

Lawyers, Guns & Money –  
VoIP & Intercarrier  
Compensation Reform

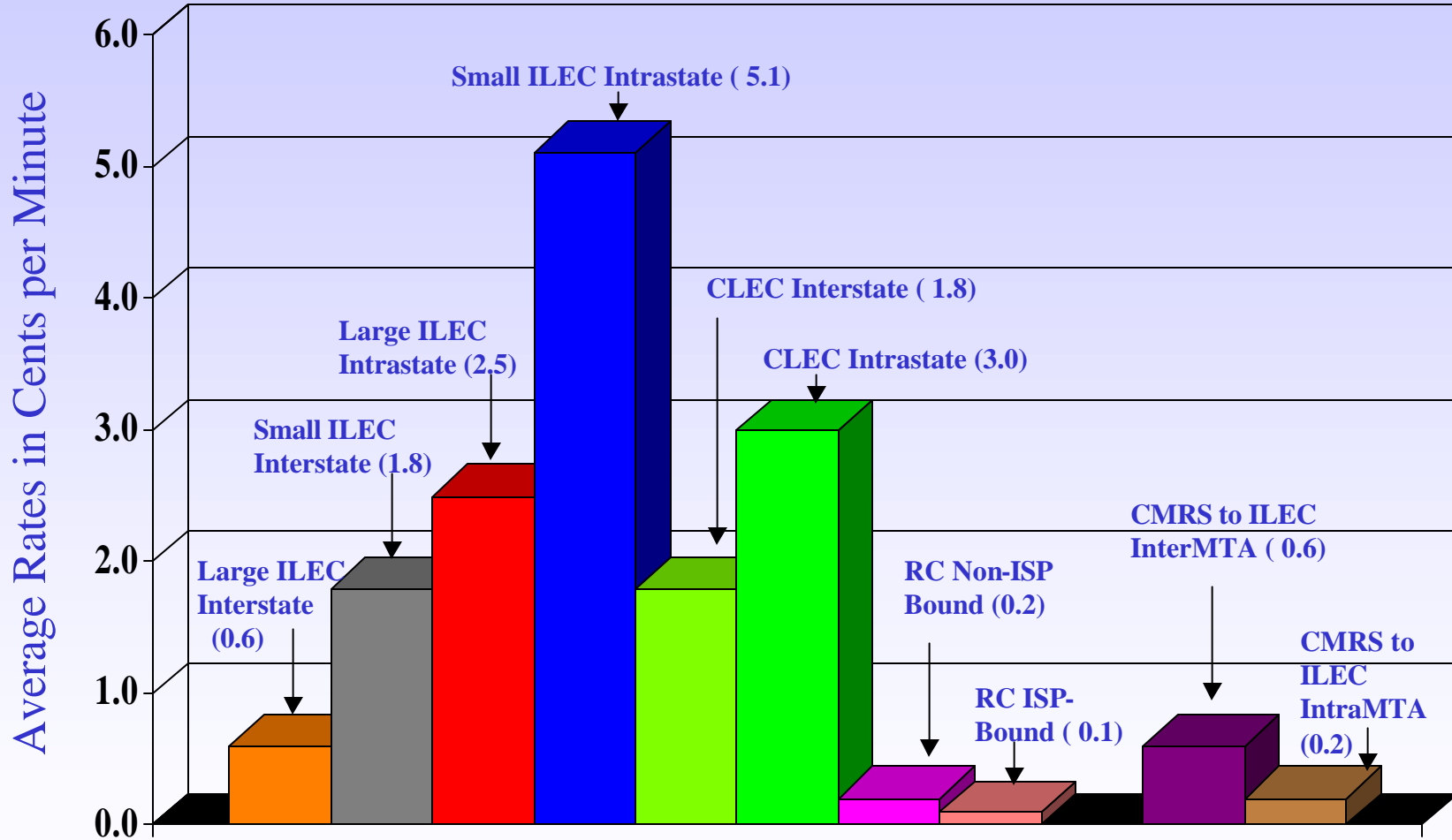
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Spring VON Conference

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# The System is Broken

- Even When the Services are Fundamentally Alike, the Present System:
  - Establishes financial responsibility for the origination, interconnection and termination of traffic in a disparate and uneconomic manner;
  - Applies different rate structures; and
  - Applies different rate levels.
- Competition and new technology make this system obsolete and unsustainable.

