

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Universal Service Contribution Methodology)	WC Docket No. 06-122
)	
Numbering Resource Optimization)	CC Docket No. 99-200
)	
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996)	CC Docket No. 96-98
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
)	CC Docket No. 99-68
)	
Intercarrier Compensation for ISP-Bound Traffic)	WC Docket No. 04-36
)	
IP-Enabled Services)	

**TEXALTEL COMMENTS ON THE FCC PROPOSALS FOR INTERCARRIER
COMPENSATION AND UNIVERSAL SERVICE REFORM**

On November 5, 2008, the Federal Communications Commission (“the Commission”) adopted and released the Order on Remand and Report and Order and Further Noticed of Proposed Rulemaking on Intercarrier Compensation and Universal Service Reform (“the order”). The Commission requested comments on three proposals for Intercarrier Compensation and Universal Service reform included in the order. Per the Commissions request, TEXALTEL hereby files the following comments in the above stated proceedings.

TEXALTEL is the trade association of Competitive Telecommunications providers who have business interests in Texas. As telecommunications providers, the members of TEXALTEL have a vested interest in the issues being decided by the Commission in this proceeding and appreciate the opportunity to offer comments.

Comments on Intercarrier Compensation

The rewrite of Intercarrier Compensation that the FCC has undertaken is a monumental task, and we greatly respect the efforts that have been undertaken. The effects on the telecommunications industry and its customers will also be monumental. Many providers will be required to make huge changes in how they conduct their business. It is obvious by the lengthy phase-in and the discussion in the draft orders that that the Commission is very appreciative of this fact. An order of this magnitude requires great care and attention to every word.

TEXALTEL appreciates the opportunity that has been given to provide comment, but the industry has barely scratched the surface in undertaking the critical review that an order of this importance requires. The writers have been hard at work on this document for many months. But, of great concern is that the industry that will be greatly affected by these changes, have had only ten days for review. The Commission could issue clarification or errata orders later. However, it is highly preferable to get a reform of this magnitude right the first time.

The haste to complete an entire overhaul of the massive Intercarrier Compensation regime and the Universal Service Fund support and contribution mechanisms is broad and leaves many questions unanswered, some of which we will point out below. The industry simply has not had enough time to determine the impact, positive or negative, any of the proposed reforms will have on carriers and, more importantly, on customers.

For example, one of the unanswered questions we observe is the status of “800” traffic. The Commission would reduce the originating access charges to zero. Application of access charges to “800” traffic has traditionally been reversed – applying terminating access charges to the originating end or the

open end of an “800” call and originating access charges to the terminating end or the closed end of an 800 call. TEXALTEL can only assume from the lack of mention in the draft order, that this tradition is to continue, but believes it would be better for the Commission to specifically clarify this, and other issues, within the Order.

It is also unclear as to when, or if, tandem switching rates might be applicable in addition to the unitary termination rates. TEXALTEL believes the intent of the proposals is that tandem rates would not apply, as the unitary rate would recover tandem costs, but again, this clarity is not within the Order.

Another concern is what constitutes a “tandem” in the definition of the network edge. Today, there are local tandems, toll tandems, and access tandems. TEXALTEL assumes that the intent of the Commission is that the distinctions between these different functions on rates will be eliminated and all minutes will be charged the unitary rate with the expectation that there will be no longer a need for three different functional tandems in each area. But the draft order appears unclear whether it is only a local tandem that fits the definition of a network edge, or if it is any tandem that is intended to fit in that description.

And again by example, it appears to us that the definition of the network “edge” could require that a CLEC pay for transport to, and connect at, every ILEC wire center that does not subtend a tandem – and only ILEC metropolitan wire centers subtend local tandem switches – rural exchanges do not. If this concept were implemented, it would drastically increase the costs of CLECs to complete calls to and from rural exchanges, and would very likely cause some, or all, competitors to withdraw from providing rural services. The status quo is that LECs need only establish one Point of Interconnection per LATA, and the cost of connecting to a rural wire center is the same as the cost of connecting to an urban wire center.

These are just a few of the questions raised by from our somewhat limited time to read and digest the Order. While TEXALTEL hopes that as we continue to read and analyze the information provided the Order will provide answers to some of those questions. However, it appears that rather than answers there will be more questions.

Comments on Universal Service Reform

The questions do not stop with the Intercarrier Compensation portion of the Order. There are many more to be asked on the terms of the Universal Service Reform proposals.

For example, TEXALTEL recognizes, and commends, the efforts of the Commission to simplify residential rate payer contribution mechanisms. TEXALTEL understands that since its inception the fund itself and the compensation to provide for the fund have exploded to enormous proportions going from a relatively small percentage to a double digit percentage of a customer bill.

The proposals offered do appear to simplify residential ratepayer contributions into the fund and allow residential ratepayers the ability to predetermine their phone bill by stabilizing the fee based on a flat rate per “assessable numbers”. However, TEXALTEL notes that none of these proposals are clear on the treatment of business customers with the exception of the deeply concerning Attachment B, the trimmed-down Universal Service Proposal, which first appeared as a proposal by AT&T and Verizon in an October 20, 2008 ex parte filing.

This proposal, while at first blush looks innocently enough by imposing a connection charge based on connection speeds, may cause a significant burden to small business customers that need connection speeds higher than 64kbs. Most small business customers will see an increase in their USF contribution to \$35 per month while most enterprise customers will receive a significant decrease. There is no distinction to the varying size and income of companies that use higher speed connection nor their ability to absorb a significant increase on their telephone bill. Nor does it explain why the burden of providing for the USF fund is suddenly shifted from enterprise customers to small businesses.

TEXALTEL is concerned that this and other Universal Service Fund reform proposals are being circulated for adoption without a full understanding of the impact on carriers or customers. TEXALTEL may not object to a “connection” based approach for business customers but the proposals presented are vague leaving little understanding of how this will ultimately affect carriers and their business customers.

This gives us pause in recommending one over the other. Ten days is simply not enough time to flesh out the negatives, much less the benefits, of each proposal.

TEXALTEL suggests, before taking such a drastic reform the Commission must take more time to allow the industry definitive input on the effects of any change. Before acting, the Commission must be very clear in its understanding of how it will affect customers of all size.

Conclusion

For the reasons listed above, TEXALTE strongly urges the Commission to proceed slowly, and give parties additional time to review and comment on the details of the draft order that need clarification or revision. TEXALTEL suggests a minimum of 60 days additional days at a minimum, and would appreciate an even longer time for review.

TEXALTEL thanks the Commission for the opportunity to participate in this proceeding.

Respectfully submitted

TEXALTEL

Charles D. Land, P.E.
Executive Director

Sheri Hicks
Policy Director

500 N Capital of Texas Hwy
Bldg 8, Suite 250
Austin, Texas 78747
512-320-0430 telephone