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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 20

[CC Docket No. 01-92; FCC 14-134]

Developing a Unified Intercarrier Compensation Regime; T-Mobile et al. Petition for Declaratory Ruling Regarding Incumbent LEC Wireless Termination Tariffs

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: This Order on Remand responds to the court’s directive, and specifically examines the interplay between the T-Mobile Order and the rural exemption rule. The Ninth Circuit found that the Commission’s T-Mobile Order did not adequately analyze the order’s affects upon the rural exemption rule in of the Communications Act of 1934, remanding the order to the Commission for “for further consideration.”

DATES: This Order is effective **[INSERT DATE 30 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].**

ADDRESSES: Federal Communications Commission, 445 12th Street, SW, Washington, DC 20554.

FOR FURTHER INFORMATION CONTACT: Victoria Goldberg, Wireline Competition Bureau, Pricing Policy Division, (202) 418-1540 or Victoria.goldberg@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission’s Order on Remand CC Docket No. 01-92, FCC 14-134, adopted September 15, 2014 and released September 17, 2014. This document does not contain information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified “information collection burden for small business concerns with fewer than 25 employees,” pursuant to the Small Business Paperwork Relief Act of 2002. As we are adopting no rules in this Order on Remand, no regulatory flexibility analysis is required. The

full-text of this document may be downloaded at the following Internet address:

<http://www.fcc.gov/document/commission-finds-2005-t-mobile-order-not-odds-rural-exemption>.

The complete text may be purchased from Best Copy and Printing, Inc., 445 12th Street, SW., Room Cy-B402, Washington, DC 20554. To request alternative formats for persons with disabilities (e.g., accessible format documents, sign language, interpreters, CARTS, etc.), send an email to fcc504@fcc.gov or call the Commissions Consumer and Governmental Affairs Bureau at (202) 418-0530 or (202) 418-0432 (TTY).

I. INTRODUCTION

1. In response to claims by Commercial Mobile Radio Service (CMRS) providers that incumbent local exchange carriers (LECs) were filing state tariffs charging excessive rates for terminating wireless-originated local traffic on their wireline networks, the Commission in its 2005 T-Mobile Order adopted a rule banning such wireless termination tariffs on a prospective basis. Two incumbent LECs sought judicial review, arguing that the rule conflicted with the “rural exemption” in section 251(f)(1) of the Communications Act of 1934 (the Act), which exempts rural incumbent LECs from certain market-opening requirements imposed on incumbent LECs by section 251(c) unless a state commission terminates that exemption according to specified criteria. Finding that the T-Mobile Order did not adequately analyze and explain the effects of its rule on the rural exemption in section 251(f)(1), the United States Court of Appeals for the Ninth Circuit last year “remand[ed]” the T-Mobile Order to the FCC “for further consideration.”

2. This Order on Remand responds to the court’s directive. Specifically, the Commission examines the interplay between the T-Mobile Order and the rural exemption set forth in section 251(f)(1)(A). As explained below, the T-Mobile Order was based on the Commission’s plenary authority under sections 201 and 332 of the Act, and the rural exemption contained in section 251(f)(1)(A) only relieves rural LECs from complying with obligations

arising under an entirely separate statutory provision, i.e., section 251(c) of the Act. Accordingly, we conclude that the T-Mobile Order rule prohibiting the filing of wireless termination tariffs for non-access traffic is not at odds with the section 251(f)(1) rural exemption.

II. BACKGROUND

A. Interconnection and Compensation Arrangements

3. LEC/CMRS Interconnection Regime. The Commission established rules governing interconnection between LECs and CMRS providers in 1994. Pursuant to its authority under sections 201(a) and 332 of the Act, the Commission adopted rules requiring LECs and CMRS carriers to negotiate in good faith the terms and conditions of interconnection, and pay mutual compensation for the exchange of traffic. As originally adopted, § 20.11 of the Commission's rules required LECs to provide the type of interconnection reasonably requested and also required the originating carrier, whether LEC or CMRS provider, to pay reasonable compensation to the terminating carrier in connection with traffic that terminates on the latter's network facilities. As a general matter, early decisions addressing CMRS interconnection issues indicate that the Commission intended for these arrangements to be negotiated agreements between the parties and also reflect an expectation that tariffs would be filed only after carriers had negotiated agreements.