# Intercarrier Compensation Rates

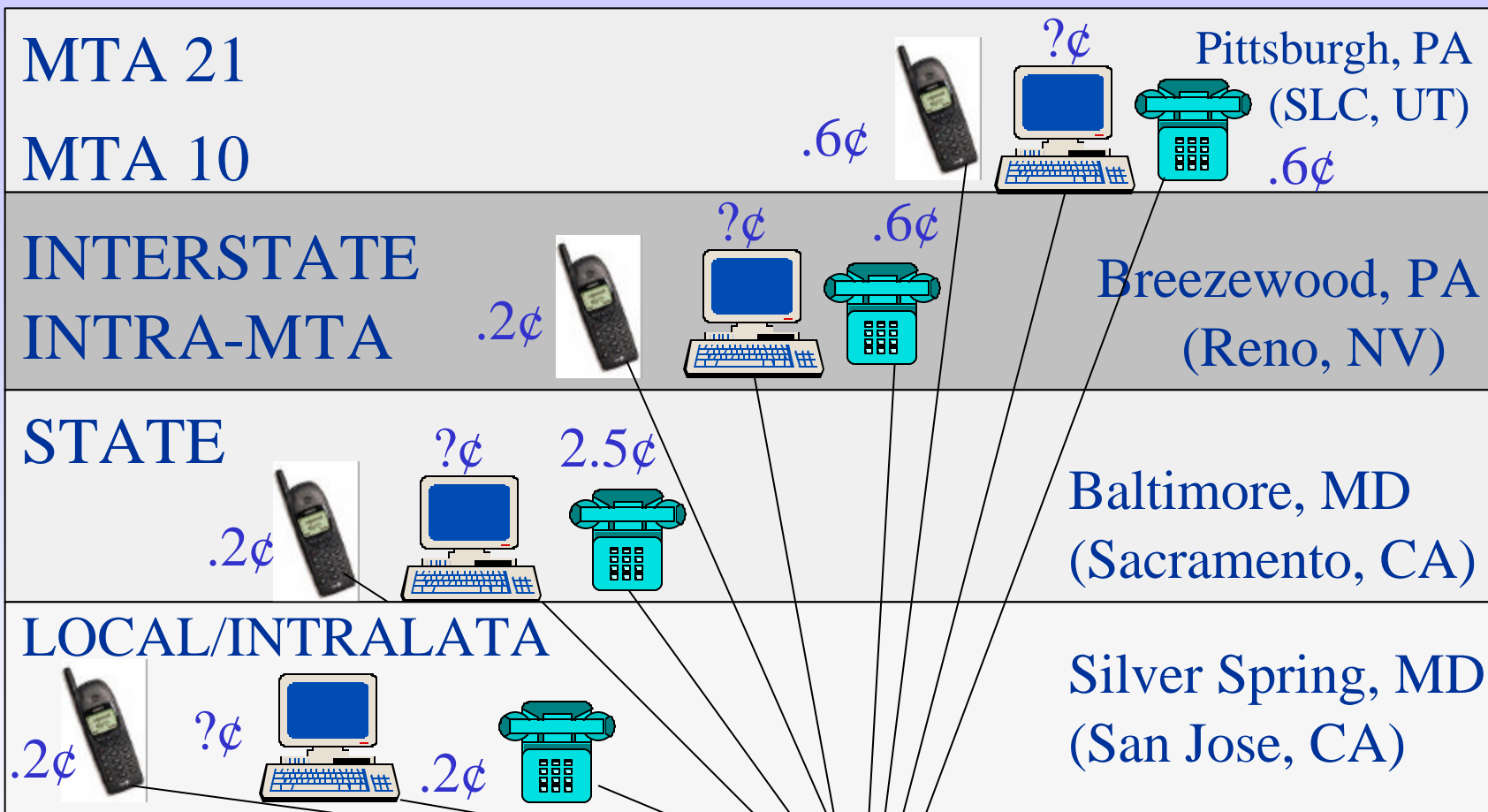


**High (¢/min):** 1.5    8.9    9.9    34.9    6.8    35.9    0.3    0.1    8.9    0.3  
**Low (¢/min):** 0.5    0.3    0.4    0.7    0.2    0.4    0.0    0.0    0.2    0.0

