SEPARATE STATEMENT OF
CHAIRMAN MICHAEL K. POWELL

RE: Developing a Unified Intercarrier Compensation Regime (CC Docket No. 01-92).

Today we act to begin the second-phase of our unified intercarrier compensation docket. This proceeding sets in motion an ambitious task for the agency because it touches upon two of our most cherished principles – ensuring fair competition and protecting universal service. Currently, different compensation rules apply to different types of traffic even if carriers are using the Public Switched Telephone Network in the same way. In today's rapidly changing telecommunications marketplace, however, different treatment creates both opportunities for regulatory arbitrage and incentives for inefficient investment and deployment decisions. These disparities mean that we simply do not have a choice to reform the current intercarrier payment system; we must, or technology will render it a quaint antique of a forgotten time when only one carrier provided service to all customers.

A number of parties have proposed answers to the interrelated set of questions we pose today – including the Intercarrier Compensation Forum (ICF), Western Wireless, the Alliance for Rational Intercarrier Compensation (ARIC) and the Expanded Portland Group (EPG). The record generated from previous Commission inquiries into this subject teaches us that certain abiding principles must be followed if intercarrier reform is to be durable. First, rate structures should be *unitary* and must eliminate arbitrage opportunities between federal and state jurisdictions and between local and long distance termination rates. Second, our rules should better reflect sound economic principles. In my view, a regime built upon "bill-and-keep" proposals is the solution that is most faithful to principles of cost causation. As the staff report demonstrates, a bill and keep regime encourages the development of competition by rewarding carriers based on their ability to serve customers efficiently rather than their ability to exploit regulatory arbitrage opportunities. It sends rational pricing signals to the market because consumers are equipped with information that allows them to avoid higher cost networks. Third, to the extent reforms are made to our compensation rules that raise universal service concerns from rural carriers, forgone access revenues should be replaced by support mechanisms that are both explicit and portable. By adhering to these principles we ensure that our compensation rules are competitively neutral and support the goal of achieving lasting facilities-based competition.

I am disappointed that the Commission was unwilling to resolve most of the disputes that have been raised in declaratory ruling petitions – many of which have been pending for years. The Wireline and Wireless Bureaus jointly proposed a balanced solution to these very difficult issues and it is unfortunate that some of my colleagues declined to fully consider the merits of this proposal. This Commission bears an important responsibility to provide regulatory clarity to parties who have waited for years in intractable intercarrier disputes. I have heard the concerns of some who argue that the Commission should avoid a piecemeal approach – but the torrent of state litigation that we leave unresolved is far more piecemeal and disruptive to carriers than decisions by

this Commission. I urge my colleagues to reconsider their positions and act upon the pending petitions for declaratory ruling expeditiously – these problems are not going to get any easier with time.