4. Section 251 Duties. Adopted as part of the Telecommunications Act of 1996 (1996 Act), section 251 of the Act provides a graduated set of interconnection requirements and other obligations designed to foster competition in telecommunications markets. The nature and scope of these obligations vary depending on the type of service provider. Section 251(a) sets forth general duties applicable to all telecommunications carriers, including the duty "to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers." Section 251(b) sets forth additional duties for LECs pertaining to resale of services, number portability, dialing parity, access to rights-of-way, and reciprocal compensation – the

duty of LECs to establish reciprocal compensation arrangements for the transport and termination of telecommunications (i.e., arrangements for exchange of traffic terminating on another carrier's network). Section 251(c) sets forth the most detailed obligations, which apply only to incumbent LECs. These section 251(c) obligations include, among other things, the duty to "negotiate in good faith in accordance with section 252 the particular terms and conditions of agreements" to fulfill the section 251(b) and (c) requirements.

5. The Rural Exemption. Section 251(f)(1)(A), generally known as "the rural exemption," specifies that section 251(c) "shall not apply to a rural telephone company" until the rural telephone company, or rural LEC, has received a bona fide "request for interconnection, services, or network elements," and the relevant state commission determines "that the request is not unduly economically burdensome, is technically feasible, and is consistent with section 254" The Commission has stated that Congress intended exemption from the section 251(c) requirements to be the exception rather than the rule, and to apply only to the extent, and for the period of time, that policy considerations justify such exemption.

6. Section 252. Section 252 of the Act provides that incumbent LECs, upon receiving a request for interconnection under section 251, may seek to negotiate a voluntary interconnection agreement with the requesting carrier. Any party negotiating such an agreement may ask a state commission to mediate any differences. Additionally, section 252(b) sets forth a mandatory arbitration scheme for the resolution of disputes. Further, the final agreement, whether arrived at by negotiation or arbitration, must be submitted for approval to the state commission. The Commission has declined to adopt rules advising the state commissions on how to conduct mediations and arbitrations, and has asserted that the states are in a better position to develop mediation and arbitration rules that support the objectives of the 1996 Act.

B. The T-Mobile Order

7. The T-Mobile Order dealt with certain issues that had arisen in the context of

LEC-CMRS interconnection and traffic exchange. CMRS providers typically interconnect indirectly with incumbent LECs via tandems owned by third parties. In this scenario, a CMRS provider delivers the call to a tandem, which in turn delivers the call to the terminating incumbent LEC. The indirect nature of the interconnection enables the CMRS provider and incumbent LEC to exchange traffic even if there is no interconnection agreement or other compensation arrangement between the parties. This structure led to disputes about whether terminating compensation was due in the absence of a compensation arrangement, as well as the type of intercarrier compensation due. In response, incumbent LECs began filing state tariffs that included wireless termination charges, which some CMRS providers claimed were excessive. In 2002, T-Mobile USA, Inc., Western Wireless Corporation, Nextel Communications and Nextel Partners jointly filed a petition for declaratory ruling asking the Commission to reaffirm “that wireless termination tariffs are not a proper mechanism for establishing reciprocal compensation arrangements for the transport and termination of traffic.”

8. In the T-Mobile Order, the Commission determined that nothing in the 1996 Act or pre-1996 Act requirements specifically prohibited incumbent LECs from filing such state wireless termination tariffs. Given the clear preference for negotiated interconnection agreements reflected in both the 1996 Act and the Commission’s past actions and policies under sections 201(a) and 332, however, the Commission found it in the public interest to preclude the filing of wireless termination tariffs in this context going forward. Accordingly, the Commission amended § 20.11 of its rules to prohibit LECs from imposing non-access compensation obligations on CMRS providers pursuant to tariff. The Commission revised this section of the rules pursuant to its “plenary authority under sections 201 and 332 of the Act.”

9. Recognizing that CMRS providers may lack incentives to enter into agreements for compensation arrangements, the Commission also amended § 20.11 to provide that an incumbent LEC may request interconnection from a CMRS provider and invoke the same

negotiation and arbitration procedures that apply under section 252 of the Act to interconnection requests made by a CMRS provider to an incumbent LEC. This revision also was adopted pursuant to the Commission's authority under sections 201 and 332 of the Act. The Commission did not exempt rural incumbent LECs from the rules adopted in the T-Mobile Order nor did it expressly address how the new tariff prohibition and procedures related to rural incumbent LECs' exemption from section 251(c) under section 251(f)(1) of the Act. Shortly after the T-Mobile Order was released, Ronan Telephone Co. and Hot Springs Telephone Co. (Petitioners) filed a petition for review in the Ninth Circuit. The Ninth Circuit ordered the case held in abeyance until the Commission addressed pending reconsideration requests.