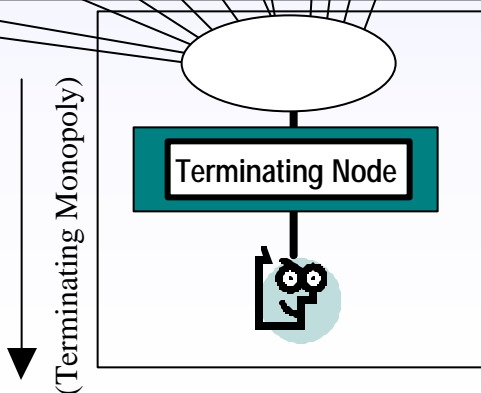
# VoIP & Intercarrier Comp. Today – Different Views

	CenturyTel	BellSouth	Verizon	SBC	Qwest	Level 3
<b>Info. Service?*</b>	No	Sometimes	?	Yes	Yes	Yes
<b>Interstate Access Applies?</b>	Yes if IP User not phys. local	Yes if IP User not phys. local	Yes (by NPA-NXX)	Yes	Yes if ESP not in local calling area	No (for IP-PSTN carrier exchange)
<b>Intrastate Access Applies?</b>	Yes if IP User not phys. local	Yes if IP User not phys. local	Yes (by NPA-NXX)	No	?	No (for IP-PSTN carrier exchange)
<b>Recip. Comp for "local" dialed?</b>	Yes (but only if IP User phys. local)	Yes (but only if IP User phys. local)	Yes (by NPA-NXX)	No	Yes (but only if ESP in local calling area)	Yes (for IP-PSTN carrier exchange)

