

iii. To the extent that an incumbent LEC cannot recover its access shift through the SLC increases permitted by the plan, the incumbent LEC can recover the remaining amount from the Replacement Mechanism.

iv. An incumbent LEC's support from the Replacement Mechanism will be calculated as though the carrier has raised its SLC rates to the highest levels permitted under the plan. *See* section 2.a.ii.

b. *Fund Administration*

i. The distribution of Replacement Mechanism support will be administered by the Universal Service Administrative Company (USAC).

c. *Price Cap LECs*

i. Price cap LECs receive Replacement Mechanism support on a per-line basis

1. A LEC's per-line support is calculated at the outset of the plan as the difference between the LEC's access shift and the maximum incremental SLC revenue permitted by section 2.a.ii, divided by base period access lines. The access shift and maximum incremental SLC are calculated using base period demand. The per-line support is then frozen at that level.

   a. The *base period* is the last full calendar year prior to implementation of the plan.

2. The per-line support is uniform for all lines in the LEC's study area.

3. When the LEC experiences a decline in access lines, the support associated with the lost access lines phases out over three years, in equal increments.

d. *Rate of Return LECs*

i. Rate of return LECs calculate Replacement Mechanism support each year as a residual, equal to the difference between the LEC's switched access revenue requirement and the LEC's revenue from intercarrier charges (net of intercarrier compensation payments to other carriers), maximum incremental SLC revenue permitted by section 2.a.ii, and Local Switching Support ("LSS").

ii. The LEC's switched access revenue requirement is the sum of its interstate switched access revenue requirement, calculated each year at the Commission's prescribed rate of return of 11.25 percent, its base period intrastate switched access revenue, and base period reciprocal compensation revenue net of reciprocal compensation expenses.

e. *Transition*

   i. At the end of five years, the Commission will open a rulemaking proceeding to determine whether or how to transition this Replacement Mechanism support to a new model, *i.e.,* support for broadband capital or facilities.

f. *Impact of Acquisitions on Replacement Mechanism Support*

   i. If a carrier acquires exchanges subject to price cap regulation, and keeps those exchanges under price cap regulation, the acquiring carrier will continue to receive the selling carrier's per-line Replacement Mechanism support for the acquired exchanges.

   ii. If a carrier acquires exchanges subject to price cap regulation, and converts those exchanges to rate of return regulation, the acquiring carrier's Replacement Mechanism support for the acquired exchanges will be based on the rules applicable to rate of return carriers.

   iii. If a carrier acquires exchanges subject to rate of return regulation, and keeps those exchanges under rate of return regulation, the acquiring carrier's Replacement Mechanism support for the acquired exchanges will be based on the rules applicable to rate of return carriers.

   iv. If a carrier acquires exchanges subject to rate of return regulation, and converts those exchanges to price cap regulation, the acquiring carrier's per-line Replacement Mechanism support will be calculated as the selling carrier's support for those exchanges in the prior calendar year, divided by the number of lines, and frozen at that per-line level going forward.

g. *Lifeline*

   i. Pursuant to section 54.403(a) of the Commission's rules, Lifeline support for low-income consumers will increase to offset any increase in federal SLC rates permitted by the plan.

5. **Transition**

   a. Incumbent LEC SLC cap changes are phased in over a transition period no longer than four steps (three years). The transition may be extended for those incumbent LECs that need to make or impute additional SLC increases beyond the $10.50 cap in order to reach the Benchmark.

b. Intercarrier compensation charges are transitioned to the uniform termination rate over a period no longer than four steps (three years):

    i. Beginning with Step 1, the uniform termination charge applies to traffic currently subject to reciprocal compensation charges. Carriers may continue to assess a charge equal to the termination charge ($0.0007 per minute of use) for traffic currently subject to the Commission's ISP-bound traffic order.

    ii. Incumbent LEC interstate and intrastate access charges are phased down to the uniform termination charge by Step 4.

    iii. During the transition period, traffic exchanged between LECs and CMRS providers that originates and terminates within the same MTA remains subject to reciprocal compensation charges, rather than access charges. *See* 47 C.F.R. §51.701(b)(2).

c. The transition timetable is the same for all incumbent LECs.

d. During the transition, CLEC interstate and intrastate access rates are capped at the level of the competing ILEC's rates.

    i. The *competing ILEC* is the incumbent local exchange carrier, as defined in 47 U.S.C. 251(h), that would provide interstate or intrastate exchange access service to a particular end user if that end user were not served by the CLEC.

e. Beginning with Step 1, CMRS carriers may assess the uniform termination charge on traffic classified as access traffic under current rules.

f. The Commission's Order should address any additional requirements necessary to ensure an orderly network architecture transition process.