10. In the 2011 USF/ICC Transformation Order, the Commission declined to reconsider, in the context of broader intercarrier compensation reform, certain aspects of the T-Mobile Order. Among the issues considered was whether the Commission had improperly extended the obligations contained in section 252 to providers that are not subject to that provision. The Commission clarified that it did not extend negotiation and arbitration requirements to non-incumbent LECs under section 252, but rather, acting pursuant to sections 201 and 332 and authority ancillary to those provisions and sections 251(a)(1) and 251(b)(5), applied duties "analogous to the [section 252] negotiation and arbitration requirements." Thus, the Commission agreed with parties arguing that references to the negotiation and arbitration procedures in section 252 were intended merely to describe, in an abbreviated manner, duties similar to those applied under section 252.

11. As part of its broader reforms, the Commission also adopted bill-and-keep as the immediately applicable default compensation methodology for non-access traffic between LECs and CMRS providers under § 20.11 and the reciprocal compensation requirements in part 51 of our rules. The Commission reasoned that a federal bill-and-keep methodology for such compensation would address growing confusion and litigation over the appropriate compensation

rates for this traffic and eliminate the incentives for traffic stimulation and regulatory arbitrage. Significantly, the Commission did not abrogate existing agreements or otherwise adopt a “fresh look” in light of its reforms. Thus, carriers bound by an existing compensation agreement would continue to receive compensation pursuant to such agreements until the conclusion of the contract term. On reconsideration, however, the Commission acknowledged that these agreements often contain change of law provisions that would, as a practical matter, result in carriers moving to a bill-and-keep methodology upon the effective date of the rule rather than when the agreement expires. Accordingly, the Commission extended the effective date of the new default-bill-and-keep methodology from December 29, 2011 to July 1, 2012 for situations where carriers were exchanging non-access traffic pursuant to an agreement.

12. Subsequent to the USF/ICC Transformation Order, the Ninth Circuit returned the appeal to the active calendar. In their opening brief to the court, Petitioners maintained that, under section 251(f)(1), rural telephone companies are exempt from the negotiation and arbitration obligations set forth in section 251(c) unless the exemption is terminated by a state public utility commission. They argued that, under the T-Mobile Order, LECs are eligible for compensation for terminating CMRS provider traffic only if they enter into negotiated agreements with CMRS providers or submit to the arbitration process. Thus, they contended that the Commission unlawfully usurped the authority of state commissions by essentially terminating the rural exemption.

13. On August 21, 2013, the Ninth Circuit granted the petition for review and remanded the T-Mobile Order. Specifically, the court observed that Congress had exempted rural telephone companies from certain section 251 obligations generally applicable to incumbent LECs but that, in the T-Mobile Order, the Commission had not included any exemption for rural carriers from the rule prohibiting wireless termination tariffs. Responding to arguments from the petitioners that the rule, effectively eliminated the rural exemption, the court remanded to the Commission to

consider and explain this aspect of the issue. We now address that issue.

14. We confirm that the Commission's T-Mobile Order did not terminate or otherwise affect operation of the rural exemption or rural carriers' rights under that provision. Nor did it affect the states' role in ruling on petitions to terminate the rural exemption in specific circumstances. Although the rural exemption adopted in 1996 excused rural LECs from specific new obligations under section 251, it did not excuse them from obligations established pursuant to other sections of the Act. As discussed above, LECs have long been required to negotiate interconnection agreements in good faith governing both the physical linking of networks and any associated charges. These obligations were adopted pursuant to sections 201 and 332 of the Act, and predate the obligations contained in section 251 adopted as part of the 1996 Act. Like the pre-1996 Act orders adopting the LEC-CMRS interconnection regime, the Commission's actions with respect to that regime in the T-Mobile Order were based on the Commission's plenary authority under sections 201 and 332 of the Act.

15. The adoption of the 1996 Act in general, and section 251 in particular, did not alter the relevant Commission authority under sections 201 and 332 of the Act with respect to the LEC-CMRS interconnection regime. Section 601(c) of the 1996 Act states that "[t]his Act and the amendments made by this Act shall not be construed to modify, impair, or supersede Federal, State, or local law unless expressly so provided in such Act or amendments." The 1996 Act was adopted against the backdrop of Commission regulation of LEC-CMRS interconnection, and nothing in section 251 expressly modified, impaired, or superseded the Commission's efforts. To the contrary, as to section 201, section 251(i) provides: "Nothing in this section shall be construed to limit or otherwise affect the Commission's authority under section 201." Courts likewise have upheld the Commission's continued exercise of sections 201 and 332 authority notwithstanding the adoption of section 251 in the 1996 Act. Thus, sections 201 and 332 provide the basis for the LEC-CMRS interconnection and compensation rules adopted prior to the 1996 Act and an

independent and sufficient basis for the modifications of those rules adopted in the T-Mobile Order.

