Resolution Regarding The Development of a Unified "Bill-and-Keep" Intercarrier Compensation Regime

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WHEREAS, The Federal Communications Commission's (FCC's) Office of Plans and Policy on December 13, 2000 released two working papers proposing new ways of analyzing inter-carrier compensation; and

WHEREAS, On April 27, 2001, the FCC released a Notice of Proposed Rulemaking (NPRM, FCC 01-132) seeking comments on modifications to existing intercarrier compensation agreements and on the feasibility of a unified compensation regime based on a bill-and-keep approach or other alternatives that would encourage efficient use of, and investment in, telecommunications networks, and would promote the development of competition; and

WHEREAS, This regime may apply to interconnection arrangements between all types of carriers interconnecting with the local network, and all types of traffic passing over the local network; and

WHEREAS, The FCC is considering moving both state and interstate access to a proposed version of a "bill-and-keep" system of compensation; and

WHEREAS, Long distance companies would see reduced expenses as their access costs would be shifted to the end-users; and

WHEREAS, The FCC's NPRM recognizes that such reform may increase the total end-user prices and affect universal service; and

WHEREAS, The impact of this proposal has not been examined or referred to the Separations or the Universal Service Joint Board; and

WHEREAS, Under a unified bill-and-keep regime, consumers would pay a substantial part of the access costs for terminating a call at their home, even if it was a call they did not wish to receive; and

WHEREAS, It is unknown whether bill-and-keep will:

1. provide fair compensation to each carrier in the market, especially if there are imbalances in the type or volume of traffic between the carriers;
2. maintain a reasonable link between the "cost-causer" and the "cost-payer";
3. provide appropriate economic signals to carriers and their customers;
4. lead to cross-subsidies between low and high volume customers or other customer classes; or
5. create perverse incentives regarding infrastructure development, network configuration, or points of interconnection; and

WHEREAS, The FCC's proposal will change the dividing line between costs recovered through traditional interstate services and those recovered as part of the local bill; and

WHEREAS, Parties require sufficient information regarding the effect on intrastate ratepayers to provide informed comments; and

WHEREAS, A notice and comment proceeding will not adequately address impacts on states; and

WHEREAS, It is unclear whether the FCC intends to wait until after the CALLS agreement expires or will act sooner; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) convened in its July 2001 Summer Committee Meetings in Seattle, Washington, strongly recommends that prior to adoption, the effect of any unified or bill-and-keep regime on market issues be fully investigated by both the federal and state regulators; and be it further

RESOLVED, That prior to further consideration of a unified or bill-and-keep system, NARUC advocates the FCC refer the proposals and cost allocation issues to the Separations Joint Board for purposes of determining the effect on intrastate and interstate ratepayers and refer universal service issues to the Universal Service Joint Board; and be it further

RESOLVED, That NARUC opposes a federal unified compensation regime based on bill-and-keep or other alternatives that would preempt state interconnection policies at this time and absent input from the states; and be it further

RESOLVED, That the NARUC General Counsel be directed to file and take any appropriate actions to further the intent of this resolution.

Sponsored by the Committee on Telecommunications

Adopted by the NARUC Board of Directors, July 18, 2001.