

# NEWS

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**Federal Communications Commission**  
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**Washington, D. C. 20554**

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See *MCI v. FCC*, 515 F.2d 385 (D.C. Cir. 1974).

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FOR IMMEDIATE RELEASE:  
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## **FEDERAL COMMUNICATIONS COMMISSION RESOLVES CARRIER COMPENSATION RULES FOR INTERNET TRAFFIC**

### ***Reciprocal Compensation Ruling and Accompanying Proposal for a Unified Carrier Compensation System Provide Regulatory Stability and Fairness for Carriers***

Washington, D.C. – Today, the Federal Communications Commission (FCC) announced the adoption of new rules to clarify the proper intercarrier compensation for telecommunications traffic delivered to Internet service providers (ISPs). The Commission concluded that telecommunications traffic delivered to an ISP is interstate access traffic, specifically “information access,” thus not subject to reciprocal compensation. Additionally, rather than immediately eliminate the current system, which has created opportunities for regulatory arbitrage and distorted market incentives, the Commission established a transitional cost recovery mechanism for the exchange of this traffic.

Inter-carrier compensation refers to payments among telecommunications carriers resulting from their interconnecting networks. Reciprocal compensation refers to the payments among carriers for the origination and termination of local telecommunications traffic (there is a separate payment scheme for payments for “long distance” calls, referred to as access charges). The Commission concluded that reciprocal compensation has inherent shortcomings with respect to the recovery of costs for originating and terminating telecommunications traffic delivered to ISPs.

In conjunction with the reciprocal compensation Order released today, the Commission also released a related Notice of Proposed Rulemaking (NPRM) concerning a Unified Inter-carrier Compensation Regime (see attached news release). Both proceedings seek to harmonize the Commission’s patchwork of inter-carrier interconnection rules to make them compatible with a deregulated, competitive telecommunications environment. The Commission will also conclude the competitive local exchange (CLEC) access charges proceeding soon.

The basic structure of the interim, transitional recovery scheme for reciprocal compensation is as follows:

- For the first six months following the effective date of this Order, inter-carrier compensation of ISP-bound traffic will be capped at a rate of \$.0015/minute-of-use (mou). For the 18 months thereafter, the rate will be capped at \$.0010/mou. Thereafter, the rate will be capped at \$.0007/mou.

- The rate caps for ISP-bound traffic apply only if an incumbent LEC offers to exchange all local traffic at the same rate.
- A cap will be imposed on total ISP-bound minutes for which a local exchange carrier (LEC) may receive this compensation equal to the number of ISP-bound minutes for which that LEC was previously entitled to compensation, plus a ten percent growth factor.
- To identify ISP-bound traffic, the Commission adopts a rebuttable presumption that traffic exchanged between carriers that exceeds a 3:1 ratio of terminating to originating traffic is ISP-bound traffic subject to the compensation mechanism set forth in this Order.

### **Background**

The Commission released a Reciprocal Compensation Declaratory Ruling on February 26, 1999, which concluded that ISP-bound traffic was “jurisdictionally mixed and largely interstate, and the reciprocal compensation obligations do not apply to this traffic.” Reciprocal compensation continued, however, under the then-existing contracts of carriers, and the Commission issued a NPRM requesting comment on the most appropriate inter-carrier compensation mechanism for ISP-bound traffic.

On March 24, 2000, prior to release of a decision addressing these issues, the Court of Appeals for the District of Columbia Circuit vacated certain provisions of the Commission’s reciprocal compensation ruling and remanded the matter to the Commission. Today’s Order resolves the issues remanded by the court.

-FCC-

Docket Nos.: CC 96-98, 99-68

Action by the Commission April 19, 2001, by Order on Remand and Report and Order (FCC 01-131). Chairman Powell and Commissioners Ness and Tristani, with Commissioner Furchtgott-Roth dissenting and Chairman Powell and Commissioner Furchtgott-Roth issuing separate statements.

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