16. Moreover, the Section 251 rural exemption is limited to exempting rural incumbent LECs from obligations arising under a different statutory provision, i.e., section 251(c) of the Act. Because the amendments to the LEC-CMRS interconnection regime adopted in the T-Mobile Order were supported by the Commission's authority under 201 and 332, the Commission's T-Mobile Order did not terminate or otherwise affect operation or applicability of the rural exemption as to rural LECs. We also emphasize that the T-Mobile Order did not preempt the authority of a state commission under section 251(f)(1) to evaluate and, if appropriate, terminate a carrier's rural exemption.

17. Some parties have contended that, by precluding, as a practical matter, a LEC from receiving compensation from a CMRS provider for providing call termination services unless it enters into an agreement with the CMRS provider, the Commission "eviscerates the rural LEC's exemption from negotiating." This characterization of the rural exemption is incorrect in that it fails to acknowledge the limited scope of the rural exemption, given the specific reference in section 251(f)(1) to section 251(c).

18. Thus, even to the extent that the T-Mobile Order relied, as an alternate basis for authority, on section 251(b), it is not at odds with the section 251(f)(1) rural exemption. In particular, we disagree with Petitioners' claim that the rural exemption extends to obligations in section 251(b) by virtue of a reference to such section in section 251(c). In the CRC/Time Warner Declaratory Ruling, the Commission clarified that rural incumbent LEC obligations under sections 251(a) and (b) can be implemented through the state commission arbitration and mediation provisions in section 252 of the Act independently of the 251(c)(1) negotiation obligation.

19. Finally, the LEC obligations under the LEC-CMRS regime are different from the obligations under the 251 regime. Specifically, the relevant “duty” in section 251(c)(1) is a legal obligation enforceable against the incumbent LEC to negotiate in good faith. To the extent that the T-Mobile Order framework gives a rural incumbent LEC some incentive to negotiate with CMRS providers, that incentive falls well short of a legal duty of the sort at issue in section 251(c)(1). This is particularly true where the rural LEC has other possible options to seek revenues (e.g., from its end users if it can modify its local retail rates), and thus seeking compensation from the CMRS provider is but one alternative.

III. CONCLUSION

20. For the reasons discussed above, we reject claims that the T-Mobile Order “eviscerates the rural LEC’s exemption from negotiating.” For those same reasons, we likewise reject arguments that the Commission’s actions in the T-Mobile Order usurped the authority of state utility commissions to terminate the rural exemption. Thus, in response to the Ronan Remand, we conclude that the T-Mobile Order rule prohibiting the filing of wireless termination tariffs for non-access traffic is not at odds with the section 251(f)(1) rural exemption.

IV. PROCEDURAL MATTERS

A. Final Regulatory Flexibility Act Certification

21. As we are adopting no rules in this Order on Remand, no regulatory flexibility analysis is required.

B. Paperwork Reduction Act Analysis

22. This Order does not contain proposed information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified "information collection burden for small business concerns with fewer than 25 employees," pursuant to the Small Business Paperwork Relief Act of 2002.

C. Congressional Review Act

23. The Commission will not send a copy of this Order on Remand in a report to Congress and the Government Accountability Office pursuant to the Congressional Review Act because no rules are being adopted.

V. ORDERING CLAUSES

24. Accordingly, IT IS ORDERED that, pursuant to the authority contained in sections 1-5, 7, 10, 201-05, 207-09, 214, 218-20, 225-27, 251-54, 256, 271, 303, 332, 403, 405, 502 and 503 of the Communications Act of 1934, as amended, 47 U.S.C. 151-55, 157, 160, 201-05, 207-09, 214, 218-20, 225-27, 251-54, 256, 271, 303, 332, 403, 405, 502, 503, and § 1.1, 1.2 of the Commission's rules, 47 CFR 1.1, 1.2, this Order on Remand in CC Docket No. 01-92 IS ADOPTED.

25. IT IS FURTHER ORDERED that this Order on Remand SHALL BECOME EFFECTIVE [INSERT DATE 30 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FEDERAL COMMUNICATIONS COMMISSION.

Marlene H. Dortch,
Secretary.

[FR Doc. 2014-23515 Filed 10/01/2014 at 8:45 am; Publication Date: 10/02/2014]