

**STATEMENT OF
FCC COMMISSIONER KATHLEEN Q. ABERNATHY**

Re: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Further Notice of Proposed Rulemaking (adopted February 10, 2005).

I am pleased that the Commission is launching this important rulemaking regarding intercarrier compensation. There is no shortage of metaphors to describe these rules that have been developed by the FCC and state commissions over the previous decades — quicksand and quagmire leap to mind — and all of them recognize the troubled state of affairs for the industry and consumers. The rules are premised on at least two eminently sound principles: ensuring full compensation for the costs of building and operating telecommunications networks, and promoting universal service in all areas of the Nation. But a system premised on neat jurisdictional distinctions (intrastate versus interstate) and legacy service categories (telecommunications service versus information service) is no longer sustainable in light of the inexorable march of technological innovation and marketplace convergence.

As reflected in the varying proposals submitted in the record, we are a long way from reaching consensus on appropriate reforms. But the good news is that most, if not all, industry and consumer groups recognize the crying need for change, and most appear to agree that we must develop a *unified* compensation system. The upcoming proceeding will determine whether the best solution is a unified system based primarily on bill-and-keep principles, or instead one that entails positive payments based on embedded or forward-looking costs. The one certainty is that the status quo must yield, because it is increasingly untenable to have carriers subject to several vastly different rate structures depending on arcane service classifications and jurisdictional assignments. Until policymakers develop a fairer and simpler set of requirements, connecting carriers unfortunately will remain embroiled in disputes over payment obligations, and many will continue to devise ways to avoid payment or bypass the public switched network altogether.

I am disappointed that the Commission was unable to resolve the disputes that have been raised in declaratory ruling petitions and have been pending for some time. I am also disappointed that several of my colleagues refused to allow the Commission to seek comment on the staff analysis of intercarrier compensation reform proposals. I would encourage commenters to read this analysis and submit any comments they may have.

I am encouraged, however, that we are commencing the reform process in earnest, and I look forward to working with my colleagues in an open dialogue where all options are on the table. I also want to thank all of the industry groups, state regulators, and others who have been laboring for more than a year to develop comprehensive reform proposals, and I urge all of you to say involved and to be open to compromise solutions. The Commission cannot possibly duplicate the knowledge base of the industry, and our

best hope for a workable reform involves continued discussions with all of the interested parties.