

**SPRINT NEXTEL CORPORATION**  
**“State and Federal Roles in ICC Reform”**  
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The overarching goal of intercarrier compensation reform should be to promote competition which drives investment and innovation. Policymakers can further competition by fully implementing the directive of the 1996 Act to remove implicit subsidies from intercarrier compensation mechanisms. To accomplish this goal, carriers should largely recover costs from their own customers and any shortfalls that good public policy dictates require support, should be covered by explicit funding mechanisms.

A national market for all-distance telecommunications has developed as long distance calls have been included either in bundles of services with local calling or as part of an all-distance domestic calling service by LECs, wireless carriers, cable companies and IP voice providers. Consumers have migrated to wireless services that operate nationwide, with over a quarter having dropped wired services altogether and more than 90% of the population uses wireless devices. Given the development of the all-distance market, the FCC is the appropriate regulatory body to set physical interconnection and compensation policy. State regulators, being closest geographically to customers, have an important role to play in identifying unserved areas and recommending explicit mechanisms that will promote voice and broadband competition in these unserved areas. State regulators should also continue the unification of access charges by mirroring interstate rates, as many states have already done.

Both the FCC and state commissions should recognize and encourage a competitive all-distance telecommunications market. Policies aimed at supporting the provision of service in unserved areas should be narrowly targeted and ensure any support does not interfere with the operation of competitive services. No provider should receive implicit subsidies. The value of voice calling to both the called and calling party should be recognized and as a result, interconnection should be settlements free.

LECs have been aware for many years that major reforms could reduce their existing ICC revenues. In general, the evidence suggests that LECs have already taken steps to minimize their exposure to reduced subsidies, including, 1) investing in more efficient, lower cost, more productive networks (more fiber in transport, packet technology), 2) developing new revenue streams and opportunities such as broadband services, video entertainment, and bundled service offerings, and 3) pressing state commissions for reform of local service rates

Any revenue replacement mechanism should be extremely limited in size and duration and provided only upon a demonstration of need and assurance that the proceeds will not distort competition. There is no federal statute that guarantees LECs the same level of revenue, regardless of how they perform in the market. The 1996 Act mandates recovery of the cost of terminating traffic originated by another provider through either bill-and-keep or incremental cost. It's been 15 years and it is well past the time for those basic premises to be accomplished.