

**Summary of Positions of Ken Pfister, Great Plains Communications
FCC Workshop on State and Federal Roles in Intercarrier Compensation Reform
May 18, 2010**

Per-minute ICC is not an impediment to rural broadband deployment. Given limited USF resources, ICC remains essential to the rural carriers' investment in broadband networks.

- For rate-of-return companies, per-minute ICC accounts for about \$1 billion in annual revenue. For large companies with market power, such as AT&T and Verizon with over \$100 billion in revenue each, to contend that ICC is a drag on communications advancement is not credible.
- Switched ICC rates are not deterring AT&T's proposed \$39 billion acquisition of T-Mobile.
- Per-minute rates are utilized as a retail pricing strategy for a variety of transmission technologies.

Discontinuing switched access under § 251(g) is premature. The FCC cannot preempt states' authority to establish reciprocal compensation rates under § 251(b)(5).

- The vast majority of voice traffic still originates and terminates on the public network. In the most rural markets, a majority of customers rely on circuit-switched calling.
- States have unquestionable authority to determine intrastate access rates and rates for traffic subject to § 251(b)(5). The FCC cannot ignore its economic cost rules for § 251(b)(5) traffic to shift costs to rural customers.
- The argument that traffic is jurisdictionally non-severable is factually incorrect. Wireless carriers can submit traffic studies for "safe harbor" purposes, thus proving they can determine a call's jurisdiction. If traffic were non-severable, the Commission's action in the *NPSC/KCC Declaratory Ruling* allowing carriers the alternative of submitting traffic studies in lieu of accepting a "safe harbor" percentage would be meaningless. In the *Declaratory Ruling*, the Commission showed "that it is possible to separate the interstate and intrastate revenues of interconnected VoIP providers for purposes of calculating universal service contributions."

Adoption of a low or zero rate for VoIP traffic will create a "flash cut" end to the switched ICC system since providers will unilaterally declare their traffic to be VoIP.

- Treating VoIP traffic differently than all other switched traffic that traverses the PSTN will cause the ultimate arbitrage and will disrupt phased, orderly ICC reform.
- There is no legal or policy basis for applying bill and keep or an extremely low rate to PSTN traffic. Under any credible methodology, a rate of \$0.0007 or thereabouts is far below cost for most if not all providers. The parties advocating for extremely low rates have invested little in rural infrastructure and are unlikely to do so in the future.

ICC reform can be legally accomplished by incenting state funds through federal matching of state contributions and/or higher local rates.

- The law envisions a joint federal-state responsibility for universal service.
- Since the level of federal funding is insufficient to achieve universal broadband availability, states should be incented to take actions to supplement federal support. The FCC can condition receipt of a portion of federal funding based on states reducing switched access rates, with states making up the difference with a state USF and/or end user increases at a state's discretion.

Carrier-specific ICC rates should not be eliminated in favor of a standardized rate. The market would never set a rate for valuable networks resources far below cost.

- Regulators should proceed cooperatively to set carrier-specific rates that reflect the cost of the areas served. No service provider should ever be expected to provide service for free or far below cost. Rates should be cost based.
- IXCs must not be permitted to exercise "self-help" by withholding payments of legally tariffed charges.