

# Intercarrier Compensation, USF High Cost Fund Reform Top FCC Agenda

January 19, 2011

As expected, late yesterday, the FCC announced that it would again attempt to tackle its "holy grail" of regulatory action: reforming carrier-to-carrier compensation mechanisms and the high-cost program of the Universal Service Fund. The FCC has placed a Notice of Proposed Rulemaking addressing both intercarrier compensation and USF reform on its [agenda for February 8](#). The combined NPRM furthers the [National Broadband Plan's](#) promise to refocus FCC policy to supporting broadband networks.

These two topics are at the core of what we cover in this blog. The complicated mix of carrier-to-carrier compensation mechanisms, which make [how](#) a call is classified critical to determining its cost, has engendered significant litigation involving such issues as [VoIP](#), [prepaid calling cards](#), [access charges](#), reciprocal compensation and many others. Meanwhile, the funding and administration of the \$7 billion per year Universal Service Fund is a constant source of [audit issues](#), [enforcement actions](#) and [rulemaking proposals](#).

According to the FCC's release, the February 8 agenda will include a Connect America Fund and Intercarrier Compensation NPRM. The agenda item is described this way:

**Connect America Fund and Intercarrier Compensation Reform NPRM:** A Notice of Proposed Rulemaking to get broadband to all of rural America and spur investment and job creation, by modernizing the Universal Service Fund and intercarrier compensation (ICC) system while cutting waste and inefficiency. Through the use of market-driven, incentive-based policies and increased accountability, the NPRM proposes near-term support for broadband deployment in unserved areas and measures to address ICC arbitrage, as well as a long-term transition from current high-cost support and ICC mechanisms to a single, fiscally responsible Connect America Fund.

Readers should note the reference to "measures to address ICC arbitrage." It appears that some of the compensation issues that have been on hold pending comprehensive intercarrier compensation reform may be singled out for separate action. At the same time, the item raises the long-promised "long term transition" from the current compensation mechanisms. Mark February 8th on your calendar. Will this be the beginning of the end of the FCC's quest?