

**State and Federal Roles in ICC Reform**  
**May 18, 2011 Omaha Field Workshop**

**AT&T**

Access charges were part of a system designed to achieve universal availability of voice services. That system included:

- Monopoly franchise areas;
- Separation of costs between intra- and interstate jurisdictions;
- Trifurcation of voice services into “local,” “intrastate long distance,” and “interstate long distance”;
- “Value of service” pricing;
- Nationwide averaged long-distance pricing;
- A mechanism, access charges, to recover an arbitrary portion of fixed network costs from long distance minutes.

Access charges were designed based on premises that have proven invalid over time:

- Separate markets for “local” and “long distance” voice services;
- Calling party “causes” and is sole beneficiary of every call;
- Increasing or stable minutes-of-use.

Access charges are not sustainable as a mechanism to achieve universal service objectives, which are in transition:

- Unabated decline in access minutes;
- Alternatives in the market that do not incur access charges;
- Technology changes that have facilitated arbitrage;
- Market-leading position of all-distance services;
- Inapplicability of access charges to broadband business models.

Neither broadband nor voice services can rationally be divided between intra- and interstate jurisdictions:

- All-in-one services have won in the market;
- Division of unified services in order to confer regulatory jurisdiction is irrational.

Attempts to maintain the traditional division of roles during the transition are likely to fail:

- State and federal regulators both have a responsibility to eliminate vestiges of legacy mechanism in a manner that avoids needless disruption to consumers and discourages arbitrage;
- A rational transition must include a pre-defined series of steps;
- The most realistic scenario for defining those steps is one in which the FCC takes the leading role.