# CURRENT INTERCARRIER COMPENSATION MECHANISM

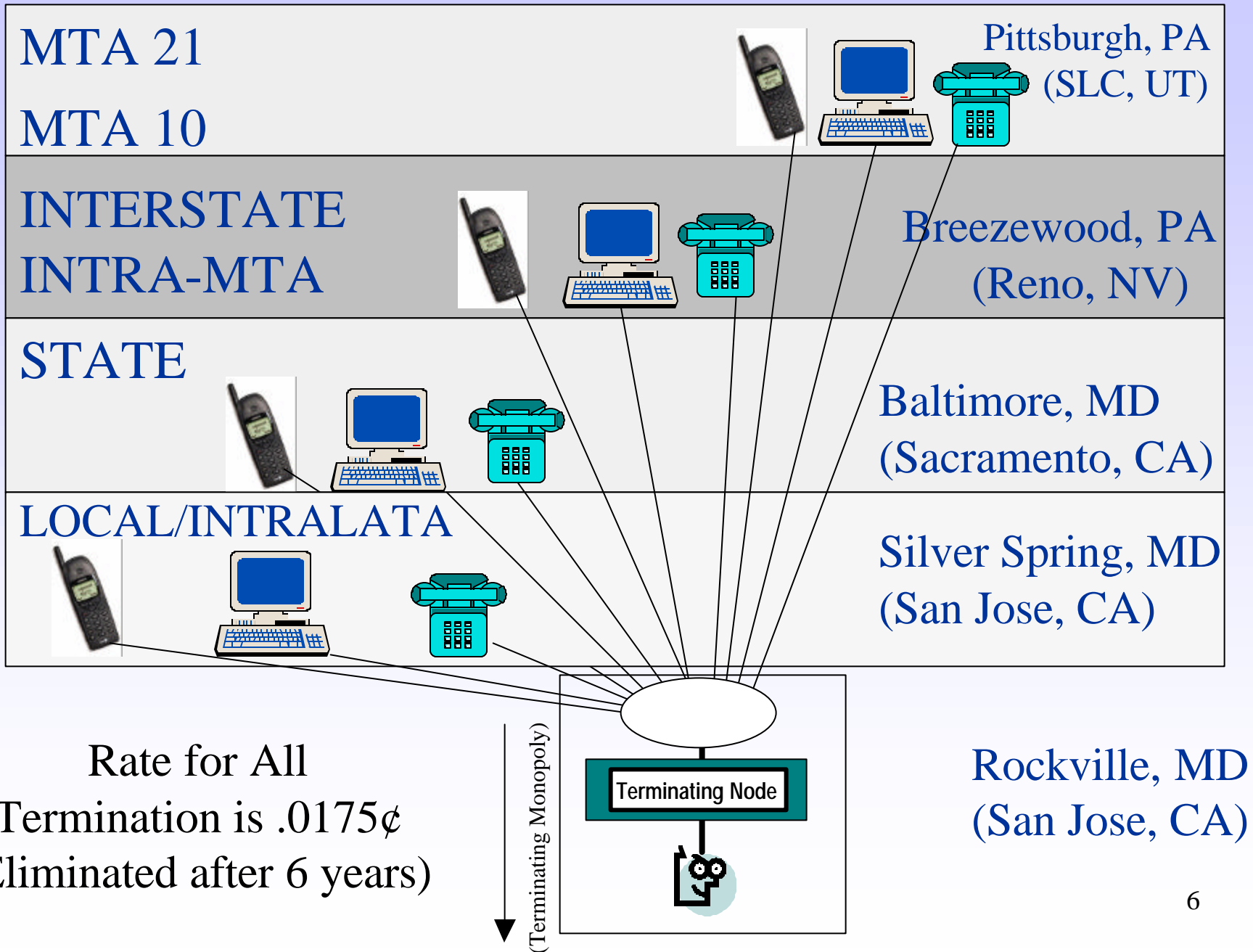


Current Intercarrier  
Compensation Rates for  
Terminating Traffic



Rockville, MD  
(San Jose, CA)

# ICF PLAN: TERMINATION RATES AFTER 3 YEARS



# The ICF Results After 3 Years

- The ICF Plan Achieves:
  - Uniform Network Interconnection Rules.
  - Uniform Rate Structure.
  - Uniform Rate Levels.
  - Universal Service Reform and Stability.
- The ICF Plan Resolves the Myriad of Problems Present in Today's Broken System.

# Key Features of the Plan

- The Plan has three primary components:
  - Rate Restructuring
    - The Plan begins to restructure rates on July 1, 2005 to bring immediate relief from today's broken system.
    - Staged transition achieves a uniform system of intercarrier compensation on July 1, 2008, with a single termination rate of \$0.000175/minute for all traffic.
    - This termination rate remains unchanged for two years and then transitions to zero by July 1, 2011.
    - Plan includes protections for rural America, including a continuing optional transport revenue stream for rural carriers.
  - Network Interconnection
    - The Plan contains clear and explicit network rules regarding the technical and financial obligations for the efficient interconnection of diverse carrier networks.
    - New rules take effect on July 1, 2007, giving carriers sufficient time to implement.
    - Network rules provide a framework for voluntary carrier negotiations.
  - Universal Service
    - New explicit support replaces implicit support in intercarrier compensation.
    - Stabilizes and broadens the universal service funding base.
    - Plan contains modifications that enhance incentives for rural investment.



# **The ICF Plan is Good for U.S. Consumers and the Economy**

- Consumers will have access to more services and competition once the rules of the road are revamped.
- The Plan will cause minimal disruption to consumer bottom lines.
- The Plan protects low income consumers.
- Rural consumers will have more choice and less restrictive calling options.
- The Plan ensures robust rural networks and preserves and advances universal service.
- The Plan facilitates business planning and access to capital by creating certainty in the telecom industry.
- The Plan revises the rules of the road to accommodate both existing and new technologies.